SUOMEN KESKINÄINEN
POTILASVAKUUTUSYHTIÖ

SOLVENCY AND FINANCIAL CONDITION REPORT 2022 (unofficial translation)

FINNISH MUTUAL PATIENT INSURANCE COMPANY

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BUSINESS ID 3146137-9

Contents

Summary

2022 was Finnish Mutual Patient Insurance Company's second operating year as an insurance company. The company was granted authorisation on 14 December 2020, and the actual insurance business commenced on 1 January 2021. Premiums written for 2022 stood at EUR 28.8 (27.0) million. Claims incurred for the financial year totalled EUR 28.3 (20.6) million. Due to the starting of operations and the long-term nature of patient insurance, the claims paid during the financial year amounted to just EUR 3.8 (0.8) million, while the change in the provision for claims stood at EUR 24.5 (19.8) million. The change in the provision for claims was affected by the adjusted estimates of the Patient Insurance Centre on the level of the collective provision for claims. The changes were based on adjustment of provisions for children's injuries and separating the calculation of the collective provision for claims to hospital districts and the private sector.

The company's operating expenses totalled EUR 2.7 (2.4) million which was in line with the previous year and the budget.

The company's asset management agreements had been made for a fixed period of two years, and the procurement of asset management was implemented in the summer. The tenders received in open proceedings, five in total, were of high quality and met the feasibility requirements set in the call for tenders, except for one tender. Agreements were made with the most advantageous tenderers in overall financial terms, which were OP Varainhoito Oy and Nordea Bank Oyj.

The investment year was challenging, and the outcome deviated significantly from the original forecasts of the analysts and asset managers, and the goals set for 2022 by the company. The market value of the investment portfolio stood at EUR 60.4 (53.0) million on 31 December 2022. The growth of the investment assets was partly due to the allocation of the insurance premiums for 2022 to investment assets. Reductions in value burdened the net return on invested capital, which stood at EUR -5.0 (0.1) million.

Key figures for 2022 (2021):

- Combined ratio 112.3% (88.64%)
- Expense ratio 9.8% (9.2%)
- Operating profit/loss EUR -8.4 (2.8) million
- Profit/loss for the financial year EUR -6.5 (0.8) million
- Return on invested capital at fair values -9.5% (2.0%)
- Own funds EUR 35.1 (33.6) million
- Ratio of own funds to solvency capital requirement 127% (158%)

Other important events:

- No other essential changes took place in the company's system of governance in 2022 except the introduction of the whistleblowing channel, but documentation was complemented and updated according to the annual schedule.
- The company's strategy was updated and specified for years 2022–2026, and a more detailed operating plan for 2023 based on the strategy was drawn up.
- The acquisition of the insurance system started in 2021 was completed and the insurance system was introduced during 2022.

The company's future outlook is positive. The company structure is complete, and co-operation with the shareholders and other customers has started. The company's specialised nature, organisation structure and processes provide good prerequisites for cost-efficient operations in accordance with regulations.

A. Business and performance

A.1 Business

Finnish Mutual Patient Insurance Company is a mutual insurance company, whose domicile is Helsinki and geographical area of operations is Finland. The company specialises in patient insurance for the public medical care. The company was founded by the five university hospital districts in Finland which are presently the four wellbeing services counties listed below and HUS Group. The company offers patient insurance to its owners, and other hospital districts can become the company's customers by joining the insurance policy of a founding shareholder as the insured. In addition, associate corporations and subsidiary corporations wholly owned by public medical care services may be insured.

The company's operations are supervised and audited by the Financial Supervisory Authority (Snellmaninkatu 6, Helsinki, www.finanssivalvonta.fi) and the assigned supervisor in the Financial Supervisory Authority is Tony Airio.

The company's auditor is KPMG Oy Ab (Töölönlahdenkatu 3 A, 00101 Helsinki) and the auditor with principal responsibility is Marcus Tötterman, Authorised Public Accountant.

The ownership shares of the Finnish Mutual Patient Insurance Company's shareholders of the guarantee capital are listed below:

33.5 % Hospital District of Helsinki and Uusimaa	from 1.1.23 HUS Group
24.3 % Hospital District of Southwest Finland	from 1.1.23 Wellbeing services county of Southwest Finland
18.5 % Northern Ostrobothnia Hospital District	from 1.1.23 Wellbeing services county of North Ostrobothnia
12.4 % Hospital District of Northern Savo	from 1.1.23 Wellbeing services county of North Savo
11.3 % Pirkanmaa Hospital District	from 1.1.23 Wellbeing services county of Pirkanmaa

The company is not part of a group. HUS Group and the wellbeing services county of Southwest Finland each own more than 20 per cent of the company's guarantee capital, and they are the company's related parties in accordance with the Insurance Companies Act.

The company's insurance business operations commenced on 1 January 2021 when the new Patient Insurance Act (948/2019) entered into force and at the same time the patient insurances of the founding shareholders were recorded in the company's insurance register. Thus 2022 was the company's second operating year as an insurance company. The company is a member of e.g. the Patient Insurance Centre and Finance Finland. Premiums written for the company's reporting period stood at EUR 27.6 (25.9) million.

No essential changes took place in the company's system of governance during the financial year, but its documentation was complemented and updated according to the annual schedule. The building of the company's organisation was completed in 2021, and there were no changes in the organisation or personnel in 2022. Of key control functions, only Internal Audit is outsourced, and there were no essential changes in the said outsourcing in 2022.

The company's strategy was updated and specified for years 2022–2026, and at the same time a more detailed operating plan for 2023 based on the strategy was drawn up. In 2021, a concept was drawn up for insuring other than university hospital districts, and it remained unchanged during the financial year. Insuring is based on the agreements on organising catchment areas for highly specialised medical care which are applied from 1 January 2023 on as co-operation agreements of collaborative areas. Through these, the wellbeing services counties can be insured under the insurance policy of the relevant university wellbeing services counties. Furthermore, the company has enabled joining subsidiary corporations and associate corporations of wellbeing services counties to the insurance policies. During 2022, the wellbeing services county of Kymenlaakso and the wellbeing services county of South Karelia and one subsidiary and associate corporation made a decision on joining.

A.2 Performance

Premiums written for 2022 stood at EUR 28.8 (27.0) million. The pay-as-you-go payment collected from the policyholders and paid to the Patient Insurance Centre is not included in the company's premiums written. The company had made an excess of loss reinsurance agreement for the financial year which covers losses in excess of EUR 5 million up to EUR 20 million. Reinsurers' share of premiums written amounted to EUR 1.2 million. Thus premiums written for 2022 stood at EUR 27.6 (25.9) million.

Claims incurred for the financial year totalled EUR 23.8 (20.6) million. Due to the starting of operations and the long-term nature of patient insuring, the claims paid during the financial year amounted to just EUR 3.8 (0.8) million, while the change in the provision for claims stood at EUR 24.5 (19.8) million. The change in the provision for claims was affected by the adjusted estimates of the Patient Insurance Centre on the level of the collective provision for claims. The changes were based on adjustment of provisions for children's injuries and separating the calculation of the collective provision for claims to hospital districts and the private sector. Furthermore, the level of provision of loss adjustment expenses reserved for the payment of compensations increased. The effect of change in technical provisions was EUR 6.15 million, of which the share of collective provision was EUR 4.63 million and that of the provision of loss adjustment expenses was EUR 1.52 million.

In accordance with the above, the balance on technical account before change in equalisation provision was EUR -3.4 (2.9) million. EUR 2.0 million was discharged from the equalisation provision. Thus the balance on technical account stood at EUR -1.4 (0.9) million.

Operating expenses totalled EUR 2.7 (2.4) million. The most significant items were the administrative charge of the Patient Insurance Centre, personnel expenses, and the IT administration and legal expenses paid to suppliers and partners outside the company. The investment year was challenging, and reductions in value burdened the net investment performance which stood at EUR -5.0 (-0.1) million.

Thus the loss for the financial year was EUR –6.5 (0.8) million.

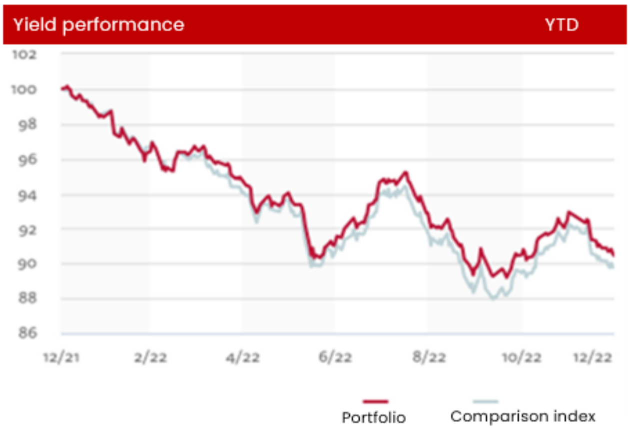
Due to three new customers and changes in premium bases the premiums written will increase in 2023.

A.3 Investment performance

Finnish Mutual Patient Insurance Company has outsourced the implementation of investment activities to two asset managers. In outsourcing asset management, only reputable partners operating in the industry with an established business model are used. The company's asset management agreements had been made for a fixed period ending in November 2022, and hence the procurement of asset management was implemented in the summer. New agreements were made with OP Varainhoito Oy and Nordea Bank Oyj.

The company started investment activities in February 2021. Investment year 2022 was exceptional on the market. The estimates of analysts and experts on the temporary nature of high inflation turned out to be wrong. The pandemic, bottlenecks in production, the war in Ukraine and the subsequent energy crisis accelerated the inflation and made the markets decline. The positive correlation between the equity and fixed income markets also partially explains the extent of loss in 2022.

Net income from investments on invested capital at fair values stood at -9.5% (2.0%). Fixed income investments yielded -12.7% (-0.5%), equity investments -13.3% (16.3%), real property investments 3.8% (0.3%), and alternative investments -3.0% (0%), calculated at fair values, just winning the comparison index. Net income from investments at book values showed a loss of EUR -5.0 (0.1) million.



The market value of the company's investment portfolio stood at EUR 60.4 (53.0) million at year-end, divided into fixed income investments at 66.4% (67.1%), equity investments at 8% (17.4 %), real property investments at 20.7% (15.5%), and alternative investments at 4.8% (0%). Due to the tendering of asset management and change of asset managers, part of the realisations of the portfolio were in progress at the end of the financial year, which affected the allocation. Thus cash in hand and at banks amounted to more than usual, totalling EUR 14.3 (5.6) million, at the end of the financial year.

The company has not recorded profit or loss in shareholders' equity, and the company has not made investments in securitisation. Valuation difference at year-end totalled EUR 0.4 (1.5) million.

A.4 Performance of other activities

Finnish Mutual Patient Insurance Company has no other business activities except what is presented in section A1.

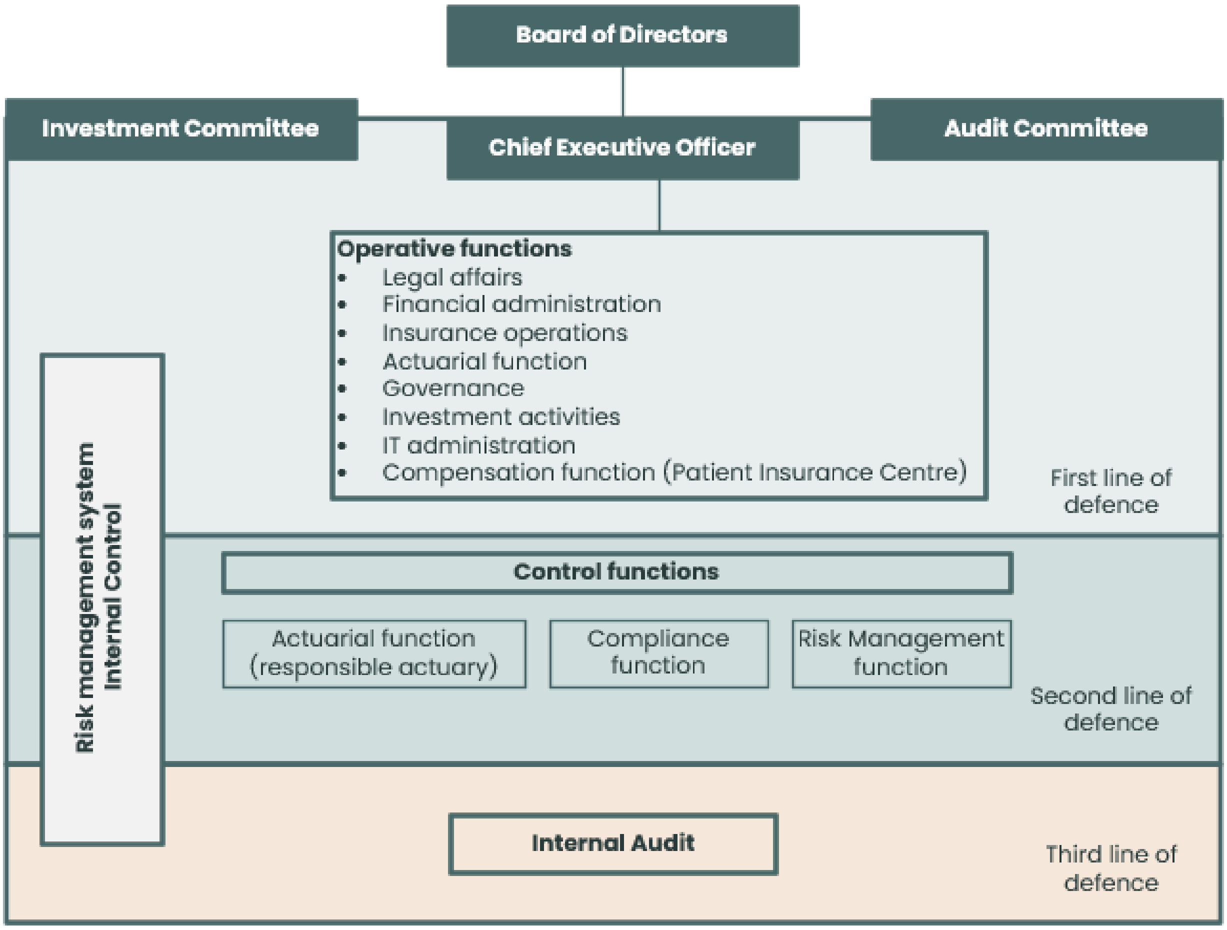
A.5 Other information

No other information.

B. System of governance

B.1 General information on the system of governance

Structure of Finnish Mutual Patient Insurance Company's system of governance



The General Meeting of shareholders appoints the Board of Directors and elects the company's auditor. The Board of Directors is responsible for the company's governance and appropriate organisation of operations. The Board of Directors has at least 5 and at most 7 members. The Board of Directors manages the company together with the CEO in a professional manner and gives instructions to the CEO. The work of the Board of Directors is guided by a charter.

The CEO is in charge of the company's operational activities, subject to the instructions and control of the Board of Directors. The CEO reports to the Board of Directors, and stipulations of the Limited Liability Companies Act, Insurance Companies Act and the Financial Supervision Authority are applied to them.

The Board of Directors has elected from among themselves an Audit Committee, the duty of which is to monitor and assess the company's financial reporting, monitor and assess the effectiveness of Internal Control and Internal Audit and Risk Management, and monitor and assess how the agreements and other legal transactions made between the company and its related parties meet the requirements on belonging to customary activities and market conditions. In addition, the Audit Committee prepares the election of the company's auditor, monitors and assesses the independence of the auditor and especially their offering of non-audit services, and monitors the audit of the company's accounts.

In addition, the Board of Directors has elected an Investment Committee to steer and prepare the company's investment activities. The members of the Investment Committee are the Chairman of the Board, CEO, CFO and an investment expert who acts as a consultant. The Director of Actuarial and Risk Management has the right to be present and speak in the meetings of the Investment Committee. The asset managers report to the Investment Committee.

The goal of Risk Management is to support the company's business strategy by identifying, measuring, monitoring, managing, reducing and reporting in advance about possible risks the realisation of which would have a negative effect on the company's financial and/or other business commitments and would thus limit the company's opportunities to implement its business strategy in full.

The duty of the Risk Management and Compliance functions is to steer, monitor and support the company and its personnel in the implementation of the risk management system and internal control. The Risk Management function is responsible for the company's risk management framework and maintains and develops the risk management methods and the company's business continuity planning. The Risk Management function prepares the risk management system and the documents related thereto, such as the risk strategy, for verification by the Board of Directors, and monitors the risk position. The Compliance function supports the company's business operations in ensuring activities in accordance with regulation, reliable governance, and effectiveness and sufficiency of internal control. In addition, the responsible actuary from the Actuarial function is responsible for the correctness of mathematical calculations and the timeliness of the calculation methods.

Furthermore, the company has Internal Audit which is independent of the operational activities and whose duty is to assess the sufficiency of internal control and other governance. Internal Audit shall be independent of the company's operational activities and taking into account the size of the company, Internal Audit is outsourced.

Of the company's other resources, Chief Information Officer and the asset managers are outsourced. In addition, IT administration, Data Protection Officer, part of financial administration, and the whistleblowing channel are outsourced. The other resources are within the company.

Significant changes in the system of governance during the period under review
When the company was founded in 2020, the building of the system of governance and its documentation commenced, and the work has continued since then to its currently established form. In 2022, the company introduced a whistleblowing channel which is administered by an external supplier based on an outsourcing agreement.

Company's salary and remuneration policy
The company complies in its remuneration policy with the remuneration principles confirmed by the Board of Directors. The universally binding collective agreement for the finance sector is complied with in the company's remuneration, in addition to which the remuneration for the company's management and other personnel is based on the legislation concerning the governance of insurance companies and limited liability companies, and the company's Articles of Association.

The fixed and variable remuneration elements included in the company's flexible remuneration policy are balanced in such a way that the fixed remuneration elements represent a large enough share of the overall remuneration, so that the personnel of the company would not be too dependent on variable elements of the salary. Thus the company applies mostly a fixed salary element. Fixed salary element means basic salary, ordinary increments and salary benefits, employment pension, and pay for the period of notice.

Variable salary element means payment by result which is linked to the employee's performance and reaching the determined goals in the company. In assessing individual performance, both financial and non-financial criteria are taken into account. The company's CEO and officials have a variable salary element.

When deciding on remuneration, the company aims at ensuring that the remuneration would not under any circumstances lead to or encourage undesirable ways of working or untenable risk-taking. The remuneration criteria are not determined in the way that would encourage taking risks in terms of sustainability.

The General Meeting decides on the remuneration to the Board of Directors and the committees and commissions set by the Board of Directors. The Board of Directors decides on the salaries, payment by result and any other benefits of the CEO and other directors and officials it has appointed, and approves annually the criteria and realisation used as the basis for any payment by result to the other personnel of the company. The company does not offer a supplementary pension as part of the remuneration system.

During the financial year, the company has not concluded any significant transactions with the owners, those exercising significant power in the company or members of the governance, management or control systems.

B.2 Fit and proper requirements

All persons working in the company shall be fit and proper for their position, and they shall possess the professional competence required by their position. Regarding the Board of Directors, management and persons responsible for the key functions it is also a question of the propriety of governance which is a key requirement for operations subject to authorisation.

The company has introduced procedures and routines related to the appointment of persons responsible for management and key functions, assessment of the fitness and propriety of the persons, and the assessment of the collective competence of the Board of Directors, which include documentation, reporting and archiving.

The procedures are described in more detail in the fit and proper principles approved by the Board of Directors. Each module – fitness, propriety and competence – is assessed separately for each person responsible for management and key functions. Lack of propriety, for example, cannot be replaced with high competence. Any register information retrieved as background information, the information provided by the person and any other information that may be considered objectively reliable shall be taken into account in assessing fitness, propriety and competence.

In addition, the Board members shall possess sufficient knowledge of the insurance markets and their regulation, financial reporting and the company's operating environment or they shall commit themselves in writing to take training to the extent as it is considered necessary based on their previous education and experience. Furthermore, the Board members shall have independent ability for consideration and decision-making. They shall be able to question decisions in a constructive manner and monitor the company's operational management.

B.3 Risk management system including the own risk and solvency assessment

The company's risk management system is integrally linked to the company's business strategy and the company's operational activities that implement it. The goal of the risk strategy is to ensure the effectiveness and succession of the company irrespective of the fluctuation of the economy and the other operating environment.

The goal of the company's risk management system is to identify, assess and manage the risks directed at the company. The risks are monitored and reported regularly.

Company's risk classes

The company's risk classification is based on the following division of main and sub classes:

- Underwriting risks
    - Technical risks
    - Reinsurance risks
    - Operating environment risks
- Financial risks
    - Market risks
    - Credit risks
    - Liquidity risks
- Operational risks
    - Operative risks
    - Abuse risks
    - Strategic risks
    - Sustainability risks

A key element of the company's risk management system is the risk management process. It is common to all risk classes and is implemented integrally with the other processes. At general level the risk management process comprises of

- identification of risks,
- assessment of risks,
- management of risks,
- monitoring of risks, and
- analysing and reporting of risks.

Identified risks, their seriousness, probability and any measures for reducing the risks are described in the company's risk register. As an outcome of the risk mapping the company forms a view of risks that threaten its operations and the required management measures.

Risk appetite

For steering the operations, the Board of Directors determines the strategic, financial and operational goals as well as the risk appetite for each risk class within the limits of which the business risk-taking is kept. In the area of financial risks, an internal solvency target is determined which is at the same time the definition of the risk appetite related to solvency. The risk appetite of operational risks is determined qualitatively.

Operational risks

Operational risks result from missing, deficient, incorrectly determined, incorrectly functioning or incorrectly implemented operational processes, persons, information and other systems, or events outside the company.

The risk appetite in the company's operational activities is low. Principles of prudence and diligence are complied with in the activities, and unnecessary risk-taking is avoided.

Sustainability risks

Sustainability risk means an event or circumstance related to the environment, society or governance, the realisation of which may have a negative impact either on the company's business operations or value of investments.

The identification, assessment and management of sustainability risks are integrated in the company's risk management process. Sustainability risks are taken into account in the company's investment activities in such a way that in allocating investments, attention is also paid to an event or circumstance related to the environment, society and good governance (ESG) that may cause an essential, negative impact on the value of the investment if realised. The company actively follows the value and ESG classification of the investments in the reports of the asset managers and at the same time conducts a dialogue on the classifications of the investments with the asset managers.

Underwriting risks

Underwriting risks mean risks resulting from offering, maintenance and implementation of insurance. Underwriting risk refers to the change in value that results from the deviation of final costs of contractual obligations compared to the originally estimated obligations. Underwriting risks identified by the company are risks related to underwriting insurance, premium risk and reserve risk.

Insurances are only offered to owners. Other wellbeing services counties may be insured under the owners' policies. The customers are funded by the public sector, and hence the risks related to underwriting insurance and the premium risk are estimated to be low.

The company has limited its underwriting risk through reinsurance. The retention for reinsurance stood at EUR 5 million. Reinsurance is bought from international, reputable and solvent reinsurance companies.

Management of assets and liabilities

The company's goal is that the anticipated cash flows of assets and liabilities would correspond with each other closely enough. The operations are still in their early phase, so the number of known incidents is still relatively low. The share of permanent damage in the company's contingent liabilities will grow over time, and the duration of contingent liabilities will then increase.

Financial risks

The risk appetite of the company's investments is moderate. The company's funds are invested profitably and securely. The goal is to gain reasonable profit for the funds with moderate risk-taking. The company's Board of Directors approves annually the investment plan which determines the limits for the diversification and risk-taking of investments, the target for neutral allocation of the investment portfolio, and the limits for different investment instruments.

The company's asset management is outsourced to two asset managers who compile and submit a monthly report on the company's investments to help the company in forming an investment view.

Roles and responsibilities in implementing risk management

The company's Board of Directors and CEO bear overall responsibility for the organisation and effectiveness of the company's risk management system.

The Board of Directors

- determines the risk appetite and the limits concerning general risk bearing capacity,
- verifies the company's risk strategy at least once a year,
- ensures the effectiveness of the risk management system and sees to it that the Risk Management function has adequate resources for the development and maintenance of the risk management system and fulfilment of its goals.

The company's Board of Directors, and the Audit Committee in particular, continuously monitors the company's risk and solvency management. The purpose is to ensure that the management of the company has an overall view of the company's risks and the status and development of risk and solvency management. The Board of Directors has to have a comprehensive overall view of the company's risks and solvency to support its decisions that steer the company's business activities as well as risk and solvency management.

The CEO is responsible for the implementation of the risk strategy. The Director of Risk Management is responsible for the Risk Management function.

The duty of the Risk Management function is to assist the company's Board of Directors and other functions to ensure effective risk management. The function monitors the functioning of the risk management system and the company's risk profile on the whole and reports on exposure to risks. In addition, the function advises the Board of Directors in matters concerning risk management, and identifies and assesses emerging risks.

According to the company's processes, the risk mapping is reviewed regularly, at least once a year, and is updated as required. The mapping is carried out together with all staff, which increases the awareness of risks.

The Director of Risk Management reports on risks in Board meetings at least quarterly. Investment risks are assessed at least once a year.

Risk and solvency assessment
The company carries out an annual own risk and solvency assessment (ORSA). The statutory solvency calculation provides information on solvency and the solvency capital requirement at the time of calculation. ORSA complements the official solvency calculation as follows:

- ORSA looks forward. ORSA involves calculating an estimate on the development of solvency in the coming years, based on the valid strategy and business plan.
- ORSA examines solvency in several different scenarios. Regarding investment activities, assessments are made e.g. for basic scenarios and a serious investment scenario which combines simultaneous significant equity and real property stress.
- The insurance business is stressed e.g. with a catastrophe loss.
- The ORSA process assesses the need for capital and means of management in different scenarios.
- The ORSA report includes recommendations on the required measures.

The ORSA process creates the basis for forming the company's overall solvency need and links together solvency, risk management and enterprise resource planning processes. The ORSA is compiled annually and updated without delay, if the risk profile changes significantly.

The process description of ORSA describes e.g. schedules, responsibilities, phases, and controls. The Director of Risk Management is responsible for the implementation and organisation of the ORSA process. All personnel participate in compiling the ORSA. The ORSA report is approved by the Board of Directors. The sufficiency and quality of the ORSA process is assessed annually e.g. as part of the self-assessment of the company's system of governance.

B.4 Internal Control system

The company's public control is the responsibility of the auditor and the Financial Supervision Authority in the way stipulated in the regulations concerning the company's operations. Internal control means the company's internal procedures and methods which aim at ensuring the reaching of the company's goals, the effectiveness of the use of the company's resources, compliance with the regulations, and the reliability of the information used as support for managing the company.

Internal control is directed at operational activities and is risk-based. The controls of the Internal Control system form an important element of the risk management measures. Internal control is directed both at the company's internally organised and outsourced activities, because in accordance with insurance regulations, the responsibility for the legal compliance in the organisation of outsourced services remains with the company. Furthermore, the company may also direct control measures at third parties and systems maintained by third parties.

The responsibility for the organisation of Internal Control lies with the company's Board of Directors and CEO. The company's Compliance and Risk Management functions support the operational organisation in the implementation of internal control and are responsible for the documentation of the control system. In its internal control, the company focuses on previously determined risk-preventing processes for enhancing internal control. The company's key processes are mapped and described with adequate level of accuracy, to be able to state at which phases or sub-processes internal control is directed.

The Risk Management function controls and assesses the appropriateness and functioning of the processes and the controls integrated in them in accordance with the operating plan. The Risk Management function reports to the Board of Directors on the state of the internal control system and other risk management system as part of the regular risk reporting. The reporting includes e.g. informing on disturbances in internal control and other risk events observed.

The internal control environment comprises of control measures directed at the company's processes or integrated in them. These measures may be:

- instructive, such as determination of operating principles and other steering documents
- preventive, such as advance verifications and validations
- detective, such as assessments and inspections and other afterward controls

Regarding internal control, the responsibilities of the functions have been described and are known to the parties involved. The purpose of the measures is also to ensure that the control is systematic and regular.

The Board of Directors

- is responsible especially for ensuring the effectiveness of internal control
- ensures that the company has adequate financial and operational resources for the development and maintenance of internal control
- sees to it that the company has a clear organisation structure in which the responsibility and reporting relations have been determined unambiguously
- bears responsibility for keeping the principles of internal control up to date and appropriate in relation to the company's business operations and strategy
- assesses and approves the principles of internal control regularly and at least once a year

The Board of Directors handles in its meetings the company's internal control based on reporting of the Risk Management and other functions. The Board of Directors documents its decision-making based on internal control in accordance with the Board's charter. If necessary, the Board of Directors acts on its own initiative for acquiring the required information to be used as the basis of its decision-making.

CEO

- bears responsibility for the organisation and control of day-to-day business operations, based on the principles and instructions verified by the company's Board of Directors
- bears responsibility for the implementation and monitoring of internal control in the company's operational activities
- sees to it that the outsourced functions are also within the scope of internal control
- ensures that the control measures of internal control are integrated in the company's key operational processes

Director of Risk Management
- bears responsibility for the maintenance of the principles of internal control
- bears responsibility for the methodical support to internal control practices and the documentation of controls
- hears the CEO and, if necessary, the Board of Directors about the development of the internal control system
- reports to the Board of Directors about essential observations made in internal control
- supports and advises the personnel of the company in matters concerning internal control and risk management

Chief Financial Officer
- sees to it for their part that the company's operations and use of resources are profitable and effective from the point of view of the company's goals
- bears responsibility especially for the planning, documentation and implementation of internal control in financial calculation and reporting
- bears responsibility for the co-ordination of the company's reporting to the authorities

Chief Legal Officer
- bears responsibility for the correctness of the minutes of the Board of Directors and the legal support to decision-making
- bears responsibility for the up-to-datedness and correctness of the systems of governance
- bears responsibility for legal support to other functions

Compliance Officer
- ensures that the company complies with the law, other regulations and administrative orders
- carries out monitoring in accordance with their own operating plan
- acts in co-operation with the Director of Risk Management, supporting them, in matters related to internal control

Director of Actuarial function (responsible actuary)
- implements internal control of valuation of assets and liabilities by ensuring the correctness of the calculations
- bears responsibility for the correctness of the company's other calculations

B.5 Internal Audit function

The goal of Internal Audit is to produce an independent assessment of the company's risk management and organisation, appropriateness, adequacy and effectiveness of internal control and other governance. The Internal Audit function is independent of the company's operational and risk-taking functions. Internal Audit supports the company in reaching its goals by providing a systematic way to approach the assessment and development of the effectiveness of the company's risk management, control, as well as management and governance processes.

Internal Audit has the right to access all information required for performing the audit duties, including the minutes of meetings of the company's different governing bodies, management and Board of Directors. Internal Audit shall see to it that the information received by it remains confidential.

The company has outsourced the Internal Audit function. The company is by organisation structure a small mutual insurance company, and due to the nature and scope of the operations the company considers that outsourcing of internal audit is a more appropriate solution than organising own internal audit. Moreover, through outsourcing of internal audit it is possible for the company to ensure the complete independence of internal audit from the company's other key functions. Despite the outsourcing of the function, the company shall see to it that Internal Audit fulfils the obligations in accordance with the law and regulations and guidelines at a lower level than the law.

Internal Audit has the right to receive information necessary from the point of view of its duties. It has the right, without being prevented by non-disclosure provisions, to get access without delay e.g. to all information and documents and user rights to information systems that it considers necessary for carrying out its duties. In addition, Internal Audit has the right to access all premises used by the company and interview the personnel and get the necessary help for carrying out its duties. To implement the right to receive information, Internal Audit also has the right to be present and speak in the company's working groups it considers necessary, such as meetings of the management board.

Internal Audit draws up a yearly risk-based audit plan for internal audit. The audit plan takes into account especially the company's goals and changes in the strategy as well as essential changes in the organisation, functions and systems. The audit plan presents an estimate on possible risks arising from the operating environment and the effectiveness of the risk management processes, as well as taking into account the factors arising from the audit environment and those that have come up in previous audits. The audit plan shall express the objective of the audits, the processes and functions to be audited, the dimensioning of resources, and the date. The audit plans shall be approved by the company's Board of Directors. Internal Audit reports to the company's Board of Directors and CEO. If the report concerns the company's CEO, the internal auditor shall only report to the company's Board of Directors.

If necessary, internal Audit may also carry out audits that are not included in the audit plan.

Remuneration to Internal Audit is implemented in the company in such a way that it does not endanger the objectivity of Internal Audit. In accordance with the company's remuneration policy, the remuneration paid to an external service provider shall be based on market conditions.

The focal areas in the audits of Internal Audit in 2022 were especially the Solvency II technical provisions and the process of calculation of the technical provisions, and the validation of calculation. In addition, audits were conducted on outsourcing, as well as availability, integrity and confidentiality of data. Audit reports were drawn up on the performed audits, and no material faults were found in the objects of audit.

B.6 Actuarial function

The company's Actuarial function and the responsible actuary are key elements of the company's system of governance. The duties of the Actuarial function and the responsible actuary are determined in legislation and instructions of the authorities.

The core processes of the Actuarial function and the responsible actuary comprise of the following modules: calculation of and reporting on technical provisions and calculation of and reporting on the underwriting risk under Solvency II. The Actuarial function and the responsible actuary report to the company's management and Board of Directors on the company's technical provisions, solvency, reinsurance arrangements, underwriting policy, investment activities, risk management, and ORSA. The key observations and conclusions of those reports are recorded as part of the minutes of the Board of Directors.

B.7 Outsourcing

Considering the size of the company's organisation and the scope of its business operations it is appropriate to outsource some of its functions. Outsourcing must not obstruct the company's internal audit and risk management, business operations, implementation of internal control or the handling of other functions important to the company or prevent the realisation of effective control of the authorities.

Written agreements shall be drawn up on all outsourcing, and the company shall act in accordance with the outsourcing principles approved by the Board of Directors. An outsourcing agreement shall only be made if it can be made in accordance with the internal and external instructions and regulations, and the company's strategy and business plan valid at any given time.

Due to the above, special care shall be applied in outsourcing key functions. The greater significance the duty or function being outsourced has to the company's strategy or business operations, the more probably it is a key function. In accordance with the principle of prudence, in situations open to interpretation, the duty or function being outsourced shall as a general rule be determined a key duty or function. The final decision regarding the matter shall, however, be made by the company's Board of Directors based on decision materials and the opinion included in them compiled by the person responsible of the function planning to outsource. The decision materials also include an assessment of the compliance and risk management function on the risks of outsourcing. The company and its control functions shall always have the opportunity to control the outsourced duties and functions. The outsourcing agreement can only be made after the Board of Directors' decision.

Valid outsourced services and their risks shall be assessed at least yearly in the outsourcing reviews of the compliance function and the risk assessment of outsourcing by the risk management function.

The company's outsourced functions and duties are Internal Audit, IT administration including Chief Information Officer, asset managers, data protection officer, part of financial administration, and administration of the whistleblowing channel. All service providers are located in Finland.

B.8 Other information

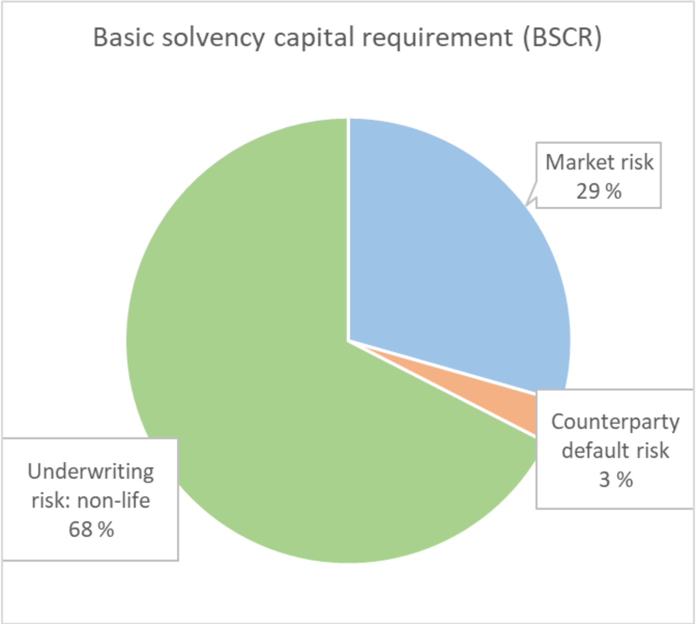
The company assesses the appropriateness and suitability of the system of governance and operating principles regularly. The assessment is carried out in accordance with the Board of Directors' charter and the annual schedule appended thereto. Strategic and business operation goals and risks are taken into account in the assessment. The company's Board of Directors shall decide on the required changes while the person responsible for the operating principles shall act as the rapporteur.

The company estimates that the system of governance is in accordance with the business operations and goals considering the nature, scope and complexity of the risks inherent in its business operations.

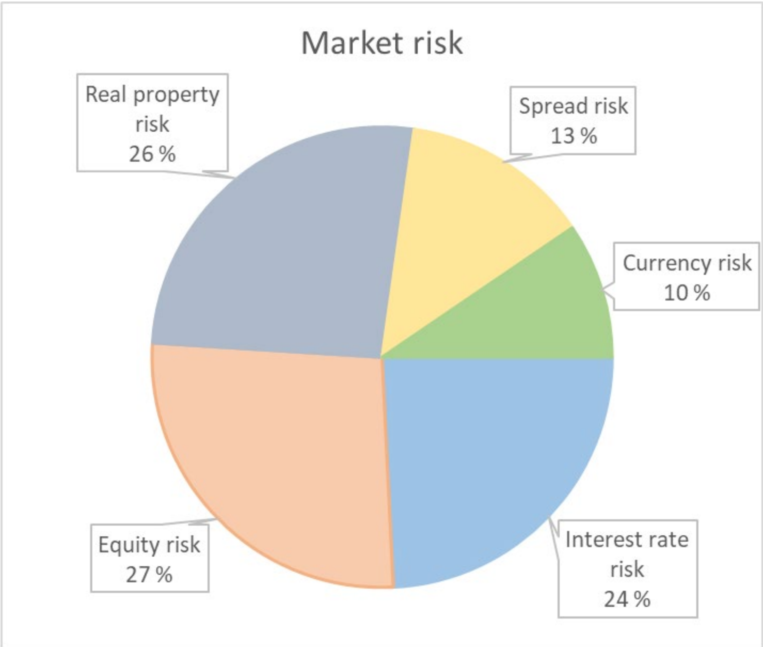
The company has not had other significant issues to report regarding the company's system of governance during the period under review.

C. Risk profile

The company's most significant risks are underwriting risk and market risk. The basic solvency capital requirement is presented in the following diagram:



The most significant market risk is the equity risk. The sub-categories of market risk are presented in the following diagram:



The most significant market risk is the equity risk which accounts for around 27% of the capital requirement for the entire market risk. The real property risk is the second biggest risk. There was no concentration risk at the end of 2022.

Operational risk is 3.2% of the solvency requirement. Liquidity risk is low, because the company knows in advance the biggest cash expenses which include, for example, reinsurance premiums, and advance and pay-as-you-go payments to the Patient Insurance Centre. The compensations are paid by the Patient Insurance Centre. The company has no other essential risks.

C.1 Underwriting risk

Underwriting risks mean risks resulting from offering, maintenance and implementation of insurance. Underwriting risk refers to the change in value that results from the deviation of final costs of contractual obligations compared to the originally estimated obligations. Underwriting risks identified by the company are risks related to underwriting, premium risk and reserve risk.

Insurance policies are only offered to owners. Other wellbeing services counties may be insured under the owners' policies. The customers are funded by the public sector, and hence the risks related to underwriting insurance and the premium risk are estimated to be low.

The most important methods for managing the underwriting risk are appropriate pricing and buying reinsurance cover. The company's retention for reinsurance stood at EUR 5 million. Statistical data obtained from the Patient Insurance Centre is used in the pricing of insurance policies.

Reserve risk means the risk that the provisions made turn out to be too small. Reserve risk is linked to the uncertainty of the assumptions made in the calculation of technical provision and unfavourable deviations in the estimated compensation amounts, operating costs and cash flows.

A non-life insurance company shall have securing technical bases for determining the technical provisions. The actuarial estimates used as the basis for technical provisions are derived from the data and estimates available on the financial statements date on losses that have occurred before the financial statements date. The factors being monitored include e.g. general claims experience, amendments to the law, legal praxis, decisions of the Patient Injury Board, and changes in the mortality rate. The company validates the calculation of the technical provisions at least once a year and also when there is reason to assume that the data, assumptions or methods used in the calculation of the technical provisions or in determining its level are no longer applicable for the calculation. The Actuarial function monitors the level of the technical provisions to ensure that it is in accordance with the verified instructions. In addition, the Actuarial function develops methods and systems that support this process.

As the company commenced insurance operations on 1 January 2021 and patient insurance proceeds slowly, the claims paid are still low, as is the amount of known reserves. The claims handling and case-specific reserves are handled by the Patient Insurance Centre. The company monitors the development of the claims paid and the provisions on a monthly basis. The claims provision is presented to the Board of Directors quarterly.

The goal of management of underwriting risks is to ensure the securing and reliability of technical bases in accordance with the requirements of the law. In order to manage risks, the insurance premium and technical provisions shall be dimensioned according to the average insurance portfolio in conjunction with the preparation of the technical bases.

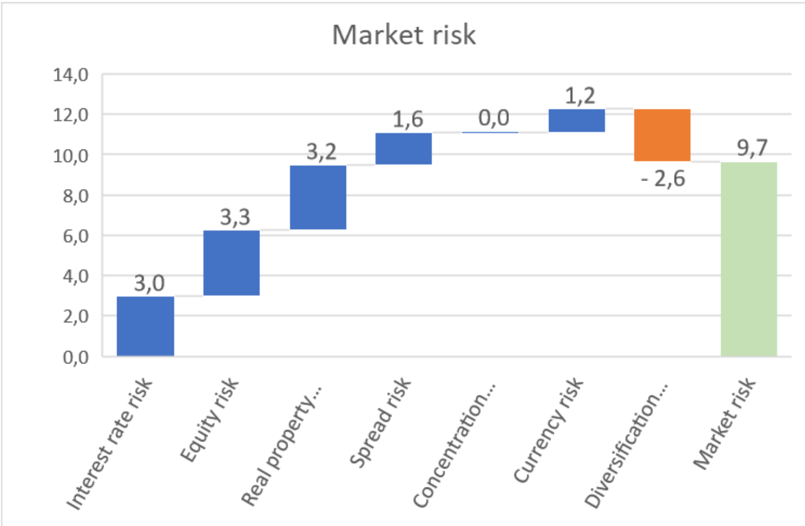
C.2 Market risk

Market risk means the reduction in value of investment assets due to general price variation on the market, which may result in fluctuation of the financial performance and solvency ratio through changes in the value of the investment assets.

The risk appetite of the company's investments is moderate. The company's funds are invested profitably and securely. The goal is to gain reasonable profit for the funds with moderate risk-taking. The company's Board of Directors approves annually the investment plan which determines the limits for the diversification and risk-taking of investments, the target for neutral allocation of the investment portfolio, and the limits for different investment instruments.

The capital requirement for the company's market risk on 31 December 2022, grouped according to risks, was formed as follows:

Market risk, EUR mill.	*31.12.2022*
Interest rate risk	3,0
Equity risk	3,3
Real property risk	3,2
Spread risk	1,6
Concentration risk	0,0
Currency risk	1,2
Total	12,2
Diversification benefit	-2,6
Market risk	**9,7**



Equity risk stems from the fluctuation of the value of and income from equities.

Interest rate risk stems from the changes in the value of fixed-income investments due to fluctuation; furthermore, in calculation under Solvency II the changes in the interest rate level affect essentially the technical provisions under Solvency II and, consequently, the amount of own assets. The spread risk describes the trust of the investors in the ability to repay concerning a corporate or government bond. Spread risk means the risk that stems from a change in the value of investments caused by an unexpected increase in the credit margins.

Real property risk means the risk that stems from changes in the fair value of real property.

Currency risk means the risk of loss that stems from a change in the currency of an investment or technical provisions in relation to the euro.

Concentration risk means the risk of loss that stems from a risk cluster in insurance or investment activities which is significant considering the risk-bearing capacity. At the end of 2022, there was no concentration risk in the market risk. The concentration and counterparty default risk in reinsurance has been reduced by dividing the reinsurance between several companies that provide reinsurance services.

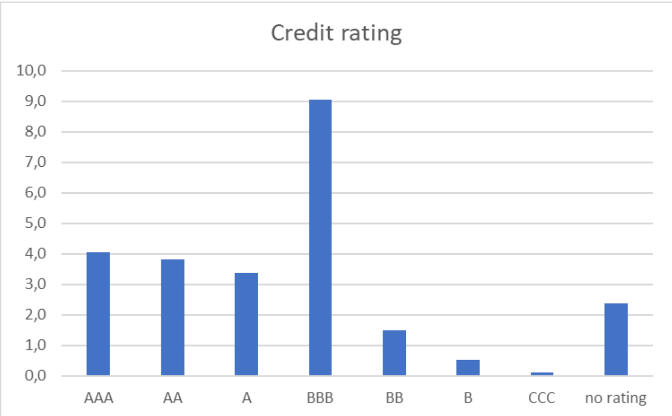
The capital requirements for the market risk amount to EUR 12.2 million, and after deducting diversification benefits come to a total of EUR 9.7 million. The capital requirement for the market risk is monitored in accordance with the risk strategy.

The taking of market risk is determined by the principles and restrictions verified in the investment plan. ORSA analyses the effect of different income scenarios of investment activities on the company's solvency and the ability to continue operating securely.

C.3 Credit risk

The definition of credit risk is a risk related to the counterparty of a contract that they are unable to fulfil their contractual obligations, which will result in credit losses in the financial performance. Credit risk is linked to the bonds granted and the ability to repay of issuers of fixed-income investments made through investment funds.

The credit risk is limited in such a way that the company determines the limits for different investment instruments in the investment plan approved annually by the Board of Directors. The company's investment assets are divided into different credit ratings as follows:



C.4 Liquidity risk

Liquidity risk means the adequacy of assets for current expenditure, including the payment of pensions and other benefits. In addition, an individual investment instrument involves a liquidity risk: the lower the liquidity of the instrument is, the higher is the risk that the price obtained from the investment is low if the instrument is realised quickly.

Liquid assets mean the company's bank accounts and short-term fixed-income funds. The company has continuously liquid assets the amount of which corresponds to at least three months' average expenditure. The company's cash flows are predictable. The adequacy of liquid assets is regularly monitored through cash flow statements.

The company's liquidity was adequate throughout the period under review, and there was no need for specific measures regarding liquidity.

C.5 Operational risk

Operational risks result from missing, deficient, incorrectly determined, incorrectly functioning or incorrectly implemented operational processes, persons, information and other systems, or events outside the company.

Among the company's identified operational risks are compliance risks, including reputational risk. Reputational risk means a risk that the company's public image is damaged or the customers' trust decreases. Reputational risk may also result from the activities of outsourced or co-operation partners, if their values and/or operating principles deviate from the company's values and principles. Reputational risk is usually a result of other realised risks or events, such as realisation of operational risks.

The other identified risks are information system and data security risks, crime risks, person risks, and external risks. The company's key methods for the management of operational risks are clear and documented business processes, and appropriate definition of the responsibilities and duties of the personnel and outsourced parties. In addition, the company takes care of the maintenance and development of the professional competence of the personnel.

The aim is to identify and prevent operational risk events or decrease their impact. Important means for the management of the operational risk also include compliance with the laws, regulations and provisions, and clear and well-considered external communication.

Operational risks are actively monitored and the risks are reported to the company's Board of Directors at least quarterly.

C.6 Other material risks

Catastrophe loss means a loss whose expected claims expenditure is EUR 5 million or more. Catastrophe loss may be a loss directed at an individual injured party or a serial loss. The company has no opportunity to anticipate the occurrence of catastrophe losses. Since the beginning of the period of validity of the patient insurance, no company in Finland has encountered such a large loss. The company is prepared for catastrophe losses by reinsuring risks of over EUR 5 million. The company's goal is to keep its solvency so high that a catastrophe loss will not cause material fluctuation in the company's solvency position.

According to the company's ORSA, the company's solvency and financial position will decline significantly, if serious investment stress assumed in ORSA is realised or if a catastrophe loss and serious investment stress occur in the same year. The company actively monitors the development of the markets and, if necessary, will take immediate action to strengthen its solvency. The owners of the company have refinancing liability based on the Articles of Association. So far the refinancing liability is not included in the company's solvency capital. The other means for improving the solvency position:

- Price increases
- Change of allocation of investment assets
- Volatility adjustment
- Reinsurance
- Investing more capital in the company

Organising reinsurance and other means to reduce risks

The risk profile of patient insurance is such that it is necessary to acquire sufficient reinsurance cover. The company's reinsurance contracts are approved by the Board of Directors. The company's reinsurance is divided to several solvent international service providers, and the goal is to keep the concentration risk of an individual reinsurer moderate.

Reinsurance involves the counterparty default risk which is realised when the reinsurance cover is triggered and the reinsurer becomes insolvent. The counterparty default risk is decreased by selecting several reinsurers for reinsurance purposes. Those included in the reinsurance panel are required to have at least credit rating A. The aim is to include in the contracts such reinsurers that are already familiar with patient insurance.

Appropriateness of credit ratings

The company uses credit rating in assessing investments and the solvency of reinsurers. The company relies on such well-known and reputable credit rating agencies as Moody's and Standard & Poor's.

Analyses and assumptions, risk and solvency assessment

The ORSA was carried out for the situation at the end of October 2022.

The company's financial performance and solvency are significantly affected by the development of the value of investments. The effect of a catastrophe loss is limited by reinsurance, due to which the claims expenditure payable by the company is limited to EUR 5 million. After a catastrophe loss, reinsurance has to be reinstated for the remaining insurance period. The reinsurance for 2022 includes three reinstatements free of charge. In the basic scenario it is assumed that the reinsurance will remain as it is until 2029.

In case of serious stress on the investment markets, the values of investment instruments are assumed to fall as follows:

Equities	-40%
Real property	-20%
Spread risk of fixed-income investments	Solvency II requirement doubled

In choosing stress tests, the aim was to test the development of the company's solvency with the most important stress types and by combining major loss and investment market stress. The stress is assumed to take place during 2023. There were a total of nine different types of stress, and the following three were the most important:

- Catastrophe loss in 2023
- Serious market disturbance in 2023
- Catastrophe loss and serious market disturbance in 2023

Key results of risk and solvency assessment

According to the risk and solvency assessment performed, the company fulfils the solvency requirements in the basic scenario. The following table shows the development of the company's solvency position in the basic scenario and serious scenarios.

EUR mill.	Own funds - solvency capital requirement 2022	2023	2024	2025	2026	2027	2028	2029
Basic scenario	7,4	11,0	10,9	11,4	12,9	15,0	17,8	21,1
Catastrophe damage	7,4	6,1	5,7	5,6	6,3	7,3	10,3	13,8
Serious market disturbance	7,4	8,6	11,1	14,0	17,4	21,0	24,5	24,7
Catastrophe damage and serious market disturbance	7,4	-0,2	-0,1	0,7	2,2	4,1	7,2	7,1

The company started operating at the beginning of 2021. If a serious market disturbance described above were to occur in the early years of the company's existence, the company should reduce the risk level of its investment portfolio. If necessary, the company would also consider applying to the Financial Supervision Authority for a permission to use ancillary funds in the calculation of own funds.

C.7 Other information

No other information.

D. Valuation for solvency purposes

The following table shows a summary of the effects of adjustments made in solvency calculation on Solvency II balance sheet. The difference between calculation under Solvency II and the financial statements in euros and a brief explanation can be found in the comment field.

SII AND FAS ASSETS & LIABILITIES 31.12.2022	Solvency II	Financial statements	Difference	Comment
ASSETS	**kEUR**	**kEUR**	**kEUR**	
Equities and shares	9	9		
Other investments	60 328	59 977	351	1)
Receivables from policyholders	0	33 184	-33 184	2)
Other receivables	1 592	1 592		
Tangible assets	55	55		
Cash in hand and at banks	14 311	14 311		
Total assets	76 295	109 128	-32 833	
LIABILITIES				
Technical provisions	38 076	44 269	-6 193	3)
Equalisation provision	0	0		4)
Best estimate	29 449	0		3)
Risk margin	8 627	0		3)
Deferred tax liabilities	16	0	16	5)
Liabilities from direct business	0	33 184	-33 184	6)
Other liabilities	3 095	3 095		
Total liabilities	41 187	80 548	-39 361	
Excess of assets over liabilities	35 108	28 580	6 528	

1) Valuation in SII balance sheet is fair value and in financial statements investments are valued at acquisition cost or fair value, whichever is lower

2) Insurance premium receivables are taken into account in SII provision for unearned premiums

3) SII value: calculated as the sum of the best estimate and risk margin, also future cash flows are taken into account in the calculation

4) No equalisation provision in SII balance sheet

5) Deferred tax liabilities for valuation differences and technical provisions

6) Liabilities from direct business taken into account in SII provision for unearned premiums

More detailed descriptions in the following chapters.

D.1 Assets

Equities and shares in associated companies are valued at the acquisition cost of the equities, the associated companies are not listed in the stock exchange. Other investments are listed equity, fixed-income and real property funds and financial instruments which are valued at acquisition cost or matched acquisition cost. In accordance with the Solvency II regulations, the investments are valued at confirmed market price of the valuation date. The market value of investments in the Solvency II balance sheet totals EUR 60.3 (53.0) million. Receivables from policyholders at EUR 33.2 (22.5) million and liabilities from direct business activities at EUR 33.2 (27.0) million comprise of the insurance premiums for 2023 which have been invoiced from the policyholders. In the Solvency II balance sheet receivables from policyholders are taken into account in calculation of the provision for unearned premiums and are offset.

The company has no intangible assets in its balance sheet. Property, plant and equipment amounting to EUR 55,000 (62,000) are valued at acquisition cost less depreciation in both the Solvency II balance sheet and the national financial statements. The depreciation period of machinery and equipment is 5 years. Cash in hand and at banks are valued at nominal value. The company only has bank accounts denominated in euro.

Other receivables amounting to EUR 1.6 (3.7) million and other liabilities amounting to EUR 3.1 (2.5) million do not differ from each other in solvency calculation and national financial statements. Assets and liabilities are valued at nominal value and comprise of ordinary events related to the company's business operations.

D.2 Technical provisions

Technical provisions for the financial statements are calculated according to the national regulations. For solvency purposes (Solvency II) technical provisions shall be valued at the amount for which the technical provisions could be exchanged between knowledgeable parties. In Solvency II the value of technical provisions is equal to the sum of the best estimate and a risk margin. The following table shows the valuation of the company's technical provisions in accordance with Solvency II and the financial statements.

EUR mill.	Solvency II	Financial statements
Provision for unearned premiums	2022	2022
Best estimate (gross)	-4,1	0,0
Receivables from reinsurance contracts	0,0	0,0
Provision for unearned premiums (net)	-4,1	0,0
Provision for claims		
Best estimate (gross)	33,6	44,3
Receivables from reinsurance contracts	0,0	0,0
Provision for claims (net)	33,6	44,3
Risk margin	8,6	0,0
Equalisation provision	0	0,0
Total technical provisions	**38,1**	**44,3**

Insurance policies starting in the future shall not be taken into account in the calculation of technical provisions. In Solvency II, insurance policies starting after the period under review to which the insurance company has committed itself are also taken into account in the calculation of the technical provisions. As for the provision for unearned premiums, insurance premiums of policies starting after the period under review (1 January 2023) and claims incurred and other costs related to the policies are taken into account. Insurance premiums are higher than the estimated claim expenditure and other costs arising from the insurance, and hence the provision for unearned premiums is negative.

In calculating the technical provisions for the financial statements, claims and other costs to be paid in the future shall not be discounted. In Solvency II, all cash flows are discounted, which decreases the technical provisions.

Methods for calculation of technical provisions
Best estimates for technical provisions under Solvency II are calculated as the difference between the fair values of claims and other cash flows against costs and the fair values of cash flows against insurance premiums. The fair values are calculated using risk-free interest rate published by EIOPA. The company does not use volatility adjustment.

The risk margin is calculated using a method in which the calculated forecasts on solvency capital requirements for future years are multiplied by the capital cost rate (6%) determined by the commission. Forecasts on the solvency capital requirements for future years are approximated from the calculated capital requirement for the year under review per risk module by reducing it to the same extent as the corresponding risk modules of the technical provisions are expected to decrease per year.

Uncertainty of technical provisions
Technical provisions always involve uncertainty. The company's insurance business commenced at the beginning of 2021, so its own claims record is very small. The company receives statistical materials from the Patient Insurance Centre. Cash flow materials and claim-specific provisions under Solvency II are obtained from the Patient Insurance Centre.

The company receives statistical data as a direct transfer from the Patient Insurance Centre on a weekly basis. The company monitors the compensations paid and provisions recorded for known losses on a monthly basis. More detailed report on the technical provisions is prepared for the Board of Directors quarterly. The Actuarial function examines the adequacy of technical provisions at least once a year.

D.3 Other liabilities

Deferred tax liabilities comprise of the valuation differences of investments and technical provisions under Solvency II. Deferred tax liabilities are calculated with a tax rate of 20%. Other liabilities and liabilities for direct business are explained in section D1.

D.4 Alternative methods for valuation

No alternative valuation methods are used by the Finnish Mutual Patient Insurance Company.

D.5 Other information

The Finnish Mutual Patient Insurance Company has no other essential information to report.

E. Capital management

The starting points for solvency management are valid legislation concerning solvency and the company's own strategy. Based on those, the company has determined an internal solvency objective (risk appetite in terms of solvency management), taking into account the risk-bearing capacity in relation to statutory requirements. Risk tolerance and risk limits are determined on the basis of the risk appetite. In solvency management, risk tolerance is determined using zones in a traffic lights system. The company's solvency is currently at a moderate level.

Solvency management is part of the company's risk management and it complies with the company's risk strategy. Another key factor for solvency management is the company's ORSA which assesses solvency in various stress situations.

E.1 Own funds

The company's own funds in solvency calculation comprise of basic own funds and ancillary own funds. Basic own funds are funds in the company's possession, and ancillary own funds comprise of items outside the insurance company's balance sheet that the company may demand to be paid. The company has no items that belong to ancillary own funds.

The company's own funds are calculated from shareholders' equity in the financial statements. Shareholders' equity is adjusted in solvency examination e.g. by the valuation differences of investments and technical provisions. The company's own funds on 31 December 2022 are presented in the following table:

Own funds	***31.12.2022***
Shareholders' equity	**28,6**
Guarantee capital	30,0
Invested unrestricted equity	5,0
Other shareholders' equity	-6,4
Valuation differences	**6,5**
From investment assets	0,4
From technical provisions	6,2
Other items	**0,0**
Deferred tax liability	0,0
Own funds (EOF)	**35,1**

In own funds, the amount of reconciliation reserve is EUR 5.1 million. The key changes in own funds during the year were as follows:

- Two of the company's founding members invested EUR 2.9 million in the reserve for invested unrestricted equity, because two hospital districts in the area of the university hospital districts in question are insured under the policy of the university hospitals as of the beginning of 2023.
- Valuation differences of the technical provisions amounted to EUR 6.2 million. The increase in the technical provisions was affected by the rise of the interest rate used under Solvency II.
- Valuation differences of the investments amounted to EUR 0.4 million.

Own funds comprise entirely of basic own funds and belong to category 1. Thus all own funds are eligible for covering both the solvency capital requirement and minimum capital requirement.

The company's solvency capital requirement on 31 December 2022 stood at EUR 27.7 million and the minimum capital requirement stood at EUR 6.9 million. Thus the ratio of the company's own funds to the solvency capital requirement was 127 per cent, and the ratio of own funds to the minimum capital requirement was 507 per cent.

E.2 Solvency Capital Requirement and minimum capital requirement

The company uses the standard formula in the calculation of the solvency capital requirement (SCR). In the calculation of SCR for non-life insurance the company does not use company-specific parameters for now. The following table shows the company's solvency capital requirement on 31 December 2022:

Solvency capital requirement, EUR mill.

Basic solvency capital requirement (BSCR)	31.12.2022
Market risk	9,7
Counterparty default risk	1,0
Underwriting risk: non-life	22,2
Underwriting risk: life	0,0
Diversification benefit	-6,0
Total (BSCR)	26,8
Operational risk	0,9
Loss-absorbing capacity of deferred taxes	0,0
Solvency capital requirement (SCR)	**27,7**

The company's linear minimum capital requirement (MCR) based on premium income and technical provisions stood at EUR 6.9 million at year-end 2022.

E.3 Use of duration-based equity risk sub-module in calculation of solvency capital requirement

Finnish Mutual Patient Insurance Company does not use duration-based equity risk sub-module in calculation of solvency capital requirement.

E.4 Differences between the standard formula and an internal model used

Finnish Mutual Patient Insurance Company does not use an internal model for calculation of solvency capital requirement.

E.5 Non-compliance with the minimum capital requirement and solvency capital requirement

Finnish Mutual Patient Insurance Company has complied with both the minimum capital requirement and solvency capital requirement throughout its reporting period 2022.

E.6 Other information

Finnish Mutual Patient Insurance Company has no other essential information to report.

Attachments

SE.02.01.16.01 Balance sheet

SE.02.01.16.01 Balance sheet		Solvency II value	Statutory accounts value
		C0010	C0020
-	**Assets**		
R0060	Property, plant & equipment held for own use	55 227	55 227
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	60 337 090	59 986 358
R0090	Holdings in related undertakings, including participations	8 995	8 995
R0130	Bonds	7 796 183	7 969 080
R0140	Government Bonds	6 456 540	6 593 290
R0150	Corporate Bonds	1 339 643	1 375 790
R0180	Collective Investments Undertakings	45 065 618	44 541 990
R0200	Deposits other than cash equivalents	7 466 294	7 466 294
R0270	Reinsurance recoverables from:	0	0
R0280	Non-life and health similar to non-life	0	
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0	
R0360	Insurance and intermediaries receivables	0	33 183 527
R0370	Reinsurance receivables		
R0380	Receivables (trade, not insurance)	1 591 816	1 591 816
R0410	Cash and cash equivalents	14 310 673	14 310 673
R0420	Any other assets, not elsewhere shown		
R0500	**Total assets**	76 294 806	109 127 601
-	**Liabilities**		
R0510	Technical provisions - non-life	38 076 184	44 269 174
R0520	Technical provisions - non-life (excluding health)	38 076 184	44 269 174
R0530	Technical provisions calculated as a whole	0	
R0540	Best Estimate	29 449 379	
R0550	Risk margin	8 626 805	
R0560	Technical provisions - health (similar to non-life)	0	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0	
R0610	Technical provisions - health (similar to life)	0	
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	0	
R0780	Deferred tax liabilities	16 497	0
R0790	Derivatives	0	
R0800	Debts owed to credit institutions	0	
R0820	Insurance & intermediaries payables	0	33 183 527
R0840	Payables (trade, not insurance)	3 094 617	3 094 617
R0900	**Total liabilities**	41 187 297	80 547 318
R1000	**Excess of assets over liabilities**	35 107 509	28 580 283

S.05.01.01.01 Premiums, claims and expenses by line of business

	Premiums, claims and expenses by line of business		
	S.05.01.01.01		
	Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	
		General liability insurance	TOTAL
		C0080	C0200
	Premiums written		
R0110	Gross - Direct Business	28 828 077	28 828 077
R0140	Reinsurers' share	1 190 000	1 190 000
R0200	Net	27 638 077	27 638 077
	Premiums earned		
R0210	Gross - Direct Business	28 828 077	28 828 077
R0240	Reinsurers' share	1 190 000	1 190 000
R0300	Net	27 638 077	27 638 077
	Claims incurred		
R0310	Gross - Direct Business	28 315 864	28 315 864
R0400	Net	28 315 864	28 315 864
	Changes in other technical provisions		
R0550	Expenses incurred	2 784 968	2 784 968
	Administrative expenses		
R0610	Gross - Direct Business	1 641 140	1 641 140
R0700	Net	1 641 140	1 641 140
	Investment management expenses		
R0710	Gross - Direct Business	72 471	72 471
R0800	Net	72 471	72 471
	Claims management expenses		
R0810	Gross - Direct Business	944 041	944 041
R0900	Net	944 041	944 041
	Acquisition expenses		
R0910	Gross - Direct Business	127 316	127 316
R1000	Net	127 316	127 316
	Overhead expenses		
	Other expenses		0
R1300	**Total expenses**		2 784 968

S.17.01.01.01 Non-Life Technical Provisions

S.17.01.01.01	**Non-Life Technical Provisions**	General liability insurance	Total Non-Life obligation
	Direct business and accepted proportional reinsurance		
		C0090	C0180
-	Premium provisions		
R0060	Gross - Total	-4 144 736	-4 144 736
R0070	Gross - direct business	-4 144 736	-4 144 736
R0150	Net Best Estimate of Premium Provisions	-4 144 736	-4 144 736
-	Claims provisions		
R0160	Gross - Total	33 594 115	33 594 115
R0170	Gross - direct business	33 594 115	33 594 115
R0250	Net Best Estimate of Claims Provisions	33 594 115	33 594 115
R0260	Total Best estimate - gross	29 449 379	29 449 379
R0270	Total Best estimate - net	29 449 379	29 449 379
R0280	Risk margin	8 626 805	8 626 805
R0320	Technical provisions - total	38 076 184	38 076 184
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	38 076 184	38 076 184
-	Line of Business: further segmentation (Homogeneous Risk Groups)		
R0350	Premium provisions - Total number of homogeneous risk groups	1	
R0360	Claims provisions - Total number of homogeneous risk groups	1	
-	Cash-flows of the Best estimate of Premium Provisions (Gross)		
-	Cash out-flows		
R0370	Future benefits and claims	23 939 845	23 939 845
R0380	Future expenses and other cash-out flows	4 087 101	4 087 101
-	Cash in-flows		
R0390	Future premiums	32 171 682	32 171 682
R0410	Future benefits and claims	26 236 944	26 236 944
R0420	Future expenses and other cash-out flows	7 357 171	7 357 171
R0450	Percentage of gross Best Estimate calculated using approximations	0,00 %	0,00 %
R0460	Best estimate subject to transitional of the interest rate	0	0
R0470	Technical provisions without transitional on interest rate	38 076 184	38 076 184
R0480	Best estimate subject to volatility adjustment	0	0
R0490	Technical provisions without volatility adjustment and without others transitional measures	38 076 184	38 076 184

S.23.01.01.01 Own funds

S.23.01.01.01 Own funds		TOTAL	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	30 000 000	30 000 000		0	
R0130	Reconciliation reserve	5 107 509	5 107 509			
R0290	Total basic own funds after deductions	35 107 509	35 107 509	0	0	0
-	Ancillary own funds					
R0400	Total ancillary own funds	0			0	0
-	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	35 107 509	35 107 509	0	0	0
R0510	Total available own funds to meet the MCR	35 107 509	35 107 509	0	0	
R0540	Total eligible own funds to meet the SCR	35 107 509	35 107 509	0	0	0
R0550	Total eligible own funds to meet the MCR	35 107 509	35 107 509	0	0	
R0580	SCR	27 716 320				
R0600	MCR	6 929 080				
R0620	Ratio of Eligible own funds to SCR	126,67 %				
R0640	Ratio of Eligible own funds to MCR	506,67 %				

S.25.01.01.01 Solvency Capital Requirement (SCR) – for undertakings on Standard Formula

S.25.01.01.01	Basic Solvency Capital Requirement			
		Net SCR	Gross SCR	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
R0010	Market risk	9 664 124	9 664 124	0
R0020	Counterparty default risk	1 025 463	1 025 463	0
R0030	Life underwriting risk	0	0	0
R0040	Health underwriting risk	0	0	0
R0050	Non-life underwriting risk	22 172 282	22 172 282	0
R0060	Diversification	-6 012 535	-6 012 535	
R0070	Intangible asset risk	0	0	
R0100	Basic Solvency Capital Requirement	26 849 335	26 849 335	

S.25.01.01.02	Calculation of Solvency Capital Requirement	
		Value
		C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	0
R0130	Operational risk	883 481
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-16 497
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	Solvency Capital Requirement excluding capital add-on	27 716 320
R0210	Capital add-on already set	0
R0220	Solvency capital requirement	27 716 320

S.28.01.01.05 Minimum Capital Requirement (MCR)

S.28.01.01.05	Overall MCR calculation	
		C0070
R0300	Linear MCR	6 653 874
R0310	SCR	27 716 320
R0320	MCR cap	12 472 344
R0330	MCR floor	6 929 080
R0340	Combined MCR	6 929 080
R0350	Absolute floor of the MCR	4 000 000
R0400	Minimum Capital Requirement	6 929 080