



28/07/2025

**Elama Kindlustus AS**

**Annual Report 2024**



## Annual Report

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Main area of activity:	non-life insurance
Start of the financial year	January 01, 2024
End of the financial year	December 31, 2024
Auditor	Ernst & Young Baltic AS

### Attached documents

1. Independent Auditor's Report
2. Profit distribution proposal
3. List of shareholders holding more than 10 percent of the shares
4. List of activities

*Disclaimer: This is an un-official translation of the audited Estonian language financial statements. Independent Auditor's Report is available in the Estonian language report only.*

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## Management report

Elama Kindlustus AS (hereinafter referred to as Elama) is an insurance company engaged in non-life insurance in Estonia since 1992.

Based on the agreement signed in 2023, the current majority shareholders of Elama completed the sale transaction in February 2024, during which Elama was sold to the new owners. In addition, an additional share issue was carried out in September 2024 and the restructuring of the ownership structure was completed. As a result, as of the end of 2024, Elama has 17 shareholders representing various business areas. The largest shareholder owns 18.3% of the company's shares. The five largest shareholders own a total of 65.2% of Elama's shares.

The new owners of Elama have set the goal of growing the company and thereby becoming an important market player in the Estonian insurance market. Unlike Elama's previous strategy, which focused on the sale of motor third party liability insurance, it will now offer most insurance products intended for retail customers with the aim of faster growth. To increase the chances of the future, it is important for Elama to be prepared to act in projects related to different lines of business.

Simultaneously with the change of ownership, the current management board was recalled in February 2024 and new management board members Jaanus Seppa and Tanel Kurs were appointed. Indrek Holst, Kuno Rääk and Tõnis Karu were elected as new members of the Supervisory Board.

2024 was a year of great changes for Elama. The main goal was to take the insurance services offered by Elama, including primarily the speed and quality of claims handling, to a new level. Work organisation processes were re-organised, an open management culture was introduced, and the team's working environment was improved. Additional activity licences were applied from the Estonian Financial Supervision Authority to start offering new insurance products.

To provide better insurance services, a 24/7 call centre was opened, and customers are now also provided with assistance services, which ensures quick and appropriate assistance in the case of a loss event.

From June, Elama's operations were moved to a new and modern office space located at Liivalaia 45, Tallinn. At the same time, the computers used by the entire team were modernized and replaced, and a more efficient cloud solution was introduced for data storage. A new central software for issuing and managing insurance contracts was introduced and a new financial reporting software was introduced. Elama claims handling and claims files were made fully electronic.

A separate product unit was created to bring products and services to the market. A clear framework was established for the organisation of product portfolio management, and systematic rules and limits were set for decision-making competences. To manage business risks, several routine procedures were initiated, and the results of insurance activities were analysed on a monthly basis.

In November, the name change of Elama was completed and a new business name Elama Kindlustus AS and a completely renewed brand design were introduced. At the same time, the Elama website was replaced, and the updated insurance services were actively offered in a modern shopping environment. To support the introduction of the new brand and business name, a broad-based campaign was also carried out in digital and outdoor media.

By the end of the financial year, 29 employees were working in Elama. A new management system was introduced to create an open management culture and clear subordination. Five business areas with separate management were created – sales, IT, products, claims handling and finance. The key functions – Chief Actuary, Compliance and Risk Management were introduced to the structure as independent and separate

roles. An audit committee operates under the supervisory board, which organises the auditing of the company's activities. The internal auditor of Elama is Grant Thornton Baltic OÜ and the external audit is carried out by Ernst & Young Baltic AS.

### ***Insurance business***

In 2024, the insurance premiums issued by Elama totalled 8,427 thousand euros, which is 23% more than in 2023 (2023: 6,866 thousand euros). Motor third party liability insurance accounted for 6,709 thousand euros of insurance premiums (2023: 6,574 thousand euros), motor casco insurance for 1,346 thousand euros (2023: 0 euros), travel insurance for 203 thousand euros (2023: 250 thousand euros) and carrier's liability for 140 thousand euros (2023: 142 thousand euros). Other insurance contracts such as home insurance, commercial property insurance, financial loss insurance and machinery breakdown insurance were concluded in the amount of 29 thousand euros.

Elama's goal of diversifying the product portfolio and diversifying the insurance risk has been successful, and the share of motor third party liability insurance in the portfolio is steadily decreasing at the expense of the new products offered. The volume of motor third party liability insurance grew organically at the same pace as the market.

The structure of the insurance portfolio by premiums by the end of 2024 was as follows:

<b>Insurance product</b>	<b>2024</b>	<b>2023</b>
Motor third party liability insurance	79,61%	95,75%
Casco insurance	15,98%	0,00%
Travel insurance	2,41%	2,18%
Carrier's liability	1,66%	2,07%
Other lines of business	0,34%	0,00%

### ***Paid losses***

During the 2024 financial year, Elama indemnified losses in the total amount of 4,099 thousand euros, which is 31% less than in 2023 (2023: 5,045 thousand euros). The decrease in the volume of indemnified losses was mainly due to the improved results of the motor third party liability insurance portfolio, where 30% fewer new claims were registered. The total volume of reserves in the portfolio has decreased by 556 thousand euros since the beginning of the year and the claim frequency remains low.

A total of 2268 new loss events were registered in 2024, of which 2085 were motor third party liability insurance losses and 134 were casco insurance losses. 49 damages to other products were registered. In addition, 612 claims were resolved on behalf of other insurers, where clients turned to Elama for compensation. This is a great recognition for Elama because it shows that customers are satisfied with Elama's claims handling.

The gross loss ratio (the ratio of incurred losses and claims handling expenses to insurance revenue) across all types of insurance in 2024 was 58.6% (2023: 86.5%).

To improve the quality of the claims handling service, Elama started actively monitoring customer satisfaction in April 2024, where customer feedback is asked after each loss event. Customer satisfaction remains at a good level, being 4.7 in a five-point system.

### ***Investment activities***

In 2024, Elama continued its previous investment policy, diversified across several asset classes, investing in term deposits, stocks, and bonds. The amount of Elama financial investments as of 31.12.2024 was 12,626 thousand euros (2023: 10,673 thousand euros). Interest income from investments amounted to 810 thousand euros in 2024. In the previous financial year, the corresponding figure was 316 thousand euros.

In 2024, Elama started to manage the investment portfolio more actively than before, which enabled not only a more thorough analysis of risks, but also a better rate of return.

### ***Operating expenses***

Elama's operating expenses in 2024 amounted to 3,467 thousand euros (2023: 3,020 thousand euros), of which insurance contract costs accounted for 551 thousand euros (2023: 744 thousand euros), claims handling costs for 273 thousand euros (2023: 704 thousand euros), insurance contract management costs for 1,954 thousand euros (2023: 468 thousand euros) and other expenses for 690 thousand euros (2023: 1,104 thousand euros). The breakdown of expenses is presented in Notes 6 and 10 of the report.

The cost structure of Elama in 2024 was strongly influenced by the activities described above in restructuring the company's structure and work organization. Salaries together with social tax and other personnel-related expenses accounted for 51.2% of the total expenses, IT-related expenses for 12.2% and marketing expenses for 9.3% of the total expenses.

The remuneration calculated for the members of the management board excluding social tax was 255 thousand euros (2023: 235 thousand euros). No performance bonus was paid to the members of the management board in 2024. The remuneration of the members of the Supervisory Board excluding social tax was 38 thousand euros (2023: 61 thousand euros).

### ***Assets and liabilities from insurance contracts and equity***

At the end of the financial year, Elama's balance sheet total was 21,320 thousand euros. At the end of last year, it was 19,258 thousand euros. Liabilities from insurance activities decreased by 271 thousand euros, while assets from reinsurance contracts decreased by 284 thousand euros mainly due to the agreed termination of some reinsurance contracts from previous loss years in 2024.

The amount of Elama equity as of 31.12.2024 was 6,005 thousand euros (2023: 3,668 thousand euros). One of the reasons for the increase in equity is the completion of an additional share issue, during which an additional share capital of 817 thousand euros was raised and the voluntary reserve capital was increased by 823 thousand euros.

As of 31.12.2024, the company's own funds under the Solvency 2 Directive amount to 8,260 thousand euros, corresponding to a solvency ratio of 203%. A strong solvency ratio allows Elama to achieve its growth targets with sufficient confidence.

### ***Financial results***

Elama's profit for the accounting year was 696 thousand euros, in 2023 the financial loss was 2,032 thousand euros. The result was affected the most by the profit received from the sale of fixed assets and non-recurring income. The result of the Elama insurance service before the calculation of reinsurance was positive in the amount of 340 thousand euros and the net financial result was positive in the amount of 599 thousand euros. The net cost of Elama reinsurance was 913 thousand euros.

### ***Economic environment and situation in the insurance market***

The economic environment remains uncertain. The war in Ukraine and the economic recession combined with high inflation are eroding consumer confidence. Normally, an economic downturn reaches the insurance markets with a delay of up to 12 months, which is why the market was still growing and profitable in 2024, but consumers' decreasing interest in insurance and price sensitivity are increasingly felt. In addition, 2024 was also

affected by changes in legislation and taxes. Elama is actively monitoring the development of the insurance market and will shape its activities for 2025 accordingly.

Competition in the non-life insurance market intensified in 2024. By the end of the year, 13 insurance companies were operating in the non-life insurance market. The total market volume was 601 million euros, and the growth slowed to 8.5%. The market share of Elama was 1.4%, 4.9% in motor third party liability insurance and 0.7% in motor casco insurance. Motor third party liability and casco insurance continued to account for 54% and home insurance for 18% of the total market volume, which directs Elama's focus on the development of products and services.

### ***Services provided by the auditor***

During the reporting period, Elama's auditor has not provided any other services in addition to the statutory audit.

### ***Expected events in the next financial year***

The economy is still uncertain and the decline in inflation has not been fast enough, which does not allow us to assume a rapid recovery of the economy. The next year will also be affected by domestic changes in both the tax system and legislation. Possible additional effects will come from global political changes. Therefore, Elama expects that the growth of the non-life insurance market in Estonia will continue to slow down in 2025. The increase in the price sensitivity of consumers and the decrease in the number of transactions limit the growth of the insurance market, and the achievement of the sales targets of market participants increases competition. Elama forecasts a market volume of 630 million euros in 2025 and a market growth of 5%.

Despite the stagnation of the market, Elama aims to grow its insurance portfolio primarily through new insurance products. The priorities are the selection of reliable reinsurers, low costs and conservative risk assessment. The claims handling process and the improvement of customer service will continue. They want to start developing new claims handling software.

### ***Key financial indicators***

<b>For the reporting period</b>	<b>Annex</b>	<b>2024</b>	<b>2023</b>
Gross written premiums		8 426 909	6 866 136
Insurance premiums received	5	6 822 622	6 911 268
Accrued losses and claims handling costs	6	-4 099 415	-6 630 121
Accrued operating expenses	6, 10	-3 194 613	-2 315 848
Reinsurance premiums	5	-2 038 047	-1 357 946
Reinsurance in incurred losses	5	1 124 892	457 035
Gross loss ratio		58,6%	86,5%
Gross expense ratio		45,6%	30,2%
Incl. acquisition cost ratio		7,9%	9,7%
Reinsurance cost		13,0%	11,7%
<b>At the end of the reporting period</b>		<b>2024</b>	<b>2023</b>
Total assets		21 320 081	19 258 144
Financial assets		12 625 794	10 784 142
Share of investments in assets		59%	56%

*The gross loss ratio* is calculated as the ratio of accrued losses and claims handling expenses to the revenue from insurance contracts.

*The gross expense ratio* is calculated as the ratio of all expenses incurred (excluding claims handling costs) to the revenue from insurance contracts.

*The acquisition cost ratio* is calculated as the ratio of accrued acquisition expenses to revenue from insurance contracts.

*The cost of reinsurance* is the ratio of the net cost of reinsurance to the revenue from insurance contracts.



Jaanus Seppa  
Member of the Management Board



Tanel Kurs  
Member of the Management Board



## Annual accounts

### Statement of comprehensive income

	Annex	2024	2023
Revenue from insurance contracts	5,6	6 999 226	7 668 433
Insurance service expenses	5,6	-6 658 924	-7 683 481
<b>Insurance service result before reinsurance</b>		<b>340 302</b>	<b>-15 048</b>
Expense of reinsurance premiums	5	-2 038 047	-1 357 946
Amounts recoverable from reinsurance	5	1 124 892	457 035
<b>Net expense from reinsurance</b>		<b>-913 155</b>	<b>-900 911</b>
<b>Net insurance service result</b>		<b>-572 854</b>	<b>-915 959</b>
Financial Returns Earned	7	786 038	315 514
Loss from changes in the exchange rate		0	-189 856
Financial income (expense) from insurance contracts	8	-428 879	-746 111
Financial income (expense) from reinsurance contracts	9	241 400	458 088
<b>Net financial result</b>		<b>598 558</b>	<b>-162 365</b>
Other income and expenses	10	670 357	-953 263
<b>Operating profit (loss)</b>		<b>696 062</b>	<b>-2 031 587</b>
<b>Other comprehensive income</b>		<b>0</b>	<b>0</b>
<b>Comprehensive profit (loss) for the financial year</b>		<b>696 062</b>	<b>-2 031 587</b>

## Statement of financial position

	Annex	31.12.2024	31.12.2023
<b>Assets</b>			
Cash and cash equivalents	11	1 982 408	1 918 995
Financial assets	14	12 625 794	10 784 142
Assets from reinsurance contracts	4,5	5 669 652	5 953 634
Other receivables	12	287 096	459 559
Prepaid expenses and accruals	13	75 201	50 156
Property, plant and equipment	15	284 948	91 658
Intangible fixed assets	16	394 973	0
<b>Total assets</b>		<b>21 320 081</b>	<b>19 258 144</b>
<b>Liabilities</b>			
Liabilities from insurance contracts	4,5	14 717 845	14 988 778
Other liabilities	17	597 709	600 901
<b>Total liabilities</b>		<b>15 315 554</b>	<b>15 589 679</b>
<b>Equity</b>			
Share capital	18	4 012 392	3 195 582
Share premium	18	1 619	1 619
Reserve capital	18	1 294 454	853 201
Retained earnings		0	1 649 650
Profit (loss) for the financial year		696 062	-2 031 587
<b>Total equity</b>		<b>6 004 527</b>	<b>3 668 465</b>
<b>Total liabilities and equity</b>		<b>21 320 081</b>	<b>19 258 144</b>

## Statement of changes in equity

	Share capital	Share premium	Reserve capital	Retained earnings	Total
<b>Adjusted balance as at 31.12.2022</b>	<b>3 195 582</b>	<b>1 619</b>	<b>853 201</b>	<b>1 649 650</b>	<b>5 700 052</b>
Loss for the accounting year	0	0	0	-2 031 587	-2 031 587
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	-2 031 587	-2 031 587
<b>Balance as at 31.12.2023</b>	<b>3 195 582</b>	<b>1 619</b>	<b>853 201</b>	<b>-381 937</b>	<b>3 668 465</b>
Profit for the reporting period	0	0	0	696 062	696 062
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	696 062	696 062
Loss Coverage	0	0	-381 937	381 937	0
Issuance of new shares	816 810	0	0	0	816 810
Increase of the voluntary reserve capital	0	0	823 190	0	823 190
<b>Balance as at 31.12.2024</b>	<b>4 012 392</b>	<b>1 619</b>	<b>1 294 454</b>	<b>696 062</b>	<b>6 004 526</b>

## Cash flow statement

	Annex	2024	2023
<b>Cash flows from operating activities</b>			
Insurance premiums received		6 822 622	6 911 268
Costs of insurance services paid		-5 232 076	-7 038 693
Net reinsurance expenses		-378 865	171 305
Operating expenses paid		-2 295 870	-329 919
Interest received		695 405	217 296
Placed in term deposits		-7 000 000	-16 000 000
Placed in bonds		-2 951 500	-1 673 000
Invested in shares		-799 935	0
Received from the term deposits		9 000 000	18 269 518
Receipts from other operating income and other operating expenses paid		129 568	-137 291
<b>Total cash flows from operating activities</b>		<b>-2 010 650</b>	<b>390 484</b>
<b>Cash flows from investing activities</b>			
Acquisition of intangible fixed assets	16	-429 882	-18 777
Acquisition of property, plant and equipment	15	0	-22 257
Sale of property, plant and equipment	15	905 538	53 764
<b>Total cash flows from investing activities</b>		<b>475 656</b>	<b>12 730</b>
<b>Cash flows from financing activities</b>			
Rent payments	17	-30 352	0
Interest paid	17	-10 463	0
Contributions to the share capital	18	816 810	0
Increase of the voluntary reserve capital	18	823 190	0
<b>Total cash flows from financing activities</b>		<b>1 599 185</b>	<b>0</b>
<b>Total cash flows</b>		<b>64 191</b>	<b>403 214</b>
<b>Cash and cash equivalents at the beginning of the period</b>			
		<b>1 918 995</b>	<b>1 555 921</b>
Change in cash and cash equivalents		64 191	403 214
Change in exchange rate difference		-779	-40 140
<b>Cash and cash equivalents at the end of the period</b>		<b>1 982 408</b>	<b>1 918 995</b>

## Notes to the financial statements

### ***Annex 1. Accounting policies used in the preparation of the annual report***

#### ***Company basics***

Elama Kindlustus AS (hereinafter also Elama) is a company registered in Estonia on 29.10.1996 (registry code: 10089395), with its registered office at Liivalaia 45, Tallinn, Estonia. Elama offers non-life insurance services in Estonia, incl. compulsory motor third party liability insurance. As of the balance sheet date, Elama has 17 shareholders, none of whom have control over the entire company. The largest shareholder owns 18.3% and the five largest shareholders 65.2% of the shares of Elama.

The Management Board approved the publication of the annual accounts on 6 March 2025. The annual report is reviewed by the Supervisory Board and approved by the General Meeting of Shareholders. The general meeting of shareholders has the right not to approve the annual report and to demand the preparation of a new report.

#### ***Declaration of Conformity***

The financial statements of Elama Kindlustus AS have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS EU).

#### ***Basics of compilation***

The accounting currency of Elama is the euro and the figures of the report are presented in euros without a decimal place (unless otherwise indicated).

In preparing the report, Elama has proceeded from the acquisition cost principle, with the exception of residual assets, which are recognised at fair value minus sales expenses, and those financial investments that are recognised at fair value with changes through the income statement.

The preparation of IFRS EU-compliant financial statements requires management to make decisions, calculations and estimates that affect the implementation of accounting policies and the recognised amounts of assets and liabilities, income and expenses. The assessments and the related assumptions are based on the experiences of previous periods and various other factors that are considered justified in the existing circumstances. Based on the results obtained, decisions are made on the book value of assets and liabilities that are not already obvious from other sources. Actual results may differ from these estimates.

Accounting estimates and assumptions are reviewed consistently. Changes in accounting estimates are recognised in the year in which the change is made, if they relate only to a given year, or in the year in which the change is made and subsequent years, if they relate to this and subsequent years. For more details, see Annex 2.

The following accounting principles are consistently applied to all years reported in the report.

#### ***Implementation of new or amended standards and interpretations***

In 2024, Elama implemented those amendments to the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and adopted

by the EU, which were mandatory for reporting periods beginning on or after 1 January 2024. In 2024, Elama applied IFRS 16 "Leases" for the first time.

The following amendments to the standards entered into force on 1 January 2024:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities
- Amendments to IFRS 16 Lease Accounting: Lease Liability for Sale and Leaseback
- Amendments to IAS 7 Cash Flow Statements and IFRS 7 Financial Instruments: Disclosed Information: Financing Arrangements with Suppliers.

The implementation of these IFRSs and amendments to IFRSs did not have an impact on Elama's accounting policies.

The following standards approved by the European Union had not yet entered into force during the reporting period:

- Amendments to IAS 21 "Effects of Changes in Foreign Exchanges": Lack of Fungibility. The amendments will be applied to reporting periods beginning on or after 1 January 2025, and early implementation is also allowed.

In Elama's current assessment, the new international financial reporting standards that have been published but have not yet entered into force, nor the standards that are not yet mandatory for Elama are unlikely to have a material impact on the company's financial statements when first implemented.

Standards and amendments that have not yet entered into force or been approved in the European Union are:

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosed Information: Classification and Measurement of Financial Instruments. In May 2024, the IASB issued amendments to the classification and measurement of financial instruments, amending IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosed Information, which will apply to all reporting periods beginning on or after 1 January 2026, with early implementation permitted.
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures: Contracts for Electricity Dependent on Natural Forces. In December 2024, the IASB issued amendments to improve the recognition of contracts for electricity dependent on natural forces, amending IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosed Information, which will apply to all reporting periods beginning on or after 1 January 2026, with early implementation also permitted.
- IFRS 18 "Presentation of Financial Statements and Information Disclosed in Financial Statements". In April 2024, the IASB issued IFRS 18 "Presentation of Financial Statements and Disclosures in Financial Statements", which replaces IAS 1 "Presentation of Financial Statements" and will be applied to all reporting periods beginning on or after 1 January 2027, with early implementation permitted.
- IFRS 19 Unaccountable Subsidiaries: Disclosures. In May 2024, the IASB issued IFRS 19 "Publicly Unaccountable Subsidiaries: Disclosures", which will apply to all accounting periods beginning on or after 1 January 2027, with early implementation allowed.
- Annual Improvements to IFRS – Volume 11. In July 2024, the IASB issued Volume 11 of the IFRS Annual Improvements. These amendments shall apply to all reporting periods beginning on or after 1 January 2026. Early implementation is also allowed.
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": transactions between the sale and

transfer of assets between an investor and its associates or joint ventures. In December 2015, the IASB postponed the date of entry into force of the amendment indefinitely in order to await the results of its study on the equity approach.

Elama evaluates the impact of standards that have not yet been enforced and approved after they have been enforced and approved.

### ***IFRS 17 "Insurance Contracts" Based Accounting Policies***

IFRS 17 applies to reporting periods beginning on or after 1 January 2023 and was applied retrospectively. Elama reported for the first time under the standard for the year ended 31 December 2023, this is the second complete report prepared under IFRS 17.

#### *Insurance and reinsurance contracts – classification*

All Elama insurance contracts and reinsurance contracts comply with the terms and conditions of IFRS 17 regarding the definition of insurance contracts. An insurance contract is a contract in which one party accepts a significant insurance risk from the other party. Insured risk, as defined by the standard, is a risk, other than financial risk, that is transferred from the contract holder to the contract issuer.

Elama does not have contracts that have the legal form of insurance contracts but do not carry a significant insurance risk (referred to as "investment contracts"). Elama also does not have any insurance contracts with a discretionary participation function.

The following is a summary of Elama's insurance products that fall within the scope of IFRS 17:

- The motor third party liability insurance portfolio includes compulsory liability insurance contracts for vehicles with a validity period of one year.
- The motor casco (own damage) insurance portfolio includes insurance contracts concluded in respect of vehicles that cover the expenses arising from unexpected loss events. Casco insurance contracts have a duration of up to one year.
- The property insurance portfolio includes insurance contracts concluded in respect of immovable and movable property, which cover losses arising from the destruction, deterioration, loss, etc. of property. The same insurance contract usually also covers the policyholder's liability to third parties and covering the cleaning and/or replacement residence rental costs following the insured event. Property insurance contracts are concluded with a duration of up to one year.
- The travel insurance portfolio includes insurance contracts that cover unexpected expenses that may arise during a trip due to an accident or illness, the maximum period of validity of which is one year.
- The carrier and freight forwarder's liability insurance portfolio includes insurance contracts that cover the costs related to the destruction of the cargo and/or damage to the cargo, unexpected expenses incurred in the transport or forwarding of the cargo, financial losses related to the delay in delivery of the cargo, liability to customs authorities and liability to third parties in the event of damage caused to them by the cargo. The maximum period of validity of the insurance contract is one year.
- The cargo insurance portfolio includes insurance contracts that cover the realisation of an unexpected and unforeseen insurance risk resulting in the destruction, damage or loss of cargo. The maximum period of validity of the insurance contract is one year.

#### *Separation of components from insurance and reinsurance contracts*

According to the standard, it must be analysed whether some components of a product are distinct, and they must be separated and recognised in accordance with other accounting standards. Elama assessed contracts falling within the scope of IFRS 17 and concluded that there are no separable components.

#### *Aggregation and registration of insurance and reinsurance contracts*

Insurance and reinsurance contracts are aggregated into groups for measurement purposes. Insurance contract groups are determined by identifying insurance contract portfolios, which consist of contracts with similar risks that are managed together, and are divided into annual cohorts (i.e., by the time the insurance period begins), and each annual cohort is divided into three groups according to their profitability:

- contracts that are onerous when concluded;
- contracts that do not have a significant chance of becoming onerous later;
- the remaining contracts in each year cohort.

When a contract is reflected, it will be added to an existing contract group, or if the contract does not qualify for an existing group, that contract will form a new group to which other contracts will be added in the future. Contract groups are formed upon initial recognition and their composition is not changed after all contracts have been added to the group.

The profitability of contract groups is assessed using actuarial valuation models that take into account existing and new business activities. Elama assumes that no contract in the portfolio is onerous at initial recognition, unless the facts and circumstances indicate otherwise. Elama assesses the likelihood of changes in current facts and circumstances in order to determine whether contracts that are not onerous at initial recognition have a significant chance of becoming such in the future. Elama considers the following facts and circumstances to determine whether a group of contracts is unprofitable:

- pricing information;
- the results of similar contracts that it has reported;
- environmental factors, e.g. changes in market experience or regulations.

Reinsurance contract groups are formed so that each group has one contract.

Some reinsurance contracts include treaties that belong to different groups. Elama separates the reinsurance contract into several insurance components that are related to different basic groups.

#### *Aggregation and recognition of insurance and reinsurance contracts.*

Elama reflects the group of insurance contracts issued from the earliest date of the following dates:

- the start date of the group of period contracts for insurance coverage;
- the due date of the first payment of the policyholder belonging to the group, and;
- For a group of onerous contracts, the date on which that group becomes loss making.

Reinsurance contract groups are recognised on the following date:

- Reinsurance contracts with proportional coverage initiated by Elama: date of initial recognition of any treaty. This applies to Elama quota share reinsurance contracts.
- Other reinsurance contracts initiated by Elama: the beginning of the coverage period for the group of reinsurance contracts.



Elama has assessed that it does not have any insurance or reinsurance contracts that would be classified as onerous or potentially onerous.

#### *Contract boundaries*

Cash flows are included in the limits of the insurance contract if they arise from material rights and obligations that exist during the reporting period and with which Elama may force the policyholder to pay insurance premiums or which have a significant obligation to provide services (including insurance cover and any investment services).

An essential obligation to provide a service ends if:

- Elama has the practical ability to reassess the risks of a particular policyholder and can set a price or level of benefits that fully reflects these reassessed risks; or
- Elama has the practical ability to assess the risks of the portfolio in which the contract is included and can set a price or level of compensation that fully reflects the risks of that portfolio, and the pricing of premiums up to the date of the revaluation does not consider risks related to periods subsequent to the revaluation date.

Cash flows are within the limits of a reinsurance contract if they arise from material rights and obligations that exist during the reporting period for which Elama pays a fee to the reinsurer or Elama has an important right to receive services from the reinsurer.

An essential right to receive services from a reinsurer ends if the reinsurer has:

- the practical ability to reassess the risks transferred to it and the ability to set a price or level of compensation that fully reflects those reassessed risks; or
- significant right to end coverage.

The contract boundary is assessed at the end of each reporting period to account for the impact of the changes on Elama's material rights and obligations and therefore may change over time.

#### *Measurement method*

To measure the Liability for remaining coverage (*hereinafter also referred to as LRC*) in insurance and reinsurance contracts, Elama uses the premium allocation approach (PAA) method. The coverage period for all insurance and reinsurance contracts concluded is one year or less, so the criteria for implementing a PAA are met, except for quota share reinsurance, which covers insurance contracts in force for up to two calendar years.

In the case of quota share reinsurance contracts, Elama has modelled possible future scenarios and justifiably assumes that the measurement of Elama's remaining coverage liability under the PAA containing these contracts does not differ significantly from the measurement that would be prepared based on the General Management Model (GMM). In assessing materiality, Elama has also considered qualitative factors, such as the nature of the risk and the types of business areas.

In the case of XL reinsurance contracts, only the risks that occur in a given calendar year are covered and thus the PAA criteria are met in the case of XL reinsurance contracts.

During the initial recognition of each group of contracts, the residual value of the LRC is measured based on the premiums received at the time of initial recognition and is adjusted for any amount resulting from the discontinuation of the recognition of assets or liabilities previously recognised in relation to the group. Elama has chosen to include the cash flows related to the acquisition of insurance contracts in the expenses when they are incurred, so they are not included in the LRC measurement.

After initial recognition, the residual value of the LRC is increased by the premiums received and deducted from insurance contracts with income from the provision of insurance services. During the initial recognition of each group of contracts, Elama assumes that the period between the provision of each part of the services and the payment due date of

the related bonuses is no longer than one year. Consequently, Elama does not adjust the LRC to account for the time value of money and the impact of financial risk.

If, at any point in time during the insurance period, facts and circumstances indicate that the group of contracts is loss-making, Elama will recognise the loss in the statement of comprehensive income and increase the LRC to the extent that the current estimates of the cash flows related to the LRC for execution exceed the residual value of the LRC.

When assessing the cash flows from the performance of insurance contracts and finding the *Liability of incurred claims* (hereinafter also referred to as LIC), Elama uses discounting based on the current discount rates. Elama recognises the LIC of the insurance contract group to the same extent as the cash flows related to the performance of the insurance contract arising from the losses incurred. Future cash flows will be discounted at the current discount rates, unless they are expected to be paid within one year or less from the date on which the claim arises. Because claims settlements take time for motor third party liability insurance policies (for some losses, benefits are paid as an annuity until the policyholder retires), LIC cash flows can be long-term. Consequently, the motor insurance group is subject to the discount of the LIC, in the case of the remaining contracts, the future cash flows are expected to be paid within one year or a shorter period from the date on which the losses occurred, which is why Elama uses the possibility arising from the PAA method not to use discounting for such cash flows.

Elama applies calculation methods similar to insurance contracts to measure the group of reinsurance contracts, which are adapted where necessary to reflect characteristics different from insurance contracts.

While a loss compensation component is created when a group of reinsurance contracts is measured using the PAA method, Elama adjusts the residual value of the asset for the coverage of the remaining reinsurance period.

Elama reflects the change due to changes in discount rates in LIC in the income statement.

#### *Method for measuring and valuing cash flows from the performance of insurance contracts*

The cash flows of performance falling within the scope of the insurance contract are assessed by Elama when assessing the liability for losses that have occurred. Elama impartially considers the range of all possible outcomes, specifying the sum of cash flows, the timing of each scenario, and the probability that reflects the conditions at the measurement date, using a probability-weighted average expectation that represents the average of all possible scenarios. In determining possible scenarios, Elama will use all reasonable and supportive information available to it, including information about past events, current conditions and future projections, if this does not involve unreasonable costs or efforts.

When assessing future cash flows, the following elements are considered within the limits of the contract:

- Reported but not yet paid receivables; claims that have arisen but have not yet been notified; expected future insurance claims and possible cash flows from future claims covered by existing insurance contracts.

Directly observable market variables and non-market variables such as mortality rate, accident rate, average cost of losses, probabilities of large losses are included in the assessment of cash flows. Future claims have been assessed using well-known actuarial calculations based on claims arising in previous periods and their development over periods, and the amounts obtained are presented to the current situation using known consumer price indices and the estimate of inflation used for future forecasts.

#### *Discount rate*

The discount rate is the rate used to reflect the time value of money in future cash flows.

Given the size of Elama's portfolio, it is very difficult to develop company-specific discount rate curves. For the same reasons, the costs of developing firm-specific discount rate curves would outweigh the potential benefits. Therefore, for all portfolios measured under IFRS 17, Elama uses discount rates derived from a bottom-up approach (risk-free rate + illiquidity risk) based on EIOPA's risk-free rate curve plus an illiquidity risk component.

The assets that support Elama's liabilities consist of cash, market-traded shares, term deposits, and bond investments, which are estimated to have a liquidity greater than that of Elama's liabilities. Therefore, Elama has decided to adjust the curve of EIOPA's risk-free rate with the illiquidity risk component, which is found as 25% of EIOPA's volatility adjustment to the risk-free rate.

#### *Risk adjustment (RA)*

A risk adjustment (RA) is an adjustment that Elama makes when assessing the present value of future cash flows to reflect the compensation it would need to bear the risk of uncertainty in the value and timing of cash flows arising from non-financial risks. Elama uses the confidence interval methodology for calculating the risk adjustment. Elama assumes that the distribution and number of losses in the past reflects the size and number of future losses, based on which the distribution of total losses is found. Elama has identified the log-normal distribution as the best approximating distribution. From the distribution, 85% confidence limits are found for the average loss size. At the same time, the present value of the cash flows of future losses is determined, divided by the average loss size to find the expected number of losses at the projected loss payouts. Assuming that the number and magnitude of losses are distributed similarly to those in the past, the size of the risk adjustment is obtained as the predicted number of losses and the average loss size with 85% confidence intervals.

The non-financial risk adjustment coefficient is 8.34%.

#### *Termination of recognition and amendment of the agreement*

Elama ceases to recognise the contract when it has expired – i.e. when the obligations specified in the contract expire or they have been fulfilled or cancelled.

Elama also ceases to recognise the contract if its terms and conditions are changed in a way that would have significantly changed the recognition of the contract, considering that the new terms and conditions would always have existed. In such a case, a new contract based on the amended terms and conditions shall be reflected. If the amendment of the agreement does not result in the termination of recognition, Elama will treat the changes in cash flows caused by the amendment as changes in the cash flow estimates for performance.

#### *Presentation*

Portfolios of insurance contracts, which are assets and liabilities, and portfolios of reinsurance contracts, which are assets and liabilities, are presented separately in the statement of financial position. Any recognised cash flow assets or liabilities that arise before the recognition of a group of contracts are included in the carrying amount of the respective contract portfolios.

Elama allocates the amounts recognised in the statement of comprehensive income as the result of insurance services before reinsurance, which includes income from insurance contracts and insurance service expenses.

The income and expenses of reinsurance contracts are presented separately from the income and expenses of insurance contracts.

All changes in the adjustment of risk related to non-financial risks are included in the result of insurance services.

#### *Revenue from insurance contracts*

In the case of contracts measured based on a PAA, the insurance revenue is the sum of the premiums expected in each period for the provision of services during that period. Elama allocates expected premiums to each period based on the time-lapse principle, except for motor third party liability insurance, in which case the expected premiums are allocated according to the expected distribution of the insurance risk.

#### *Insurance service expenses*

Insurance service expenses arising from insurance contracts are generally recognised in the statement of comprehensive income when they are incurred. They consist of the following elements:

- losses incurred and other costs of insurance services;
- losses from loss-making contracts and the reversal of those losses, if any;
- Adjustments to liabilities for incurred losses that are not due to the impact of the time value of money, financial risk or changes in these losses.

#### *Financial income and expense of insurance contracts*

The financial income and expense of insurance contracts includes the change in the carrying amount of the insurance contract group due to:

- a) the impact and change of the time value of money;
- b) impact and changes in financial risk.

Elama records the financial income or expense of insurance contracts for the period in the income statement.

#### *Net cost of reinsurance contracts*

The net cost of reinsurance contracts includes the reinsurance premiums paid, minus the amounts recovered from reinsurers.

Elama recognises reinsurance premiums paid in the statement of comprehensive income if it receives services from reinsurance contracts. The distribution of reinsurance premiums paid for each period is the sum of the premiums expected for receiving services during the period.

### **Financial assets**

#### *Classification*

Financial assets must be classified into one of three measurement categories:

- assets recognised at amortized cost;
- assets recognised at fair value through other comprehensive income statements;
- Assets that are recognised at fair value through profit or loss.

The classification of a debt instrument depends on the company's business model in the management of financial assets and on whether the contractual cash flows of the asset include only principal and interest payments (hereinafter also referred to as SPPI). If the debt instrument is held for collection purposes and the SPPI requirement is met, the instrument may be recognised at adjusted cost. Debt instruments that meet the SPPI requirement and are held in a portfolio in which the entity holds assets for both collection and sale purposes may be recognised at fair value through the statement of comprehensive income. Financial assets that do not include cash flows in the SPPI must be measured at fair value through the income statement.

Equity instruments held for trading purposes must always be recognised at fair value through profit or loss.

Elama divides financial assets into assets that are recognised at amortized cost and assets that are recognised at fair value through profit or loss.

#### *Registration and termination of recognition*

Purchases and sales of financial assets under normal market conditions are recognised on the transaction date, i.e. the date on which the entity undertakes to buy or sell assets. The recognition of financial assets is terminated when the rights to the cash flows arising from the financial assets expire or are transferred, which is why the company transfers essentially all risks and rewards.

#### *Measurement*

Financial assets are recorded at fair value at initial registration.

In subsequent valuations, Elama uses the following principles to find fair value:

- Level 1 – prices quoted on active markets for identical assets or liabilities. These typically include listed stocks and exchange-traded bonds.
- Level 2 – Inputs are not quoted on active markets but are based on observable market data (e.g. monitoring quoted prices of similar assets or liabilities in active or inactive markets).
- Level 3 – Market data is not available for estimation. Estimates are based on the company's own assumptions, including models, forecasts, or other factors.

#### *Debt instruments*

Bonds, which are expected to generate solely cash flows from principal and interest payments, are recognised by Elama at amortized cost. The remaining debt instruments are classified as measurable at fair value through profit or loss.

#### *Shares*

Elama recognises shares and other equity instruments at fair value through the profit or loss.

#### *Impairment*

The company estimates the expected credit loss of debt instruments at amortized cost based on available information. The impairment methodology to be applied depends on whether the credit risk has increased significantly. The measurement of expected credit losses considers: (i) an unbiased and probability-weighted amount that is determined by evaluating several possible different outcomes, (ii) the time value of money, and (iii) reasonable information available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions. Elama has assessed the credit risk of counterparties as at the balance sheet date and adjusted the value of debt instruments.

For receivables against buyers that do not have a significant financing component, Elama will consider the impairment of claims to the extent of the expected credit loss during the period of validity upon initial recognition of receivables.

### ***Money***

Cash and demand deposits are recorded as cash. The cash flow statement has been prepared using the direct method.

### ***Property, plant and equipment***

Objects of property, plant and equipment are recognised at acquisition cost, which is reduced by accumulated depreciation and impairment losses arising from the impairment of assets.

Assets with a significant acquisition cost and an expected useful life of more than one year are registered as property, plant and equipment. Objects of insignificant value are included in the costs when they are acquired. The acquisition cost consists of the purchase price, non-refundable taxes and expenses directly related to the acquisition.

Depreciation is recognised in the statement of comprehensive income using the linear method as property, plant and equipment over the useful life of the objects accounted for. The depreciation rate for buildings is 3.33% per annum, 20% per annum for office furniture and equipment, and 33.33% per annum for IT equipment.

The depreciation periods assigned to property, plant and equipment are reviewed annually to determine whether any circumstances have arisen that could materially alter the useful life of a fixed asset or a group of fixed assets. The impact of changes in estimates is reflected in the reporting period and subsequent periods.

Lease rights (right-of-use assets) used based on long-term contracts are also recognised under property, plant and equipment. Elama recognises right-of-use assets for significant leases that fall within the scope of IFRS 16 Lease Accounting. A lease agreement is defined as the right to control the use of the property specified in the agreement for a fee during the agreed period. The lessee must have the right to decide on the use of the property and is also entitled to the benefit from the use of the entire property. The lessor must not have a substantive possibility to replace the leased property.

The acquisition cost corresponds to an amount equal to the lease liabilities and the lease prepayments made before the start of the lease period, discounted using an alternative loan interest rate.

The depreciation of the asset used based on the right of use is calculated using the linear method from the beginning of the lease period until the end of the useful life of the asset, which is the end of the expected lease period. The property of the right of use and the lease obligation will be revalued if the estimate of the lease payments changes or the lease agreement is extended.

Elama moved into new premises in June 2024, for which a five-year lease agreement has been signed. Elama reflects the right to use office premises as tangible fixed assets. Elama has the right to submit a proposal to extend the lease agreement before the end of the lease period, but the contract will not become indefinite in any case. It is not considered probable to exercise the option to extend, which is why the tangible fixed assets of the right of use are depreciated over a five-year period.

### ***Intangible fixed assets***

Software created specifically for the company's use is registered as an intangible fixed asset if it has a significant acquisition cost and participates in the production of income over a longer period.

Intangible fixed assets are initially recorded at their acquisition cost, which consists of the purchase price and the direct costs related to the acquisition. Acquired software is recognised as intangible assets, which are depreciated according to their useful life using the straight-line depreciation method at an average rate of 20% per year. The depreciation of intangible fixed assets assumes that their final value is zero.

In each reporting period assessment is made to see if there is evidence that the software may have declined in value. Impairment losses are recognised when the carrying amount of an asset or cash-generating entity exceeds its recoverable value. Losses arising from impairment of assets are recognised in the statement of comprehensive income, if necessary.



The depreciation periods of intangible fixed assets are reviewed annually to see if circumstances have arisen that could materially alter their useful life. The impact of changes in estimates is reflected in the reporting period and subsequent periods.

### ***Impairment of fixed assets***

On each balance sheet date, it is assessed whether there are signs of impairment of fixed assets. If there are doubts indicating that the value of the asset will fall below its book value, a test of the recoverable value of the asset will be performed. The recoverable value of an asset is equal to the higher of two indicators: either the fair value of the asset (minus sales costs) or the value in use found based on discounted cash flows. If, as a result of testing, it turns out that the recoverable value of the asset is lower than its book value, the object of the asset is written down to its recoverable value. If it is not possible to perform an asset value test on a single asset object, the recoverable value is found for the smallest asset group (cash-generating unit) to which the asset belongs. Asset write-downs are recognised as an expense for the reporting period. If the test of the recoverable value of assets that have previously been written down reveals that the recoverable value has risen above the residual book value, the previous impairment is cancelled, and the accounting cost of the asset is increased. The upper limit is the residual accounting value of the asset, which would have been formed in the intervening years, considering normal depreciation.

### ***Revenue***

#### *Revenue from insurance contracts*

In the case of contracts measured based on a PAA, the insurance revenue is the sum of the premiums expected in each period for the provision of services during that period.

#### *Financial Returns*

Financial income includes income from financial instruments and the imputed change in assets and liabilities due to the change in the risk-free rate curve when discounting assets and liabilities.

Income from financial assets includes interest and dividend income, net income from the sale of financial assets, and net income at fair value from revaluation of financial assets classified through profit/loss.

### ***Corporate Income Tax***

According to the laws of the Republic of Estonia, the company's profit for the accounting year is not taxed in Estonia. Income tax is paid on dividends, gifts, donations, reception expenses, non-business-related payments and transfer price adjustments. Until 31.12.2024, the tax rate was 20% and the amount of tax payable was 20/80 of the net disbursement. The lower tax rate of 14%, i.e. 14/86 of the net amount of dividends, applied to regularly paid dividends, was valid until 31.12.2024.

From 01.01.2025, the tax rate is 22% and the amount of tax payable is 22/78 of the net disbursement.

Due to the peculiarities of the taxation system, there are no temporary differences between the taxable values of assets and liabilities and the residual book values, and therefore there are no deferred income tax assets and liabilities.

Corporate income tax payable on dividends is recorded as income tax expense and liability at the time of declaring the dividends, regardless of the period for which the

dividends are declared or when the dividends are actually paid. The obligation to pay income tax arises on the 10th day of the month following the payment of dividends.

### ***Currency conversion***

Elama uses the currency of its economic environment – the euro – as its accounting and presentation currency. Commercial transactions in foreign currencies are revalued according to the exchange rate of the European Central Bank valid on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted using the exchange rate of the European Central Bank valid on the balance sheet date. Exchange differences arising from revaluation are recognised in the statement of comprehensive income as other income or other expenses, while exchange rate differences arising from the revaluation of deposits are recognised in investment income or investment expenses.

### ***Financial liabilities***

The company has the following financial liabilities: payables to suppliers and debt obligations.

Payables to suppliers are obligations incurred during normal business activities to pay suppliers for goods or services purchased. Debts that are due to be paid within a period of up to one year or a normal business cycle are considered short-term liabilities. The remaining payables to suppliers are recognised as long-term liabilities. Payables to suppliers are initially recorded at fair value and are recorded at adjusted acquisition cost after initial registration using the internal interest rate method.

Debt obligations are initially recorded at fair value less transaction costs and are recorded at adjusted acquisition cost after initial registration.

Financial liabilities are discontinued when they are satisfied, terminated or expired.

### ***Lease liabilities***

At initial recognition, the lease liability is measured at the present value of the fixed lease payments. The lease liability is revalued if the related valuation changes or the lease agreement is amended. Lease liabilities are recorded under the item "Other liabilities". A lease period is defined as an expected lease period. This includes an uninterrupted period of leases, adjusted for periods of possible extension or termination that the company is sufficiently confident in using.

Elama has assessed the present value of the lease payment obligation arising from the lease agreement using an alternative loan interest rate.

### ***Employee benefits***

Short-term benefits to employees, including remuneration under the employment contract, performance pay, holiday pay and social tax and unemployment insurance tax calculated based on legislation, are recognised in operating expenses on an accrual basis. No additional benefits (including supplementary pension and share options) have been established for employees.

### ***Events after the reporting date***

The financial statements reflect significant circumstances affecting the valuation of assets and liabilities that occurred during the period between the balance sheet date 31.12.2024 and the date of preparation of the report but are related to transactions that took place during the reporting period or earlier periods.



## ***Annex 2. Accounting Assessments and Judgments***

In the preparation of the reports, a number of accounting estimates and judgments have been used, which affect the assets and liabilities recorded in the report and the notes to the disclosed potential assets and liabilities. Although these decisions have been made to the best of the management's knowledge, they may not coincide with the actual result later.

The most important accounting estimates in the application of accounting principles are presented as follows:

- classification of insurance, reinsurance and investment contracts;
- an assessment of whether the contract transfers a significant insured risk and whether the insurance contract contains the characteristics of a direct participation;
- level of aggregation of insurance and reinsurance contracts: the identification of portfolios of contracts and groups of contracts that are loss-making at first recognition and have no significant chance of becoming loss-making at a later stage;
- measurement of insurance and reinsurance contracts: determination of methods for assessing risk adjustments related to non-financial risk;
- when registering intangible fixed assets, Elama estimates that the respective IT development costs contribute significantly to the creation of future operating profit, are separately identifiable and the company has control over the use of the software parts to be developed.

## ***Annex 3. Risk management***

From the point of view of Elama as an economic entity, the risks are divided into external and internal risks.

External risks are risks that arise outside of Elama independently of Elama's own activities (e.g. the activities of competitors, legislation, financial risks).

Internal risks are risks that arise within an entity (e.g. insurance risks, personnel risk, IT risk).

Risk assessment is carried out in accordance with the procedure established by the Management Board of Elama, which establishes procedural rules for identifying and managing existing risks and reducing future impacts. The process of risk assessment and management is continuous.

From the point of view of the economic development of the company, it is important to define the risks of the company and deal with their management. The insurance company has highlighted three main risk areas: insurance risk, financial risks and operational risk. The following are summary definitions of the respective risk areas.

The objectives of risk management are to reduce insurance risk by adjusting premium rates and continuously controlling reserves. In addition, to continue to keep liquidity and credit risk low and to better manage operational risk by introducing a newer and more compact information system.

### ***Insured risk***

An insured risk is a possibility to incur damage due to unexpected events (insured events) defined in the insurance cover.

The company's insurance risk covers the following areas of insurance:

- motor third party liability insurance;
- motor casco insurance;

- travel insurance;
- carrier's liability insurance;
- insurance of transported goods;
- property insurance.

Insurance risk management mainly consists of three areas: the definition of adequate premium rates, insurance indemnities and provisions. In addition, both proportional and non-proportional reinsurance are used to manage insurance risk.

The purpose of Elama is to hold enough assets to cover the liabilities arising from the risks arising from insurance contracts. Rules have been established for the assessment and correction of loss amounts, and losses are also regularly analysed for the purpose of detecting insurance fraud. Estimates of the extent of the damage are used to estimate the extent of the damage to avoid an unexpected increase in damage in a direction that is unsuitable for Elama.

#### *Risks related to premium rates*

The main source of insurance risk is the use of insufficient premium rates while selling the insurance contracts. Insurance premium rates have been found considering possible future payouts and costs and the competitiveness of the pricing policy. Elama conducts regular product analyses, during which the adequacy of insurance premium rates is analysed and, based on the results of the analysis, major adjustments are made in the design of pricing models, if necessary. Additional adjustments are made based on actuarial analyses and financial statements.

#### *Risks related to claims handling*

The insured event to be indemnified is determined based on the valid terms and conditions corresponding to the type of insurance. An exception can be considered mandatory motor third party liability insurance, which is subject to the Estonian Motor Third Party Liability Insurance system.

It is important to follow the rules and norms to manage the risks arising from loss events. The rules of compensation are based on the rules of treatment created based on internal experience. In exceptional cases, common opinions and beliefs are followed.

#### *Risks related to technical provisions*

Expert judgements, a chain-to-ladder method based on historical data, and various calculation methods for personal injuries are used to determine technical provisions. The adequacy of reserves is analysed regularly, but not less than once a year, and, if necessary, corrections are made to the methods of estimating technical provisions. To hedge insurance risks, the insurance company's insurance risks are covered by reinsurance contracts, which are determined separately for each line of business.

#### *Sensitivity to insurance risk*

Sensitivity to insured risk expresses the effect of changes in certain parameters in the insurer's activities. Small differences in parameters can make a big difference in the result, so it is important to study different indicators.

The table illustrates the impact of risk parameters on the company's net profit and equity. One parameter is considered at a time, leaving the other indicators unchanged. From the point of view of an insurance company, the most important indicators are claims and indemnities, which affect the company's net profit. The latter is also affected by several different costs related to claims handling, the costs of concluding insurance contracts and

other costs that ensure the functioning of the company. Elama has no reason to believe that claims and compensation could increase drastically in the short term without a sharp increase in sales. For an insurance company, the impact of liabilities on equity is important. Elama's biggest liabilities are liabilities arising from insurance contracts, in addition to liabilities from reinsurance contracts and other business activities. Elama considers a sudden increase in insurance contract provisions unlikely.

#### As of 31.12.2024

		Before reinsurance			After reinsurance		
Parameter	Change in parameter	Impact (EUR)	Impact on outcome (%)	Impact on equity (%)	Impact (EUR)	Impact on outcome (%)	Impact on equity (%)
Losses incurred	1%	-41 074	-5,9%	-0,7%	-29 825	-4,3%	-0,5%
	-1%	41 074	5,9%	0,7%	29 825	4,3%	0,5%
The change in the inflation rate	0,5 pp	-44 715	-6,4%	-0,7%	-31 661	-4,5%	-0,5%
	-0,5 pp	44 298	6,4%	0,7%	29 889	4,3%	0,8%
Increase in fixed costs	5%	-132 197	-19,0%	-2,2%	-132 197	-19,0%	-2,2%
	-5%	132 197	19,0%	2,2%	132 197	19,0%	2,2%

#### As of 31.12.2023

		Before reinsurance			After reinsurance		
Parameter	Change in parameter	Impact (EUR)	Impact on outcome (%)	Impact on outcome (%)	Impact (EUR)	Impact on outcome (%)	Impact on equity (%)
Losses incurred	1%	-66 301	-3,3%	-1,8%	-61 731	-3,0%	-1,7%
	-1%	66 301	3,3%	1,2%	-61 731	3,0%	1,7%
The change in the inflation rate	0,5 pp	-220 245	-10,8%	-6,0%	-127 298	-6,3%	-2,2%
	-0,5pp	210 167	10,3%	5,7%	120 918	6,0%	2,1%
Increase in fixed costs	5%	-86 280	-4,2%	-2,4%	-86 280	-4,2%	-2,4%
	-5%	86 280	4,2%	2,4%	86 280	4,2%	2,4%

#### Concentration of insurance risk

The concentration of insured risk determines the extent to which an event (or several events) can have a significant impact on the insurer's liabilities. One form of risk concentration – several insurance contracts that are similar in some way – add up to one major risk. For example, natural disasters that occur in a certain area endanger all insured objects located there at the same time.

Looking at the insurance portfolio by line of business, mandatory motor third party liability insurance covers the largest part of it. As a result of the above, a large part of the company's insured objects is located in Estonia. In Elama's opinion, natural disasters that would cause great damage are not frequent in Estonia.

In the case of motor third party liability insurance, the age and location of policyholders are monitored to find important groups where the insurance risk is higher than average.

The following tables show the concentration of net liabilities of insurance contracts by type of contract (Annex 4):

Type of insurance	As of 31.12.2024			As of 31.12.2023		
	Gross	Re insurance	Net	Gross	Reinsurance	Net
Motor third party liability insurance	14 235 526	-5 669 652	8 565 874	14 724 574	-5 953 634	<b>8 770 940</b>
Motor casco insurance	285 431	0	285 431	972	0	<b>972</b>
Carrier's liability insurance	113 243	0	113 243	186 692	0	<b>186 692</b>
Travel insurance	77 568	0	77 568	76 494	0	<b>76 494</b>
Other types of insurance	6 078	0	6 078	47	0	<b>47</b>
<b>Total insurance contracts</b>	<b>14 717 845</b>	<b>-5 669 652</b>	<b>9 048 193</b>	<b>14 988 778</b>	<b>-5 953 634</b>	<b>9 035 144</b>

#### *Development of losses*

In the formation of losses, the indemnities paid by all types of insurance, handling costs, recourse received, IBNR and changes in the provision for unsatisfied claims have been considered.

According to IFRS 17, when establishing the provisions for losses, Elama considers that the probability and the extent of future experience are less favourable than expected, which is reflected in the risk adjustment.

In general, the uncertainty about the final costs in the settlement of losses is greatest when the loss is at an early stage. As time passes and the amount of information increases, the final cost of damages becomes more certain.

#### **Liabilities for past losses (motor third party liability insurance):**

Loss year	2024	2023	2022	2021	2020	2019	2018 and earlier	Total
<b>Undiscounted foreseeable losses</b>								
Reporting period	4 381 780	5 060 716	5 801 582	4 474 076	4 469 442	5 936 891		
1 year later		5 461 940	6 320 026	4 505 011	5 316 475	6 175 258		
2 years later			6 072 429	4 347 950	5 826 940	6 145 193		
3 years later				4 272 594	5 710 223	5 914 320		
4 years later					7 498 574	7 417 106		
5 years later						6 545 303		
<b>Total undiscounted foreseeable losses</b>	<b>4 381 780</b>	<b>5 461 940</b>	<b>6 072 429</b>	<b>4 272 594</b>	<b>7 498 574</b>	<b>6 545 303</b>	<b>11 139 198</b>	<b>45 371 818</b>

## Indemnified losses

Reporting period	2 891 370	3 604 519	3 529 242	3 006 149	3 303 321	4 161 880
1 year later		4 742 453	5 302 971	4 007 510	4 119 298	5 727 528
2 years later			5 563 357	4 069 337	4 412 457	5 812 279
3 years later				4 126 193	4 520 743	5 853 137
4 years later					4 685 127	6 029 317
5 years later						6 029 317

<b>Cumulative benefits</b>	<b>2 891 370</b>	<b>4 742 453</b>	<b>5 563 357</b>	<b>4 126 193</b>	<b>4 685 127</b>	<b>6 029 317</b>	<b>28 037 817</b>
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<b>Liabilities for total losses</b>	<b>1 490 410</b>	<b>719 487</b>	<b>509 072</b>	<b>146 402</b>	<b>2 813 447</b>	<b>515 986</b>	<b>11 139 198</b>	<b>17 334 002</b>
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<b>Discounting</b>								<b>-6 095 954</b>
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<b>Risk correction</b>								<b>937 253</b>
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<b>Liabilities for total losses</b>								<b>12 175 300</b>
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As a rule, the damages of the carrier's liability insurance and travel insurance are indemnified within one year of the occurrence of the damage, which is why a table of the occurrence of losses has not been presented for these types of insurance.

	<b>Estimate of the present value of future cash flows</b>	<b>Risk correction</b>	<b>Total</b>
Motor third party liability insurance	11 238 047	937 253	12 175 300
Motor casco insurance	170 622	17 062	187 684
Carrier's liability Insurance	69 286	13 857	83 144
Travel insurance	1 017	102	1 118
Other lines of business	689	69	758
<b>Total</b>	<b>11 479 661</b>	<b>968 343</b>	<b>12 448 004</b>

## Reinsurance

Reinsurance contracts are contracts under which a company takes over the insurance risks of another insurer with the aim of paying the insurer an agreed amount of compensation in the event of an insured event under the insurance contract concluded between the insurer and the policyholder.

In the case of motor third party liability insurance, the three-layer excess of loss i.e. XL reinsurance, is used. Elama's deductible under the XL contract in 2024 was 500 thousand euros, for the losses occurring in 2025 Elama's deductible is 1 million euros. To reduce the net deductible of the XL contract Elama, proportional reinsurance with a quota rate of 37.5% was also in place for motor third party liability insurance and motor casco insurance

in 2024. A quota-rate reinsurance contract with a 30% ceded risk has also been concluded for 2025.

For other lines of business, reinsurance is not used.

#### *Credit risk in insurance business*

Credit risk is a risk, the realisation of which may result in loss due to the insolvency of the other party. Elama credit risk is caused by possible non-payment of invoices by a customer, intermediary or reinsurer.

Intermediaries bear the credit risk of their clients. The credit risk of intermediaries is hedged by regulations, such as the termination of a marketing authorisation. In order to hedge the credit risk of reinsurers, the solvency and reliability of the reinsurance undertaking are analysed before each reinsurance contract is concluded.

Receivables from reinsurance are broken down by credit ratings as follows:

<b>Rating</b>	<b>31.12.2024</b>	<b>%</b>	<b>31.12.2023</b>	<b>%</b>
AA-	1 495 795	26,4%	996 880	16,7%
A+	2 066 192	36,4%	1 986 221	33,4%
A	305 661	5,4%	154 574	2,6%
A-	118 305	2,1%	901 327	15,1%
B++	54 887	1,0%	56 330	0,9%
Unrated	1 623 142	28,6%	1 852 348	31,1%
<b>Total</b>	<b>5 669 652</b>	<b>100%</b>	<b>5 953 634</b>	<b>100%</b>

As of 31.12.2024, the overdue amount of receivables exposed to risk is 3010 euros.

#### *Liquidity risk in insurance business*

The liquidity risk arising from insurance contracts is related to the obligations as the insurer. In order to fulfil its obligations, Elama keeps part of its financial resources in current accounts and short-term deposits, which allows it to obtain funds quickly enough if necessary.

The tables below present the portfolios of insurance contracts issued by maturity, based on estimates of the present value of future cash flows expected to be paid out in the periods presented.

<b>As of 31.12.2024</b>	<b>Within 12 months</b>	<b>After 12 months</b>	<b>Total</b>
<b>Liabilities from insurance contracts</b>			
Motor third party liability insurance	2 759 497	11 476 029	14 235 526
Motor casco insurance	285 431	0	285 431
Carrier's liability Insurance	108 254	4 989	113 243
Travel insurance	72 515	5 052	77 568
Other lines of business	6 078	0	6 078
<b>Total</b>	<b>3 231 775</b>	<b>11 486 070</b>	<b>14 717 845</b>

<b>As of 31.12.2023</b>	<b>Within 12 months</b>	<b>After 12 months</b>	<b>Total</b>
<b>Liabilities from insurance contracts</b>			
Motor third party liability insurance	4 928 265	9 796 309	14 724 574
Motor casco insurance	972	0	972
Carrier's liability Insurance	185 570	1 121	186 692
Travel insurance	74 478	2 016	76 494
Other lines of business	47	0	47
<b>Total</b>	<b>5 189 331</b>	<b>9 799 447</b>	<b>14 988 778</b>

Elama has separately assessed future cash flows related to losses, which are expected to take place more than 12 months after the balance sheet date.

<b>Expected cash flow</b>	<b>2024</b>	<b>2023</b>
12 – 24 months later	463 011	390 832
25 – 36 months later	352 959	302 382
37 – 48 months later	299 635	256 951
37 – 48 months later	355 629	305 329
49 – 60 months later	262 415	225 578
More than 60 months later	9 752 422	8 318 375
<b>Total</b>	<b>11 486 070</b>	<b>9 799 447</b>

### *Market Risk in Insurance Operations*

Market risk is the risk that changes in market prices will have an impact on Elama's income from insurance contracts. Hedging the market risk arising from insurance activities is to maintain Elama's competitiveness. To maintain this, Elama adjusts prices, offers different types of insurance and monitors the dynamics of the rest of the insurance market.

### **Financial risks**

Different financial risks are credit, liquidity risk and market risk, with the latter being divided into currency risk, interest rate risk and other price risk.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss to another because it is unable to meet an obligation. In this context, the other side can be understood as the banks where deposits are held, as well as the issuers of bonds. In addition, credit risk may be caused by non-payment of invoices by the customer, intermediary or reinsurer. In order to hedge credit risk, changes in the creditworthiness of the counterparty are constantly monitored. Elama has assessed the credit risk of counterparties as at the balance sheet date and found that the impairment of assets is not appropriate. The credit risk of receivables is reflected in the chapter on insurance risk.

Elama deposits are up to 1 year long, so in this annual report, the deposit rating has been assessed using the long-term bank deposit rating.

Deposits are distributed by credit ratings as follows (Note 14):

Rating	31.12.2024	%	31.12.2023	%
A-	5 041 778	71,5%	3 030 128	33,3%
BBB+	2 014 400	28,5%	6 081 014	66,7%
<b>Total</b>	<b>7 056 178</b>	<b>100%</b>	<b>9 111 142</b>	<b>100%</b>

Demand deposits are divided by credit ratings as follows (Note 11):

Rating	31.12.2024	%	31.12.2023	%
A+	707 225	35,7%	48 930	2,6%
A	853 470	43,1%	0	0,0%
A-	179 102	9,0%	297 607	15,5%
BBB+	214 756	10,8%	582 098	30,3%
Unrated	27 854	1,4%	989 946	51,6%
<b>Total</b>	<b>1 982 408</b>	<b>100%</b>	<b>1 918 581</b>	<b>100%</b>

Bonds and shares are divided by credit ratings as follows (Note 14):

Rating	31.12.2024	%	31.12.2023	%
A+	504 073	9,1%	0	0%
A-	408 072	7,3%	73 000	3,8%
BBB+	1 140 063	20,5%	600 000	31,3%
BBB	1 092 761	19,6%	0	0,0%
BBB-	505 465	9,1%	0	0,0%
Unrated	1 919 182	34,5%	1 000 000	52,1%
<b>Total</b>	<b>5 569 616</b>	<b>100%</b>	<b>1 673 000</b>	<b>100%</b>

### *Liquidity risk*

Liquidity risk is the risk that an insurance company will not be able to realise its investments and other assets to meet its financial obligations in a timely manner. It is estimated that all of Elama's obligations, except for the provisions of insurance contracts, will be fulfilled during the year. Liquidity risk has been mitigated by investing in term deposits of up to one year and by keeping a sufficient buffer in the current account.

### *Market risk*

Market risk is related to general fluctuations in exchange rates, interest rates and the values of financial assets, affecting their values in an unfavourable direction.

*The interest rate risk* is related to the change in the value of the financial instruments chosen by Elama in a direction that causes financial losses to Elama.

To reduce the interest rate risk, Elama has invested a significant part of its available funds in fixed-rate term deposits.

Elama bond investments are made in fixed-yield bonds with an interest rate that is significantly higher than the average market interest rate. Elama plans to hold investments until the maturity of the bond, which is why the temporary decrease in the market price of the security due to changes in interest rates does not affect Elama's decision to hold the security.

Financial investments by maturity are presented in Note 14.

Elama has also been exposed to interest rate risk through liabilities of losses and the corresponding reinsurance assets, where cash flows are not expected to be paid out within a year from the occurrence of the losses. Elama exposure to interest rates in insurance and reinsurance contracts is as follows:



	2024	2023
<b>Insurance contracts assets</b>		
Reinsurance	5 343 748	5 936 851
<b>Total</b>	<b>5 343 748</b>	<b>5 936 851</b>
<b>Insurance contracts liabilities</b>		
Motor third party liability insurance	11 476 029	9 796 309
Motor casco insurance	0	0
Carrier's liability insurance	4 9989	1 121
Travel insurance	5 052	2 016
Other types of insurance	0	0
<b>Total</b>	<b>11 486 070</b>	<b>9 799 447</b>

Elama has assessed the sensitivity of the assets and liabilities of insurance contracts as well as the market price of debt instruments to possible changes in the interest rate.

	Change in the interest rate	2024 Impact on the outcome	Impact on equity	2023 Impact on the outcome	Impact on equity
Insurance and reinsurance contracts	+50pp	63,3%	7,3%	-26,8%	14,8%
Debt instruments	+50pp	-16,5%	-1,9%	3,2%	-1,1%
Insurance and reinsurance contracts	-50pp	-71,3%	-8,3%	19,6%	-10,8%
Debt instruments	-50pp	18,1%	2,1%	-3,4%	1,9%

*Currency risk* is related to the change in the exchange rate of financial assets denominated in a foreign currency, affecting the future cash flows of assets denominated in a foreign currency. To reduce currency risks, the available funds in the banks are kept in euros. As of 31.12.2024, Elama had no assets in other currencies.

*Other price risk* is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. To reduce the risk, Elama has placed the available funds in term deposits.

### **Fair value**

Elama financial assets consist mainly of deposits and corporate bonds. In addition, Elama's investment portfolio includes a limited number of shares of companies traded on the market. In the case of Level 1 freely traded bonds, Elama checks the market price of the bond when determining the fair value. In the case of Level 2 bonds, Elama has used a *yield-to-call* methodology to assess fair value.

Deposits are made on market terms with a maturity of up to one year, which is why the fair value does not differ significantly from the book value.

As of 31.12.2024	Carrying amount	Fair value, incl.	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>					
Bonds at fair value	2 757 310	2 757 310	505 465	2 251 845	0
Stocks and equity funds	794 444	794 444	794 444	0	0
<b>Total</b>	<b>3 551 754</b>	<b>3 551 754</b>	<b>1 299 909</b>	<b>2 251 845</b>	<b>0</b>
<b>Assets whose fair value is disclosed</b>					
Bonds, amortized cost	2 017 862	2 071 689	2 071 689	0	0
Deposits	7 056 178	7 056 178	0	0	7 056 178
<b>Total</b>	<b>9 074 040</b>	<b>9 127 867</b>	<b>2 071 689</b>	<b>0</b>	<b>7 056 178</b>
<b>Total financial investments</b>	<b>12 625 794</b>	<b>12 679 621</b>	<b>3 371 598</b>	<b>2 251 845</b>	<b>7 056 178</b>

As of 31.12.2023	Carrying amount	Fair value, incl.	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>					
Bonds at fair value	1 600 000	1 600 294	0	1 600 294	0
Stocks and equity funds	0	0	0	0	0
<b>Total</b>	<b>1 600 000</b>	<b>1 600 294</b>	<b>0</b>	<b>1 600 294</b>	<b>0</b>
<b>Assets whose fair value is disclosed</b>					
Bonds, amortized cost	73 000	73 000	73 000	0	0
Deposits	9 111 142	9 111 142	0	0	9 111 142
<b>Total</b>	<b>9 184 142</b>	<b>9 184 142</b>	<b>73 000</b>	<b>0</b>	<b>9 111 142</b>
<b>Total financial investments</b>	<b>10 784 142</b>	<b>12 679 621</b>	<b>73 000</b>	<b>1 600 294</b>	<b>9 111 142</b>

### **Capital management**

The purpose of Elama's capital management is to comply with internal and regulatory capital requirements during business planning. As of 1 January 2016, the Solvency II Directive has been in force, which introduced new rules on capital requirements and free capital. Elama started using a standard formula to calculate the solvency capital requirement.

Elama has first-level own funds. Elama follows a tactic to ensure that own funds are quickly available. The criterion of the level of own funds and the control that the items are not encumbered are ensured by Elama's Accounting and Management in accordance with the law and the guidelines of the Financial Supervision Authority. When it comes to dividend payments, the company's medium-term plan is conservative. Dividends will not be paid if the difference between Elama's own funds and the established tolerance limit is less than two million euros. After that, up to half of the profit of the previous balance sheet year can be paid out as dividends in one year, if it does not significantly damage the company's financial position.

The solvency capital requirement is calculated quarterly and, if necessary, the amount of own funds is adjusted. The management board of Elama has maintained a conservative policy in investing capital and assets that exceed the minimum required by law to ensure the interests of policyholders and the sustainability of Elama. When investing assets, the management board monitors that optimal returns and security of investments and

diversification of investments are ensured, while maintaining Elama's constant liquidity. In the activity of Elama, the change of capital occurs at the expense of the internally generated capital.

#### ***Annex 4. Insurance and reinsurance contracts***

The following table shows the distribution of the groups of insurance and reinsurance contracts issued and the reinsurance contracts held according to whether they are in the position of assets or liabilities (see also Annex 5).

	2024			2023		
	Be	Obligation	Net position	Be	Obligation	Net position
<b>Insurance contracts</b>						
Motor third party liability insurance	0	14 235 526	-14 235 526	0	14 724 574	-14 724 574
Motor casco insurance	0	285 431	-285 431	0	972	-972
Carrier's Liability Insurance	0	113 243	-113 243	0	186 692	-186 692
Travel insurance	0	77 568	-77 568	0	76 494	-76 494
Other types of insurance	0	6 078	-6 078	0	47	-47
<b>Total insurance contracts</b>	<b>0</b>	<b>14 717 845</b>	<b>-14 717 845</b>	<b>0</b>	<b>14 988 778</b>	<b>-14 988 778</b>
<b>Reinsurance contracts</b>						
Motor third party liability insurance XL contract	2 615 053	109 749	2 505 304	5 966 796	13 162	5 953 634
MTPL and motor casco insurance quota share agreement	3 596 143	431 795	3 164 348	0	0	0
<b>Total reinsurance contracts</b>	<b>6 211 196</b>	<b>541 544</b>	<b>5 669 652</b>	<b>5 966 796</b>	<b>13 162</b>	<b>5 953 634</b>

## ***Annex 5. Analysis of insurance contracts by the liability for remaining coverage and the liability for incurred claims***

The following comparison of the opening and closing balances shows how the amounts recorded in the income statement resulted in a change in the book value of the liability for remaining coverage and the liability for incurred claims by the end of the year.

<b>As of 31.12.2024</b>	<b>Liability for remaining coverage (LRC)</b>		<b>Liability for incurred claims (LIC)</b>		<b>Total</b>
	Excluding the loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	
Opening balance of insurance contract liabilities 01.01.2024	2 395 293	0	11 611 760	981 725	14 988 778
Opening balance of insurance contract assets 01.01.2024	0	0	0	0	0
<b>Net liabilities under insurance contract 01.01.2024</b>	<b>2 395 293</b>	<b>0</b>	<b>11 611 760</b>	<b>981 725</b>	<b>14 988 778</b>
Revenue from insurance activities	-6 999 226	0			-6 999 226
Amortization of insurance acquisition cash flows	550 670	0			550 670
Incurred benefits and expenses	0	0	8 092 396	694 165	8 786 561
Changes that relate to past service - adjustments in LIC	0	0	-2 021 812	-707 547	-2 729 359
<b>Insurance service result</b>	<b>-6 448 556</b>	<b>0</b>	<b>6 070 584</b>	<b>-13 382</b>	<b>-391 354</b>
<b>Financial cost of insurance contracts</b>			<b>428 879</b>		<b>428 879</b>
<b>Total changes in the statement of comprehensive income</b>	<b>-6 448 556</b>	<b>0</b>	<b>6 499 463</b>	<b>-13 382</b>	<b>37 526</b>
<b>Cash flow</b>					
Insurance premiums received	6 822 622	0			6 822 622
Acquisition costs paid	-499 518	0			-499 518
Costs of insurance services paid	0	0	-6 631 563		-6 631 563
<b>Total cash flows</b>	<b>6 323 104</b>	<b>0</b>	<b>-6 631 563</b>	<b>0</b>	<b>-308 458</b>
<b>Net liabilities under insurance contract 31.12.2024</b>	<b>2 269 842</b>	<b>0</b>	<b>11 479 661</b>	<b>968 343</b>	<b>14 717 845</b>
Final balance of insurance contract liabilities 31.12.2024	2 269 842	0	11 479 661	968 343	14 717 845
Final balance of insurance contract assets 31.12.2024	0	0	0	0	0

As of 31.12.2023	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total
	Excluding the loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	
Opening balance of insurance contract liabilities 01.01.2023	3 152 515	0	10 332 149	870 380	14 355 044
Opening balance of insurance contract assets 01.01.2023	0	0	0	0	0
<b>Net liabilities under insurance contracts 01.01.2023</b>	<b>3 152 515</b>	<b>0</b>	<b>10 332 149</b>	<b>870 380</b>	<b>14 355 044</b>
Revenue from insurance activities	-7 668 433	0			-7 668 433
Amortization of insurance acquisition cash flows	690 966	0			690 966
Incurred benefits and expenses	0	0	4 988 462	421 371	5 409 833
Changes that relate to past service - adjustments in LIC	0	0	1 892 709	-310 026	1 582 683
<b>Insurance service result</b>	<b>-6 977 468</b>	<b>0</b>	<b>6 881 171</b>	<b>111 345</b>	<b>15 048</b>
<b>Financial cost of insurance contracts</b>			<b>746 111</b>		<b>746 111</b>
<b>Total changes in the statement of comprehensive income</b>	<b>-6 977 468</b>	<b>0</b>	<b>7 627 282</b>	<b>111 345</b>	<b>761 159</b>
<b>Cash flow</b>					
Insurance premiums received	6 911 268	0			6 911 268
Acquisition costs paid	-691 022	0			-691 022
Costs of insurance services paid	0	0	-6 347 671		-6 347 671
<b>Total cash flows</b>	<b>6 220 246</b>	<b>0</b>	<b>-6 347 671</b>	<b>0</b>	<b>-127 425</b>
<b>Net liabilities of the insurance contract 31.12.2023</b>	<b>2 395 293</b>	<b>0</b>	<b>11 611 760</b>	<b>981 725</b>	<b>14 988 778</b>
Final balance of insurance contract liabilities 31.12.2023	2 395 293	0	11 611 760	981 725	14 988 778
Final balance of insurance contract assets 31.12.2023	0	0	0	0	0

The following comparison of opening and closing balances shows how the amounts recorded in the income statement and cash flow statement resulted in a change in the book value of the assets for remaining coverage and assets for incurred claims by the end of the year.

As of 31.12.2024	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		Total
	Excluding the loss-absorbing component	Loss Absorption Component	Estimate of the present value of future cash flows	Risk adjustment	
Opening balance of reinsurance assets on 01.01.2024	0	0	5 507 473	459 323	5 966 796
Opening balance of the reinsurance liability 01.01.2024	13 162	0	0	0	13 162
<b>Net assets of the reinsurance contract as of 01.01.2024</b>	<b>-13 162</b>	<b>0</b>	<b>5 507 473</b>	<b>459 323</b>	<b>5 953 634</b>
Reinsurance premiums	-2 038 047	0			-2 038 047
Amounts recoverable for claims and expenses			2 301 816	190 345	2 492 161
Changes that relate to past service - adjustments in AIC			-1 197 418	-169 852	-1 367 269
<b>Net reinsurance income or expenses</b>	<b>-2 038 047</b>	<b>0</b>	<b>1 104 399</b>	<b>20 493</b>	<b>-913 155</b>
<b>Financial income from reinsurance contracts</b>			<b>241 400</b>	<b>0</b>	<b>241 400</b>
<b>Total changes in the statement of comprehensive income</b>	<b>-2 038 047</b>	<b>0</b>	<b>1 345 798</b>	<b>-20 493</b>	<b>-671 756</b>
<b>Cash flow</b>					
Reinsurance premiums paid	1 509 665	0			1 509 665
Recoveries from reinsurance contracts			-1 121 891		-1 121 891
<b>Total cash flows</b>	<b>1 509 665</b>	<b>0</b>	<b>-1 121 891</b>	<b>0</b>	<b>387 774</b>
<b>Net assets of the reinsurance contract 31.12.2024</b>	<b>-541 544</b>	<b>0</b>	<b>5 731 380</b>	<b>479 816</b>	<b>5 669 652</b>
Final balance of reinsurance assets on 31.12.2024	0	0	5 731 380	479 816	6 211 196
Final balance of the reinsurance liability on 31.12.2024	541 544	0	0	0	541 544

As of 31.12.2023	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		Total
	Excluding the loss-absorbing component	Loss Absorption Component	Estimate of the present value of future cash flows	Risk adjustment	
Opening balance of reinsurance assets on 01.01.2023	294 755	0	5 790 112	482 895	6 567 762
Opening balance of the reinsurance liability 01.01.2023	0	0	0	0	0
<b>Net assets of the reinsurance contract 01.01.2023</b>	<b>294 755</b>	<b>0</b>	<b>5 790 112</b>	<b>482 895</b>	<b>6 567 762</b>
Reinsurance premiums	-1 357 946	0			-1 357 946
Amounts recoverable for claims and expenses			771 257	58 971	830 227
Changes that relate to past service - adjustments in AIC			-290 650	-82 543	-373 193
<b>Net reinsurance income or expenses</b>	<b>-1 357 946</b>	<b>0</b>	<b>480 607</b>	<b>-23 572</b>	<b>-900 911</b>
<b>Financial income from reinsurance contracts</b>			<b>458 088</b>		<b>458 088</b>
<b>Total changes in the statement of comprehensive income</b>	<b>-1 357 946</b>	<b>0</b>	<b>938 695</b>	<b>-23 572</b>	<b>-442 823</b>
<b>Cash flow</b>					
Reinsurance premiums paid	1 050 029	0			1 050 029
Recoveries from reinsurance contracts			-1 221 334		-1 221 334
<b>Total cash flows</b>	<b>1 050 029</b>	<b>0</b>	<b>-1 221 334</b>	<b>0</b>	<b>-171 305</b>
<b>Net assets of the reinsurance contract as at 31.12.2023</b>	<b>-13 162</b>	<b>0</b>	<b>5 507 473</b>	<b>459 323</b>	<b>5 953 634</b>
Final balance of reinsurance assets on 31.12.2023	0	0	5 507 473	459 323	5 966 796
Final balance of the reinsurance liability on 31.12.2023	13 162	0	0	0	13 162

### ***Annex 6. Revenue from insurance contracts and insurance service expenses***

	<b>2024</b>	<b>2023</b>
Motor third party liability insurance	6 146 525	7 375 691
Motor casco insurance	531 117	0
Travel insurance	161 521	150 620
Carrier's liability insurance	152 821	141 962
Other lines of business	7 242	160
<b>Total income from insurance contracts</b>	<b>6 999 226</b>	<b>7 668 433</b>
	<b>2024</b>	<b>2023</b>
Incurred losses	3 881 530	6 026 358
Claims handling expenses	272 505	603 763
Acquisition expenses	550 670	690 966
Administration and other fixed costs	1 954 219	362 395
<b>Total cost of insurance service</b>	<b>6 658 924</b>	<b>7 683 481</b>

### ***Annex 7. Financial Returns Earned***

The following table shows the result of investing Elama's assets. The financial income and expenses of insurance are presented in Notes 8 and 9.

	<b>2024</b>	<b>2023</b>
Interest income	457 001	315 514
Change in fair value	353 819	0
Change in estimated credit loss	-24 427	0
Investment costs	-356	0
Loss from changes in the exchange rate	0	-189 856
<b>Total</b>	<b>786 038</b>	<b>125 658</b>

### ***Annex 8. Financial cost of insurance contracts***

The table below explains the effect of the change in the discount rate used on liabilities arising from insurance contracts (see also Note 5).

	<b>2024</b>	<b>2023</b>
Interest allocated to insurance contracts	-334 441	-279 507
Change in interest rate assumptions	-94 438	-466 604
<b>Total financial cost (+ income) of insurance contracts</b>	<b>-428 879</b>	<b>-746 111</b>



### ***Annex 9. Financial income from reinsurance contracts***

The table below explains the effect of the change in the discount rate used in the calculation of assets arising from reinsurance contracts (see also Note 5).

	<b>2024</b>	<b>2023</b>
Interest allocated to reinsurance contracts	187 638	160 307
Change in interest rate assumptions	53 762	297 781
<b>Total financial income (- cost) of reinsurance contracts</b>	<b>241 400</b>	<b>458 088</b>

### ***Annex 10. Other income and expenses***

Other income from Elama was as follows:

	<b>2024</b>	<b>2023</b>
Compensation for handling costs received from the mediation of a foreign company	44 788	65 580
Income from currency exchange rate	0	23 696
Expired liabilities	296 856	138 647
Income from the sale of fixed assets	835 455	53 764
Compensation for handling costs received from the mediation of an Estonian insurance company	78 282	99 600
Other revenue	104 699	28 650
<b>Total</b>	<b>1 360 080</b>	<b>409 937</b>

Other expenses for Elama were as follows:

	<b>2024</b>	<b>2023</b>
Costs of covering the budget of Financial Supervision Authority	43 660	44 575
Membership fee of the Motor Insurance Guarantee Fund	182 143	231 812
Legal aid	3 327	300
State fee	685	1 639
Expense from changes in the exchange rate	779	184 652
Fee for compliance with the non-competition clause of the members of the management board	0	296 856
Rent interest expense	10 463	0
Audit expenses	145 102	63 991
Marketing costs	132 595	2 898
Outsourced services	74 209	21 849
IFRS 17 Unallocated Operating Expenses	0	170 413
Write-off of intangible fixed assets	0	117 963
Other costs	96 759	226 252
<b>Total</b>	<b>689 722</b>	<b>1 363 200</b>

### ***Annex 11. Money***

	<b>31.12.2024</b>	<b>31.12.2023</b>
Cash at the cash register	0	414
Demand deposits	1 982 408	1 918 581
<b>Total</b>	<b>1 982 408</b>	<b>1 918 995</b>

### ***Annex 12. Other receivables***

	<b>31.12.2024</b>	<b>31.12.2023</b>
<b>Receivables from insurance business</b>		
Receivables from policyholders	0	852
Receivables from mediators	0	94 760
Recourse and residual asset receivables	169 583	202 520
<b>Total</b>	<b>169 583</b>	<b>298 132</b>
<b>Other receivables</b>		
Receivables from mediation of foreign companies	53 695	40 931
Receivables from claims mediation	63 817	120 308
Other receivables	0	188
<b>Total</b>	<b>117 513</b>	<b>161 427</b>
<b>All together</b>	<b>287 096</b>	<b>459 559</b>

Recourse claims include long-term claims that have not yet been paid, for which a recourse receipt schedule has been concluded. Residual assets receivables reflect residual assets that have been taken over pending sale. Recourse claims have been adjusted by the expected credit loss.

### ***Annex 13. Prepaid expenses and accruals***

	<b>31.12.2024</b>	<b>31.12.2023</b>
<b>Prepaid expenses and accruals</b>		
Advance payment of the supervision fee of the Financial Supervision Authority	44 027	44 359
Prepaid costs	30 411	5 797
Accrued receipts	772	0
<b>Total</b>	<b>75 210</b>	<b>50 156</b>

## **Annex 14. Financial assets**

The breakdown of financial assets by the method of recognition recorded in the statement of financial position of Elama is presented in the following table.

	<b>31.12.2024</b>	<b>31.12.2023</b>
<b>Assets recognised at amortized cost</b>		
Deposits	7 056 178	9 111 142
Bonds	2 017 862	73 000
<b>Total assets at amortized cost</b>	<b>9 074 040</b>	<b>9 184 142</b>
<b>Assets recognised at fair value through profit or loss</b>		
Bonds	2 757 310	1 600 000
Stocks and equity funds	794 444	0
<b>Total assets at fair value</b>	<b>3 551 754</b>	<b>1 600 000</b>
<b>Total financial investments</b>	<b>12 625 794</b>	<b>10 784 142</b>

The comparative data have been adjusted for the purpose of comparability.

The breakdown of deposits by term is as follows:

	<b>31.12.2024</b>	<b>31.12.2023</b>
Term up to 3 months	1 013 178	0
Term 3 to 6 months	2 014 400	0
Term 6 to 9 months	2 014 400	2 044 642
Term 9 to 12 months	2 014 200	7 066 500
<b>Total</b>	<b>7 056 178</b>	<b>9 111 142</b>

The breakdown of bonds by issuer credit ratings is as follows:

	<b>31.12.2024</b>	<b>31.12.2022</b>
A+	909 559	73 000
BBB+	2 740 875	600 000
Unrated	1 124 738	1 000 000
<b>Total</b>	<b>4 775 172</b>	<b>1 673 000</b>

## ***Annex 15. Tangible fixed assets***

	<b>Right-of-use property</b>	<b>Buildings</b>	<b>Other property, plant and equipment</b>	<b>Total</b>
<b>Cost</b>				
Acquisition cost as at 31.12.2022	0	287 346	118 449	405 795
Sale of asset	0	0	-116 986	-116 986
Acquisition of asset	0	0	22 257	22 257
Acquisition cost as at 31.12.2023	0	287 346	23 720	311 066
Sale of asset	0	-287 346	0	-287 346
Acquisition of asset	322 583	0	0	322 583
Write-off of asset	0	0	-23 720	-23 720
Acquisition cost as at 31.12.2024	322 583	0	0	322 583
<b>Accumulated depreciation</b>				
Accumulated depreciation 31.12.2022	0	-208 643	-116 986	-325 629
Depreciation expense for the reporting period	0	-8 620	-2 145	-10 765
Accumulated depreciation of sold assets	0	0	116 986	116 986
Accumulated depreciation 31.12.2023	0	-217 263	-2145	-219 408
Depreciation expense for the reporting period	-37 635	-4 310	-0	-41 945
Accumulated depreciation of sold assets	0	221 573	116 986	116 986
Accumulated depreciation of written off assets	0	0	2 145	2 145
Accumulated depreciation 31.12.2024	-37 635	0	0	-37 635
<b>Residual value</b>				
Residual value as at 31.12.2022	0	78 703	1 463	80 166
Residual value as at 31.12.2023	0	70 083	21 575	91 658
Residual value as at 31.12.2024	284 948	0	0	284 948

The lease agreement in which Elama is the lessee is reflected in the table above in the "Right of Use Property" column. Elama rents office space for its own use. The liabilities arising under the lease agreements are presented in Note 17 and the interest expense of the lease liabilities is presented in Note 10.

## ***Annex 16. Intangible fixed assets***

	<b>Intangible fixed assets</b>	<b>Total</b>
<b>Cost</b>		
Acquisition cost as at 31.12.2022	214 063	214 063
Acquisition of intangible fixed assets	21 129	21 129
Write-off of intangible fixed assets	-235 192	-235 192
Acquisition cost as at 31.12.2023	0	0
Acquisition of intangible fixed assets	429 882	429 882
Acquisition cost as at 31.12.2024	429 882	429 882
<b>Accumulated depreciation</b>		
Accumulated depreciation 31.12.2022	-94 907	-94 907
Depreciation expense for the reporting period	-22 322	-22 322
Accumulated depreciation of written off fixed assets	117 229	117 229
Accumulated depreciation 31.12.2023	0	0
Depreciation expense for the reporting period	-34 909	-34 909
Accumulated depreciation 31.12.2024	-34 909	-34 909
<b>Residual value</b>		
Residual value as at 31.12.2022	119 156	119 156
Residual value as at 31.12.2023	0	0
Residual value as at 31.12.2024	394 973	394 973

## ***Annex 17. Other liabilities***

	<b>31.12.2024</b>	<b>31.12.2023</b>
Tax arrears	118 263	45 241
Payables to contractors	97 961	78 806
Payables to suppliers	37 734	61 046
Lease liabilities	292 231	0
Estonian Motor Insurance Bureau membership fee	7 361	16 100
Unpaid returns to customers	44 159	102 851
Other liabilities	0	296 857
<b>Total</b>	<b>597 709</b>	<b>600 901</b>

Elama does not have short-term or low-value lease agreements. Lease liabilities in 2024 have developed as follows:

Initial recognition	322 583
Lease payments made	-40 815
Calculated interest	10 463

Lease liabilities as at 31.12.24

292 231

## ***Annex 18. Equity***

### ***Share capital***

As of 31.12.2024, the share capital of Elama Kindlustus AS was 4,012,392 euros. The share capital is divided into 6.276 million shares without par value. Each share entitles to dividends, if they are announced, and one vote at the general meeting of shareholders.

	<b>31.12.2024</b>	<b>31.12.2023</b>
Paid-up share capital	4 012 392	3 195 582
Number of shares (pcs)	6 276 265	5 000 000

With the purchase and sale transaction that took place in February 2024, the new owners acquired 96.6 percent of Elama's shares from the current owners. During the second quarter, an additional 3 per cent of Elama shares were acquired from minority shareholders. In the third quarter, an additional share issue was carried out. During the change in the shareholders' structure, 1,276,265 new shares were issued, and the share capital was increased by 816,810 euros.

As of 31.12.2024, Elama has 17 shareholders. The largest shareholder is OÜ R-Holding, which owns 18.3% of the shares of Elama. The five largest shareholders own a total of 65.2% of Elama's shares.

### ***Share premium***

The share premium may be used to cover accumulated losses and increase the share capital through a bonus issue.

As of 31.12.2024, the share premium was 1,619 euros (31.12.2023: 1,619 euros)

### ***Reserve capital***

The reserve capital has been formed based on the wording of the Insurance Activities Act in force until 31 December 2004 from the provisions of net profit and from the contributions made by the shareholders to the voluntary reserve capital in 2024. The Insurance Activities Act, which entered into force on 1 January 2005, no longer regulates the formation of reserve capital.

The reserve capital of Elama has been formed based on the requirements of the Commercial Code and the provisions of the Articles of Association. The minimum amount of the reserve capital is 10% of the share capital, it is formed from profit distributions and voluntary contributions, and it cannot be distributed to shareholders. The reserve capital may be used by the decision of the general meeting to cover losses, if it cannot be covered by unrestricted equity, as well as to increase the share capital.

Elama covered the loss in 2023 in the amount of 381,937 euros at the expense of the reserve capital. During 2024, the shareholders of Elama made contributions to the reserve capital in the amount of 823,190 euros.

As of 31.12.2024, the amount of the reserve capital of Elama was 1,294,454 euros (31.12.2023: 853,201 euros).

## ***Annex 19. Contingent liabilities***

Elama's profit for the financial year was 696,062 euros, and retained earnings as at 31.12.2024 were 0 euros. It is estimated that Elama would be able to pay dividends in the amount of 542,923 euros in 2025, the corresponding income tax liability in 2025 is 153,133 euros. Elama has decided not to pay dividends in 2025.

## ***Annex 20. Transactions with related parties***

Related parties are the shareholders of Elama, members of the management board and supervisory board of Elama, their close relatives and other persons over whom the said persons have a significant influence.

<b>Transactions</b>	<b>2024</b>	<b>2023</b>
Calculated insurance premiums for the members of the management board	3 767	0
Indemnities paid to members of the management board	0	0
Calculated insurance premiums for the members of the Supervisory Board	1 872	119
Indemnities paid to the members of the Supervisory Board	0	0
Calculated insurance premiums for the companies related to the members of the supervisory board	745	1 561
Indemnities paid to the companies related to the members of the supervisory board	0	0

In 2024, the remuneration calculated for the members of the management board was 255,619 euros, to which social tax of 84,354 euros was added (in 2023, the remuneration calculated for a member of the management board was 235,200 euros, to which social tax of 77,616 euros was added). In 2024, the remuneration of the members of the Supervisory Board was 38,282 euros, to which a social tax of 12,633 euros was added (in 2023: 60,980 euros, plus a social tax of 20,123 euros).

Elama has not entered service contracts with the members of the company's supervisory board or the companies related to them.

There is no compensation for the members of the supervisory board upon resignation. In the event of termination of the contract, the members of the Management Board are provided with a one-time compensation in the amount of 9 months' gross remuneration. No performance pay has been calculated for the members of the Management Board and the Supervisory Board for 2024.

## ***Annex 21. Events after the reporting date***

The financial statements reflect all significant events affecting the valuation of assets and liabilities that occurred between the reporting date (31 December 2024) and the date of approval for publication of the financial statements (06 March 2025) but relate to transactions that took place during the reporting period or in an earlier period.

No such significant events have occurred since the reporting date.

## Signatures of the Management Board for the 2024 Annual Report

The Management Board of Elama Kindlustus AS has prepared the management report and annual accounts for 2024.

A blue ink signature of Jaanus Seppa, consisting of a stylized, cursive script.

Jaanus Seppa  
Member of the Management Board

A blue ink signature of Tanel Kurs, featuring a stylized, cursive script with a prominent horizontal stroke.

Tanel Kurs  
Member of the Management Board



## Profit distribution proposal

Retained earnings from previous periods	0
Profit for 2024	696 062
Total distributable profit as at 31.12.2024	696 062

The Management Board proposes not to pay dividends and to transfer the profit for 2024 in full to the retained earnings line of previous periods.

## List of shareholders holding more than 10% of shares

The list of shareholders owning more than 10% of the shares of Elama Kindlustus AS as of 31.12.2024 was as follows.

1. OÜ R-Holding, shareholding 18.34%
2. Tavid AS, shareholding 18.21%

## List of activities

### Areas of activity for the reporting period 01.01–31.12.2024

Non-life insurance (65121)

### Income from insurance contracts

6 999 226

### Planned areas of activity for the reporting period 01.01–31.12.2025

Non-life insurance (65121)