Partner Reinsurance Europe SE

2017

Solvency and Financial Condition Report

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SUMMARY

Partner Reinsurance Europe SE (the "Company" or "PRESE") is an Irish based reinsurance company that writes non-life and life reinsurance business with cedants on a worldwide basis. The Company is regulated by the Central Bank of Ireland ("CBI"). The Company is a fully owned subsidiary of the PartnerRe Group ("Group"), the parent company of the Group is PartnerRe Ltd. ("the Group parent"), a company incorporated in Bermuda. The Group is supervised by the Bermuda Monetary Authority. The ultimate parent company is Exor N.V. ("EXOR"), a Dutch public limited liability company (naamloze vennootschap).

See section A.1. of this report for further details about the business of the Company.

The Company earned a post-tax profit of €137 million in 2017 (2016: €56 million), which included an underwriting profit of €75 million (2016: €25 million). See sections A.2., A.3. and A.4. for a discussion of the performance of the Company during the year.

Section B of this report outlines the Company's system of governance which includes; the role of the Board of Directors (the "Board") and Committees, delegation of roles and responsibilities, fit and proper requirements, risk management system, internal control system, internal audit function, actuarial function and use of outsourcing. During 2017, the Company formally established a Legal Entity Management Team ("LEM") for the purpose of providing advice and making recommendations to the Company's General Manager in respect of the Company's operations. The LEM is comprised of the most senior executive managers within the Company and includes pre-approved control function holders ("PCFs"). The LEM is charged with supporting key roles including the review of strategy, financial performance, capital and solvency, governance and internal control, risk management, communication and reporting to the CBI. A Legal Entity Reserving Committee was also developed as a sub-committee of the LEM and is responsible for the review and approval of the technical provisions of the Company.

The core of the Company's business model is the assumption and management of risk. The Company is exposed to underwriting, market, credit, liquidity and operational risks. The Company mitigates its exposure to underwriting risk through the use of retrocession, with the most significant protections being a 65% (50% for 2016 and prior underwriting years) quota share with Partner Reinsurance Company Ltd ("PRCL") and a 10% quota share with Partner Reinsurance Asia Pte. Ltd ("PRA"), both are Group companies.

Given the ongoing uncertainty surrounding the final terms under which Brexit will be effected, the Company's contingency plans for its U.K. operation are being developed on the assumption that a hard Brexit remains a real possibility. To this end, the Company is exploring contingency options for its U.K. operating platform which assume that no free trade arrangements will be in place between the U.K. and the EU. Such options include the conversion of its existing U.K. branch to subsidiary or a third country branch (as per the approach to subsidiary and branch supervision recently communicated by the U.K. Prudential Regulation Authority). Ensuring that the Company remains in a position in which it has ongoing access to the U.K. market and is able to serve its existing U.K. based cedants is of paramount importance. Whilst the recent communication by U.K. and EU authorities of a proposed 21 month transitional period is a welcome development, the Company is fully aware that time remains of the essence with regard to the implementation of its proposed contingency plan and expects to finalise this plan shortly.

There were no material changes to the Company's risk profile during the year. See section C of this report for details of the Company's risk profile.

The Company had total Own Funds in its Solvency II balance sheet of €1,856 million as at 31 December 2017 (2016: €1,584 million). The assets and liabilities in the Solvency II balance sheet were valued using Solvency II valuation rules. The Solvency II valuation rules are different, in some areas, than those used in the Company's IFRS financial statements, with the valuation of technical provisions being the major area of difference. See section D for more detail on the valuation methods, bases and assumptions of assets and liabilities in the Solvency II balance sheet as well as a comparison to IFRS. There were no significant changes to the valuation basis of the Company's assets and liabilities during the year.

The Company's Solvency II Own Funds were as follows as at 31 December 2017 and 2016:

	Tier 1 - unrestricted funds	
	2017	2016
	€'000	€'000
Ordinary share capital	245,092	10,127
Reconciliation reserve	668,945	681,641
Other own funds approved by the supervisory authority	941,788	891,788
Total Solvency II Own Funds	**1,855,825**	**1,583,556**

All of the Company's Solvency II Own Funds are classified as Tier 1 - unrestricted funds and are fully available to cover the Minimum Capital Requirement ("MCR") and Solvency Capital Requirement ("SCR"). See section E of this report for further details on the Company's Solvency II Own Funds as well as the objectives, policies and processes for managing capital and a reconciliation of Solvency II Own Funds to IFRS net equity. There have been no material changes in the Company's capital management objectives, policies and processes during the year.

The Company's MCR, SCR, Solvency II Own Funds and Ratio of Eligible Own Funds to SCR were as follows as at 31 December 2017 and 2016:

	2017	2016
	€'000	€'000
MCR	381,006	450,378
SCR	1,373,789	1,369,240
Solvency II Own Funds	1,855,825	1,583,556
Ratio of Eligible Own Funds to SCR	**135%**	**116%**

See section E.2. for further details of the breakdown of the SCR between the different risk modules and details of the calculation of the MCR.

On 30 March 2017, following a written resolution, the Directors of the Company allotted 234,964,614 Ordinary Shares of €1 each to PartnerRe Holdings SA ("PREHSA") out of the Company's authorised but unissued share capital. This increased the Company's share capital by €235 million.

On 15 December 2017, PREHSA made a capital contribution of €50 million to the Company. This contribution increased the Company's additional paid-in capital.

The Company and PartnerRe Ireland Insurance dac ("PRIIdac"), a related entity, are parties to a regulatory investigation with the CBI. On 20 September 2017, the CBI issued notices of commencement of investigation pursuant to Part IIIC of the Central Bank Act 1942, as amended (Act) to both the Company and PRIIdac. In summary, the CBI is alleging contraventions of Corporate Governance Requirements for Insurance Undertakings 2015, Solvency II Regulations and the Commission Delegated Regulation (EU) 2015/35.

We are cooperating with the investigation, however, we are unable to predict the investigation’s likely timing and outcome. At this time, the Company does not believe this matter will have a material adverse effect on the Company's business or the Company's financial condition.

During 2017, the Company has executed its Own Risk and Solvency Assessment ("ORSA") process. The ORSA process is an overarching process related to identifying, assessing, measuring, monitoring, controlling and mitigating all sources of business, operational and reputational risks. This leads to the assessment of the capital adequacy of the Company to support its strategy. In the ORSA report the Company compares its own internal view of the capital requirement to the standard formula SCR. See section B.3. for further details of the ORSA process.

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

The Company is a Societas Europea registered and domiciled in Ireland. The Company's registered office is located at 5th Floor, Block 1, The Oval, 160 Shelbourne Road, Dublin 4, Ireland.

The Company through its head office and branches provides reinsurance of non-life and life risks of ceding companies (primary insurers, cedants and reinsureds) on either a proportional or non-proportional basis through treaties or facultative reinsurance. The Company's non-life segment includes both specialty and property and casualty (P&C) books of business in virtually all markets worldwide. The Company's life segment includes the mortality, longevity and health lines of business written primarily in the U.K., Ireland and France.

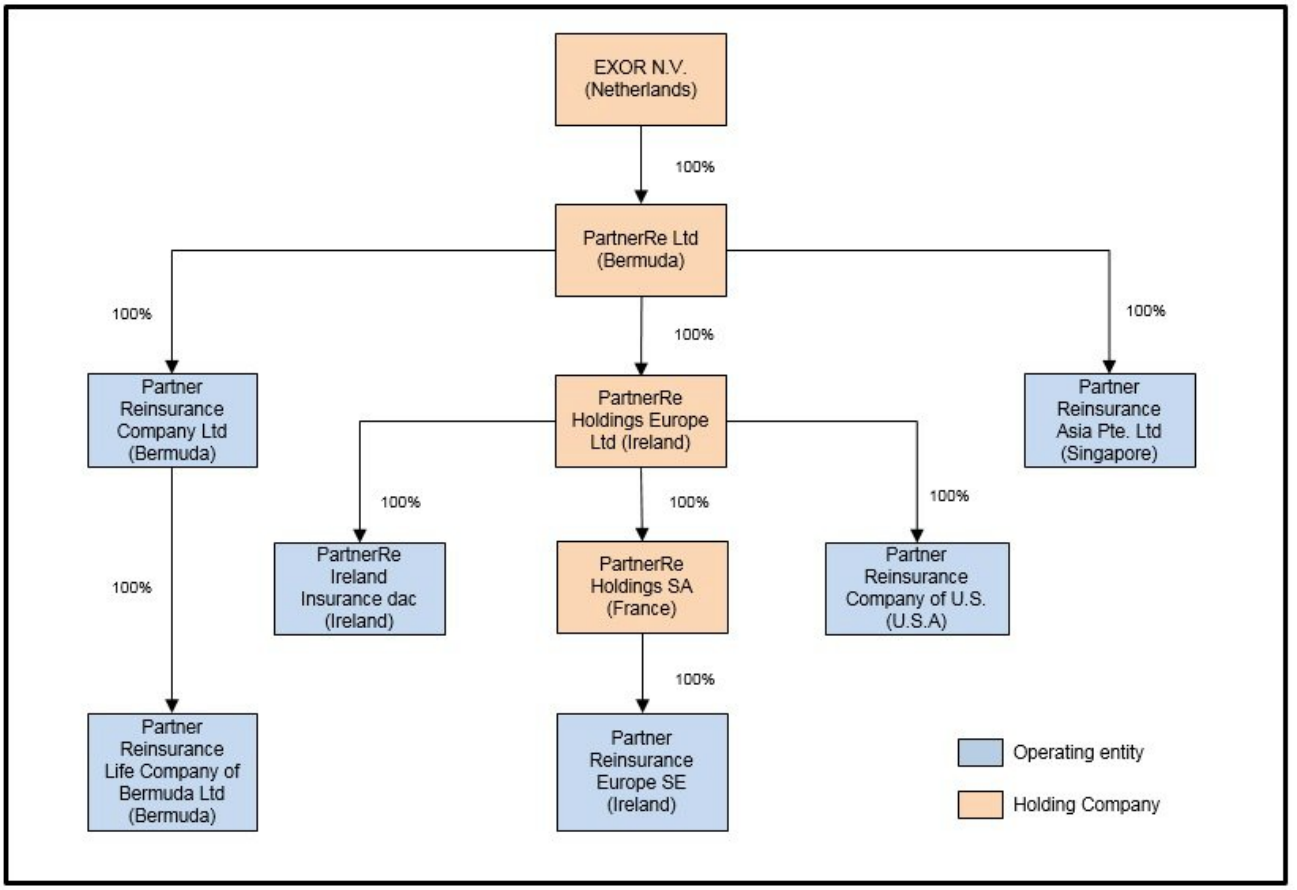
The Company's principal offices are located in Ireland, France, Switzerland, Hong Kong, the U.K. and the United Arab Emirates (U.A.E.).

The Company has investments in subsidiaries in Brazil and Miami. Partner Reinsurance Europe SE - Escritório de Representação no Brasil Ltda. (PRE Brazil) acts as a representative office for the Company. Partner Re Miami, Inc. (PRE Miami) acts as a reinsurance intermediary and provides services for the Company. Both subsidiaries are immaterial for separate reporting in the Company's Solvency II balance sheet.

The Company is regulated by the CBI, New Wapping Street, North Wall Quay, Dublin 1, Ireland.

The Company's external auditor is Ernst & Young, Chartered Accountants and Statutory Audit Firm, EY Building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

The following diagram is a simplified Group structure and includes the material related reinsurance and insurance entities in the Group:



Group companies located in various jurisdictions, but principally in Bermuda, USA, Switzerland, France, Asia and Ireland, provide services (including, inter alia, Human Resources, Investment Management, I.T. and Claims) to various operating companies within the Group, including the Company.

Business Strategy and Outlook

The Company assumes and manages global reinsurance and capital market risks. The Company's long-term strategy is to generate shareholder value through its underwriting and investment activities. It focuses on maintaining a diversified portfolio of risks across a broad product range with appropriate geographic diversification, actively managing its capital across its portfolio and over the duration of the cycle, adding value through underwriting and transactional excellence and achieving superior returns on invested assets in the context of a disciplined risk framework. The Company believes that this construct allows it to balance its cedants' needs for absolute certainty of claims payment with the ultimate aim of capital growth and dividend payment.

The Company generates its reinsurance revenue from premiums. Premium rates and terms and conditions vary by line of business depending on market conditions. The reinsurance markets have historically been highly cyclical in nature. The cycle is driven by competition, the amount of capital and capacity in the industry, loss events and investment returns. The reinsurance business is also influenced by several other factors, including changes in legal, regulatory and judicial environments, loss trends, inflation and general economic conditions.

In its reinsurance portfolio, the Company writes most lines of business in virtually all markets worldwide (principally outside the U.S., except for certain specialty and facultative lines) and differentiates itself through its risk management strategy and its financial strength. In assuming its clients' risks, the Company removes the volatility associated with those risks from the clients' perspective and then manages those risks and the risk-related volatility. Through its broad product, geographic diversification and its excellent execution capabilities, the Company is able to achieve stable returns across the cycle, respond quickly to client needs, and capitalise on business opportunities virtually anywhere in the world.

Similarly, for the Company's investment risks, which include public, private market and property investments, diversification of risks is critical to achieving the risk and return objectives of the Company. The Company's investment policy distinguishes between liquid, high quality assets that support the Company's liabilities, and the more diversified, higher risk asset classes that make up a portion of the Company's capital. While there will be years where investment risks achieve less than the risk-free rate of return, or potentially even negative results, the Company believes the rewards for assuming these risks in a disciplined and measured way will produce a positive excess return to the Company over time. Additionally, since investment risks are not fully correlated with the Company's reinsurance risks, this increases the overall diversification of the Company's total risk portfolio. The Company's investments are managed by PartnerRe Asset Management Corporation ("PRAM"), a related company.

During the 1 January 2018 renewals, all non-life business units continued to experience a challenging market environment. Obtaining better terms and conditions was possible where accounts were loss impacted, particularly in the property area where cedants were transferring U.S. natural perils exposure, however this was only relevant to these specific clients. The intrinsic price of risk did not revalue across the broader risk spectrum. Clients were still extremely cost conscious and continued to search for improved efficiencies. This is characterised by increased cedant retentions and increased competition resulting from an oversupply of capital, which resulted in further erosions in pricing and deterioration in terms and conditions. The excess capacity in the industry, which results in cedants retaining more business and decreasing the available premium in the global industry, combined with the growth in insurance-linked securities and other alternative capital flows into the industry, continue to provide a challenge to writing profitable business. Despite these persistent challenging market conditions, the Company believes that its strong global franchise and geographic footprint, long track record and broad yet highly technical capabilities over many lines of business positions the Company well for the future. The Company expects to continue with its initiatives to find additional areas of attractive new business and expand relationships with its key clients. Overall, the expected premium volume, on a constant foreign exchange basis, from the Company's 1 January 2018 renewals was relatively flat compared to the prior year renewal but in line with expectations, with the Company maintaining its position in a competitive market.

In terms of the Company's Life portfolio, the active 1 January 2018 renewals only impact the short-term in-force premium in the mortality line, which is a relatively limited portion of the overall Life portfolio. For those treaties that actively renew, pricing conditions and terms were modestly softer compared to the prior year renewal. Management expects moderate continued growth in the Company's Life portfolio in 2018 from new business initiatives, assuming constant foreign exchange rates.

Employees

The Company's French, Hong Kong and U.A.E branches employ personnel directly. In addition, PartnerRe Holdings Europe Limited, a related company, employs personnel in Switzerland, Ireland and the U.K.

The average number of employees of the Company are categorised as follows for 2017 and 2016:

	2017 Number	2016 Number
Underwriting	124	124
Finance	23	25
Operations	72	69
IT	43	44
Total	**262**	**262**

A.2. UNDERWRITING PERFORMANCE

The following table outlines the Company's underwriting performance for 31 December 2017 and 2016:

2017	Non-Life	Life	Total
	€'000	€'000	€'000
Gross premium written	1,761,243	723,906	2,485,149
Net premium written	485,771	312,115	797,886
Net premium earned	567,303	313,321	880,624
Net claims incurred	274,526	270,974	545,500
Expenses incurred, excluding investment expenses	214,322	45,696	260,018
Underwriting result	**78,455**	**(3,349)**	**75,106**
Investment expenses	4,475	2,472	6,947
Total Underwriting result	**73,980**	**(5,821)**	**68,159**

2016	Non-Life	Life	Total
	€'000	€'000	€'000
Gross premium written	1,766,068	671,052	2,437,120
Net premium written	708,275	300,925	1,009,200
Net premium earned	733,814	301,231	1,035,045
Net claims incurred	409,878	255,553	665,431
Expenses incurred, excluding investment expenses	300,772	43,813	344,584
Underwriting result	**23,164**	**1,865**	**25,030**
Investment expenses	4,598	1,887	6,486
Total Underwriting result	**18,566**	**(22)**	**18,544**

The non-life segment includes the following proportional lines of business: income protection; workers compensation; motor vehicle liability; other motor; marine, aviation and transport, fire and other damage to property; general liability, credit and suretyship; and miscellaneous financial loss as well as the following non-proportional lines of business: health; casualty; marine, aviation and transport and property. The Life segment includes both life and long term health business.

The following tables outline the Company's underwriting performance by the material Solvency II lines of business for 2017 and 2016. Solvency II line of business proportional reinsurance - fire and other damage to property includes exposures from property, agriculture, energy and engineering risks, proportional reinsurance - credit and suretyship includes exposures from trade credit, mortgage, political risk and surety and proportional reinsurance - marine, aviation and transport includes aviation, marine and energy offshore exposures and Life and Health reinsurance, which includes life, health and annuity risks.

2017	Proportional Reinsurance - Fire and other damage to property	Proportional Reinsurance - Credit and suretyship insurance	Proportional Reinsurance - Marine, aviation and transport	Life and Health Reinsurance	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	519,677	279,448	297,527	723,906	664,591	**2,485,149**
Net premium written	139,813	77,764	70,206	312,115	197,988	**797,886**
Net premium earned	172,620	86,675	91,854	313,321	216,154	**880,624**
Net claims incurred	87,914	23,312	33,483	270,974	129,817	**545,500**
Expenses incurred, excluding investment expenses	55,510	48,337	37,895	45,696	72,580	**260,018**
Underwriting result	**29,196**	**15,026**	**20,476**	**(3,349)**	**13,757**	**75,106**
Investment expenses	1,362	684	725	2,472	1,704	**6,947**
Total Underwriting result	**27,834**	**14,342**	**19,751**	**(5,821)**	**12,053**	**68,159**

2016	Proportional Reinsurance - Fire and other damage to property	Proportional Reinsurance - Credit and suretyship insurance	Proportional Reinsurance - Marine, aviation and transport	Life and Health Reinsurance	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	546,835	270,203	285,577	671,052	663,453	**2,437,120**
Net premium written	219,306	108,364	114,530	300,925	266,075	**1,009,200**
Net premium earned	225,776	107,227	125,871	301,231	274,940	**1,035,045**
Net claims incurred	145,762	28,592	80,189	255,553	155,335	**665,431**
Expenses incurred, excluding investment expenses	88,486	59,727	46,655	43,813	105,903	**344,584**
Underwriting result	**(8,472)**	**18,908**	**(973)**	**1,865**	**13,702**	**25,030**
Investment expenses	1,995	948	1,113	1,887	543	**6,486**
Total Underwriting result	**(10,467)**	**17,960**	**(2,086)**	**(22)**	**13,159**	**18,544**

See QRT S.05.01.02 in the annex to this report for a further breakdown by the above lines of business.

Proportional Reinsurance - Fire and other damage to property

Gross premiums written for the year ended 31 December 2017 are €520 million, this represents a decrease of €27 million when compared to the year ended 31 December 2016. This decrease was mainly due to reduced participations, increased cedant retentions and a reduction in new business opportunities within in some classes of business.

Net premiums earned for the year ended 31 December 2017 are €172 million, this represents a decrease of €53 million when compared to year ended 31 December 2016. This decrease was mainly driven by an increase in ceded premiums written through the internal quota share with PRCL.

The underwriting result was €29 million for the year ended 31 December 2017. This represents an increase of €38 million when compared to year ended 31 December 2016. This increase was predominately driven by favorable prior underwriting years loss development due to a combination of favorable loss emergence, as losses reported by cedants for prior underwriting years were lower than the Company expected and an update, during 2017, of some of the Company's reserving assumptions which resulted in more weight being given to the actual emerging loss experience more quickly than in previous years. This led the Company to decrease its ultimate loss ratios and loss estimates for those years.

This favorable development was partially offset by losses related to the 2017 catastrophe events in the U.S. and Caribbean and some mid-sized loss activity within the agriculture line of business. In addition, there was a reduction in expenses incurred, which has contributed to the positive underwriting result year on year.

Proportional Reinsurance - Credit and suretyship

Gross premiums written for the year ended 31 December 2017 are €280 million, this represents an increase of €9 million when compared to the year ended 31 December 2016. This modest increase was mainly due to new business written during the period.

Net premiums earned for the year ended 31 December 2017 are €87 million, this represents a decrease of €20 million when compared to year ended 31 December 2016. This decrease was mainly due to an increase in ceded premiums written through the internal quota share with PRCL.

The underwriting result was €15 million for the year ended 31 December 2017. This represents a slight decrease of €4 million when compared to year ended 31 December 2016. The decrease in underwriting result is mainly driven by the reduction in net premiums earned discussed above, partially offset by favorable loss emergence from prior underwriting years and a reduction in expenses incurred.

Proportional Reinsurance - Marine, Aviation and transport

Gross premiums written for the year ended 31 December 2017 are €298 million, this represents an increase of €12 million when compared to the year ended 31 December 2016. This modest increase was mainly due to new business written within the period.

Net premiums earned for the year ended 31 December 2017 are €92 million, this represents a decrease of €34 million when compared to year ended 31 December 2016. This decrease was mainly due to an increase in ceded premiums written on business ceded via the internal quota share with PRCL.

The underwriting result was €20 million for the year ended 31 December 2017. This represents an increase of €21 million when compared to year ended 31 December 2016. This increase was predominately driven by favorable prior underwriting years loss development due to a combination of favorable loss emergence, as losses reported by cedants for prior underwriting years were lower than the Company expected and an update, during 2017, of some of the Company's reserving assumptions which resulted in more weight being given to the actual emerging loss experience more quickly than in previous years. This led the Company to decrease its ultimate loss ratios and loss estimates for those years.

In addition, there was a reduction in expenses incurred, which has contributed to the positive underwriting result year on year.

Life and Health Reinsurance

Gross premiums written for the year ended 31 December 2017 were €724 million, this represents an increase of €53 million when compared to the year ended 31 December 2016. This increase was mainly due to two new large longevity contracts that the Company wrote during the year.

The underwriting result was a loss of €3 million which is mainly due to higher than expected loss activity during the year.

As required by the Solvency II underwriting quantitative reporting templates, the Company's life underwriting result in the above table does not include allocated investment income which is an important element of the life result.

Other

Included within the Other category are the following lines of business; income protection, workers' compensation, motor vehicle liability, other motor, general liability and the non-proportional lines of business - health, casualty, marine, aviation, transport and property.

There are a number of offsetting impacts within this category, however the key line of business driving the result for this category is the non-proportional line of business. Premium is relatively flat year on year. The underwriting result has slightly decreased when compared to the prior year. This is mainly due to higher mid-sized loss activity within a number of the less material lines of business within the other category, partially offset by favorable prior underwriting years loss development due to the factors discussed in the commentary above.

Geographical Analysis

2017	Top 5 countries by location of cedant							
	Ireland	Bermuda	France	Germany	UK	United States	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	89,545	104,430	148,621	207,170	618,462	305,938	1,010,983	**2,485,149**
Net premium written	34,780	39,419	51,725	58,311	221,649	87,133	304,869	**797,886**
Net premium earned	41,600	45,255	53,657	70,578	238,269	96,730	334,535	**880,624**
Net claims incurred	43,876	34,362	22,210	32,628	220,471	45,048	146,905	**545,500**
Expenses incurred (including investment expenses)	14,130	10,176	9,888	26,391	46,850	47,986	111,544	**266,965**
Total underwriting result	**(16,406)**	**717**	**21,559**	**11,559**	**(29,052)**	**3,696**	**76,086**	**68,159**

2016	Top 5 countries by location of cedant							
	Ireland	Bermuda	France	Germany	UK	United States	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	163,590	129,634	126,042	204,807	595,034	284,971	933,042	**2,437,120**
Net premium written	81,550	58,028	48,539	81,184	278,188	128,849	332,862	**1,009,200**
Net premium earned	76,716	63,782	49,473	77,614	287,348	126,931	353,181	**1,035,045**
Net claims incurred	71,757	48,035	17,988	50,053	213,983	29,732	233,883	**665,431**
Expenses incurred (including investment expenses)	28,673	18,469	(7,181)	34,552	92,803	73,476	110,278	**351,070**
Total underwriting result	**(23,714)**	**(2,722)**	**38,666**	**(6,991)**	**(19,438)**	**23,723**	**9,020**	**18,544**

Given the nature of the reinsurance business, the Company does not manage its underwriting result by geographical location of the cedant.

A.3. INVESTMENT PERFORMANCE

The following table outlines the investment income and expenses for the period ending 31 December 2017 and 2016:

	2017	2016
	€'000	€'000
Interest income on fixed income and cash and cash equivalents	74,460	64,643
Dividend income on equities	2,178	979
Net realised gains/(losses)	154,823	(77,403)
Net unrealised losses	(61,867)	(42,075)
Investment management and other related expenses	(6,970)	(6,486)
Other	224	-
Total net of expenses	**162,848**	**(60,342)**

The Company's investments are primarily held in fixed income securities and accordingly interest income accounts for the vast majority of the income arising from investments. The principal drivers of the net realised and unrealised gains and losses include both gains and losses due to changes in market price on fixed income securities and those due to changes in foreign exchange rates, predominately in the Swiss branch, which has a U.S. dollar functional currency and realised foreign exchange gains as a result of the Company's derivative activity. Included within the net unrealised losses for 2017 are net unrealised foreign exchange losses of €77 million (2016: €34 million) due to changes in foreign exchange rates and a net unrealised market gain of €15 million (2016: loss of €8 million).

The Company invested in Indian equities and completed the acquisition of four residential apartments in the U.K. during the year. As at 31 December 2017, the IFRS and Solvency II value of these investments were €33 million (2016: nil) and €70 million (2016: €13 million) respectively.

The Company did not recognise any gains or losses with respect to its investment portfolio directly in other comprehensive income (within equity) during the year.

As of 31 December 2017, €513 million (2016: €578 million), or 14.5% (2016: 15%) of the Company's fixed income securities were invested in securitisations.

The Company delegates the management of its investment in securitisations directly to the internal asset management unit of the Group which has over a decade of experience in managing this asset class. At the date of this report the Company's exposure to securitisations was exclusively to securitisations issued by U.S. government sponsored enterprises. These securitisations are highly rated and are amongst the most liquid of all securitisation types.

A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company recognised foreign exchange losses for the financial year 2017 of €89 million (2016: gains of €107 million) in the income statement from the revaluation of reinsurance balances held in currencies other than the functional currency. The Company holds financial assets (mainly investments and derivative instruments) denominated in these other currencies to economically hedge this currency exposure. The Company also recognised a loss of €147 million (2016: a gain of €47 million) directly in equity from translating the balance sheets of branches with a functional currency other than Euro.

The Company recognised a total income tax expense of €24 million (2016: €34 million) which was an effective tax rate of 15% (2016: 38%), reflecting the location of profits earned across the Company's branches.

The Company leases primarily office space under non-cancellable operating lease arrangements. The Company incurred lease expenses of €11 million (2016: €11 million).

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The Company is categorised as medium-high under the CBI's Probability Risk and Impact System ("PRISM") and is subject to the Corporate Governance Requirements for Insurance Undertakings 2015 (the "Corporate Governance Requirements"). The Company is satisfied that the corporate structures and practices pertaining to corporate governance as described in the Corporate Governance Requirements are operating effectively.

General governance standards and structure

The Board structure and responsibilities are set out in its Board Charter. The Board are collectively responsible for acting in the interests of the shareholders and the Company in accordance with applicable legal and regulatory requirements. Each director's individual responsibilities are set out in their respective letters of appointment. The Board comprises two Independent Non-Executive Directors ("INED"s), one executive member (the General Manager) and Non-Executive Directors (Group "NED"s) who are employed within the Group but not by the Company. The Chairman of the Board is proposed for reappointment on an annual basis. The Chairman, in conjunction with the Company Secretary, ensures that all directors receive appropriate on-going training and are actively encouraged to further their personal development in matters relevant to the Company and its interests.

The Board has delegated some of its key functions through the establishment of an Audit Committee and a Risk Committee. This enables effective management and facilitates the Board in carrying out its responsibilities and overall stewardship of the Company. These Committees are accountable for clearly defined terms of references as stated in the committee charters.

Key elements of the Company's system of governance

Governance and Oversight

The Board is ultimately responsible for the Company's system of governance and internal control. The Company's governance approach is to ensure there is a clear organisational structure in place with well defined, transparent and consistent lines of defense responsibility (see organisational structure chart below).

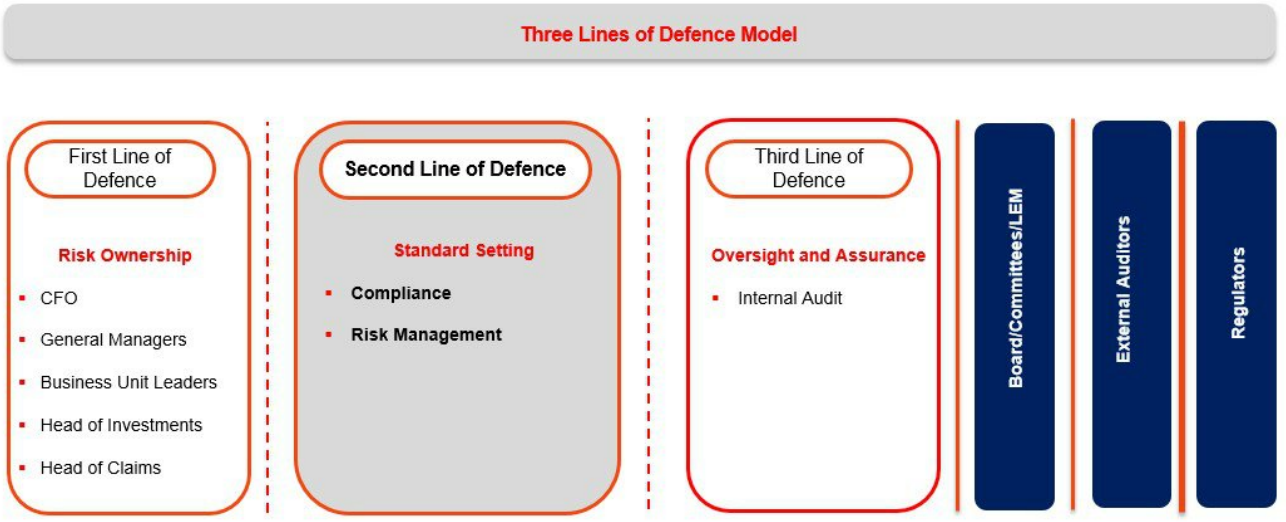
The Board is supported in this regard by the Company's LEM and its Audit Committee and Risk Committee. The shared cross membership of these Committees serves to enhance the Board's consideration of risk related issues. In addition, the Company has a clearly defined structure of key functions (comprising risk management, compliance, finance, actuarial and internal audit) who report to the Committees, as appropriate, on a quarterly basis. The Company's General Manager has the oversight of all activities of the Company (including its branches).

The Board sets the overall strategy of the Company in line with the strategy of the Group and risk strategy, which is reviewed annually. It also sets the Company's risk appetite and risk tolerances annually, in the light of the Company's risk strategy and overall strategy. In this context the Board seeks to ensure there are sound risk management processes to effectively identify, manage and report on the risks to which the Company is exposed.

The matters specifically reserved for the Board are set out in the Company's *Delegation of Authority Policy* ("Reserved Powers"). This policy is approved by the Board annually.

Authority and independence of key functions

The control functions report annually to the Board on the effectiveness of the system of governance including the internal control environment. The key control functions are defined as the risk, compliance and internal audit functions. The Company uses a 'three lines of defense' framework in the delineation of accountabilities for internal control.



The first line of defense are responsible for implementing internal control measures to ensure compliance with all applicable laws and regulations and the management of such risks.

The Company's second line of defense comprises the compliance and risk functions. The second lines of defense are responsible for:

- Supporting management policies, defining roles and responsibilities and setting goals for implementation;
- Developing risk management frameworks;
- Identifying known and emerging issues;
- Identifying shifts in the Company's risk profile;
- Assisting management in developing processes and controls to manage risks;
- Provide guidance and training on risk management processes;
- Monitoring the implementation of effective risk management practices;
- Communicating emerging issues and changing compliance and regulatory risk scenarios;
- Monitoring the adequacy and effectiveness of internal controls; and
- Managing the timely remediation of deficiencies.

The Company's third line of defense comprises the internal audit function. The third line of defense is responsible for providing oversight and assurance to the Company.

Material Changes in the Governance of the Company in 2017

As mentioned earlier, the Company formally established a LEM for the purpose of providing advice and making recommendations to the Company's General Manager in respect of the Company's operations. The LEM is the most senior executive management team within the Company and includes the key PCFs.

The LEM is charged with supporting key roles including the review of strategy and management, financial performance, capital and solvency, governance and internal control, risk management, communication and reporting to the CBI. The LEM meets every two weeks.

A Legal Entity Reserving Committee was also developed as a sub-committee of the LEM. The Legal Entity Reserving Committee comprises the Heads of Actuarial Function for both non-life and life ("HoAF"s), Chief Financial Officer ("CFO"), General Manager and the Chief Risk Officer ("CRO"). The Legal Entity Reserving Committee meets quarterly and is responsible for the review and approval of the technical provisions of the Company prior to the filing of the quarterly and annual quantitative reporting templates ("QRTs"). The Legal

Entity Reserving Committee is also responsible for discussing reserve changes on a quarterly basis and for the review and approval of quarterly reserves.

Processes for monitoring the effectiveness of the system of governance

The Company's governance structure covers a wide range of processes across the Company which are listed below and further referenced and explained in this report. The report highlights the clear and consistent procedures in place for monitoring these governance arrangements and these are adapted where necessary in accordance with changing requirements.

Board Governance and Oversight

As mentioned above, the Board, with the assistance of its Committees and the LEM, provides the Company with strategic direction, risk controls, financial oversight, investment policy and corporate governance with access to additional expertise from Group should it be required.

Role of Board Committees

The Board has established two Committees, the Audit Committee and the Risk Committee (the "Committees") which have responsibility for and are authorised to identify any issues within their scope of control and escalate such issues to the Board along with recommendations. The Board, however, has ultimate responsibility for all matters.

The Audit Committee

The Audit Committee has been established to oversee the Company's financial reporting process and the internal control environment on behalf of the Board.

The Audit Committee has four main objectives:

- Review of the Company's financial reporting process;
- Review the integrity of the Company's financial statements;
- Review the effectiveness of the Company's internal control environment, and I.T. systems; and
- Review the performance of the Company's internal audit function and of the external auditors.

The Risk Committee

The Risk Committee has been established to oversee the Company's risk management policies and practices on behalf of the Board. The chairperson of the Risk Committee in an INED.

The Risk Committee has three main objectives:

- Monitor the Company's current risk exposures and its future risk strategy;
- Responsibility for setting the risk appetite and for recommending same to the Board for approval; and
- Oversight responsibility for Company policies and activities related to overall management of the Company's risks pursuant to the business strategy and risk management policy established by the Board.

Review of Board and Committee Roles and Responsibilities

The roles and responsibilities of the Board and its Committees, as outlined under their respective Charters, are reviewed and updated at least annually.

Assessment of Board and Committee Performance

The Board formally reviews its overall performance and that of its individual directors, relative to the Board's objectives, on an annual basis. This includes a review of the Audit Committee and the Risk Committee in relation to their respective performances.

Compliance Reporting

The Board receives quarterly updates from the Company's Compliance function in respect of monitoring of the Company's compliance activities. As and when new regulatory and legal requirements are identified, these updates are supported by evidence of a detailed gap analysis compiled by the Compliance function which documents the Company's compliance with such new requirements.

Such reporting is designed to provide the Board with sufficient comfort that the Company has complied with all requisite regulatory and legal requirements and where necessary to highlight any occasions on which the Company has deviated (in a material and/or non-material manner) from such requirements.

Internal Audit Plan

The Board, with the assistance of the Audit Committee, monitors the effectiveness and adequacy of the Company's internal controls (including the Company's financial reporting process) and I.T. systems through reports received from the internal audit team as and when they fall within internal audit's plan. The Board and the Audit Committee review and approve the internal audit plan for the year.

Adherence to Group and Company Policies, Guidelines and Procedures and use of Group Functions

The Board satisfies itself as to the appropriateness of compliance with Group policies and Group functions for the Company and in particular that these policies and functions take full account of Irish laws and regulations and the supervisory requirements of the CBI. Where necessary, Company specific guidelines are put in place in addition to the Group policies to ensure compliance with local laws, regulations and supervisory requirements.

Annual review and approval process in respect of the Company's audited Financial Statements and Directors' Report

The Board, with the assistance of the Audit Committee, annually undertakes a detailed review of the Company's audited Financial Statements and Directors' Report. Prior to such review a number of meetings outside of the Audit Committee and Board meetings are held to ensure the accuracy of the detail contained in the Financial Statements and Director's Report. The stakeholders of these meetings are the external auditors, INEDs, members of the LEM, HoAFs (life and non-life) and internal audit. A formal governance process supports all pre-Audit Committee meetings.

Financial Reporting Framework

The Company's overall financial reporting framework sets out the processes and controls around the preparation, presentation and filing of all requisite financial reports, including CBI reporting.

Delegation of responsibilities, reporting lines and allocation of functions

Where permissible under legislation and regulation, the Board has delegated certain authority and activities notwithstanding the Board is ultimately responsible for those delegated authorities and activities.

Such delegation is documented by way of the Board's Delegation of Authority Policy which sets out the powers reserved to the Board and those delegated by the Board to its Committees, the Company's General Manager or LEM as appropriate. All matters not specifically reserved for the Board and not already delegated by the Board (as listed under the Delegation of Authority Policy), and are necessary for the day to day management of the Company, are delegated to the General Manager.

Delegation to the Audit Committee and Risk Committee is reflected in the Charters for those Committees.

The Delegation of Authority Policy and the Committee Charters are reviewed and approved by the Board on an annual basis. Outside of the said review and approval process, the Board may add to such delegations at any point (a) by way of a resolution made at a Board meeting which is recorded in the Board meeting minutes or (b) by way of a written resolution. Notwithstanding such delegations, any matters with the potential to have a material impact on the reputation of the Company are brought to the attention of the Board.

Key delegations include underwriting authority, which is delegated in accordance with the Company's underwriting guidelines (approved annually by the Board) to the heads of the various underwriting departments and thereafter to identified underwriters in accordance with procedures set out in the said underwriting guidelines and the specific departmental underwriting guidelines. The Board has delegated ultimate underwriting

decisions to the General Manager in cases where a referral must be escalated under the relevant underwriting guidelines.

The Group operates on a business unit basis and therefore the persons responsible for Company functions (the CRO, Compliance Officer, CFO, HoAF) report within the overall Group structure with a second reporting line to the Company's General Manager. In addition, the Company relies on affiliated support functions to provide a full complement of functions (e.g. affiliated claims function and investment management function).

The General Manager receives from each branch, at a minimum, quarterly reports on production, results and operational activities. In the fulfillment of their roles each Branch Manager provides the General Manager with regular updates on matters associated with branch operations.

The General Manager reports as appropriate to the Board including branch information in the quarterly Board presentations. The Board requires that all policies, processes and controls applicable to the Company equally apply to its branches in addition to any local legal and regulatory requirements. Arrangements for business continuity and contingency planning similarly extend and apply to its branches. The job descriptions for these functions set out clearly the reporting structures, so as to ensure the reporting lines within the Company are uncompromised.

All key functions such as risk management, compliance, finance, actuarial and internal audit have established frameworks within which they operate. These are independent of business units and have the authority to operate effectively. The internal audit function is independent of the Company.

The Board is updated on the Company's budgets and costs on a quarterly basis and such reporting provides the Board with a clear picture of the resources available to the risk management, compliance, finance and actuarial functions and whether they are effective and adequate. The Board is responsible for approving PCF roles which provides the Board with further insight on resources and adequacy of experience. In addition, the General Manager provides an overview of resources where appropriate. The internal audit function reports on resources across the Company (including the internal audit function) when carrying out an audit of a particular business unit/department.

Board structure, composition and committees

The performance of the Board (individually and as a whole) is reviewed annually and its composition (including consideration of the balance of experience and independence required) is reviewed at three-yearly intervals.

The General Manager is the sole Executive Director.

The Board's Audit Committee and Risk Committee provide support and expert advice to the Board together with recommendations for Board decisions in all areas that the Board may require.

The Audit Committee is chaired by an INED. The Risk Committee is chaired by an INED. Each Committee is chaired in accordance with the Committees' respective Charters. The said Charters set out more specifically the composition, terms of reference and modus operandi of each Committee.

The Audit Committee oversees the financial aspects of the Company, including the statutory and regulatory reporting processes. It is responsible for liaising with the external auditors and reviewing their independence and it manages and oversees the work carried out by internal audit on behalf of the Committee. The Audit Committee reviews the effectiveness and adequacy of the Company's system of internal controls.

The Risk Committee, in conjunction with the CRO, oversees the management of risk within the Company. Accordingly it oversees the underwriting processes and in particular the development of the Company's risk appetite. There is significant liaison with the Company's CRO (who reports to the Risk Committee on a quarterly basis) and the Company's actuarial function (for example in respect of the Company's risk management framework and ORSA process). The Risk Committee ensures the risk appetite is appropriate given the nature, scale and complexity of the organisation.

The Board and its Committees meet quarterly and at such other times as deemed necessary to discharge their respective roles and responsibilities effectively. Board and Committee members are required to devote such time as deemed necessary to understand the issues to be discussed. The Company Secretary issues Board and Committee packs to Board and Committee members one week in advance of meetings and maintains a formal record of Board and Committee proceedings. The minutes of each Board and Committee meeting contain

sufficient detail to evidence Board attention and document the decisions (including dissenting or negative votes), discussions and points for further action.

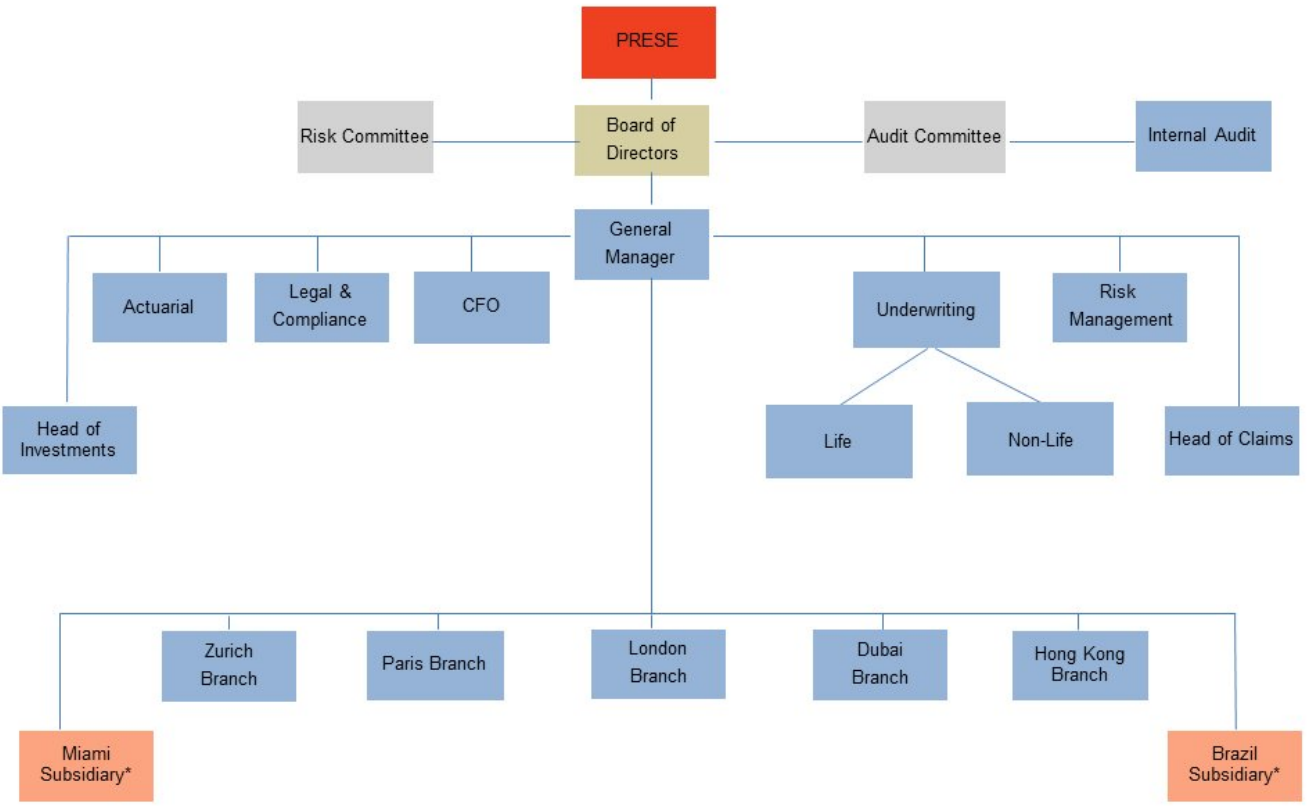
A formal process was approved by the Board in the first quarter of 2018. This process sets out the steps for making material decisions at Board level. A material decision is any decision of substantial importance or consequence to the Company. A consolidated “Matters Arising” log, covering all open items, has been developed and is brought forward into each Board meeting.

Additionally, the Board’s Charter was amended in 2017 to explicitly give the Board the authority to retain external counsel, expert advice and other advisors deemed necessary for proper oversight of the Company.

Company structure

The Company structure set out as follows outlines the Company’s various functions. This structure is appropriate for the planning, executing, controlling and monitoring of business operations in order to achieve the Company’s objectives.

Organisation Chart for PRESE (including Branches and Subsidiaries)



* Neither of the subsidiary companies are reinsurance carriers, with the subsidiaries in Miami and Brazil acting as a reinsurance intermediary and representative office respectively.

Remuneration policy

The remuneration policy is set by the Board and updated on an annual basis. It is the intention of the Company to ensure that the ways in which it remunerates its employees, officers and directors meets with good practice standards as well as applicable regulatory requirements.

In particular, it intends to ensure that remuneration structures do not promote excessive risk taking. The remuneration policies are designed to meet the following objectives:

- Align the long-term interests of Company's participants and shareholders;
- Establish competitive pay levels on a total compensation basis;
- Clearly link pay with performance;
- Provide flexibility in form and structure to meet individual time horizons;
- Demonstrate good governance and corporate responsibility; and
- Encourage the retention of the Company's participants.

The Board considers the following structure of remuneration to be appropriate, in the context of the Company's activities and the applicable regulatory requirements:

- The philosophy is to remunerate at the median of the appropriate market.
- Remuneration is comprised of base salary and Annual Incentive ("AI").
- Local requirements relating to remuneration structures will be respected as appropriate.

With regard to the remuneration of its INEDs the Company's policy is that, in keeping with their duty of independence, they shall be remunerated by a fixed fee only, and no incentive-based payments will be made.

It is the Company's policy that NEDs who are employees of the Group shall receive no remuneration for their duties as directors of the Company.

The variable components of remuneration are an AI and a Long Term Incentive ("LTI") award. The AI is a variable, performance-based component of compensation. Each employee has a target AI payment, which is set as a percentage of base salary. The actual payment is then based on a combination of business unit performance, individual performance and overall Group performance. The target metrics are set by the Group each year.

Pension entitlements are typically paid on a contribution basis and are based on a percentage of the participant's base salary depending upon competitive local market practice and vesting provisions meeting legal compliance standards and market trends. Certain Swiss based employees are members of hybrid pension plan, which contains elements of a defined benefit and defined contribution plan.

B.2. FIT AND PROPER POLICIES AND PROCEDURES

The CBI published its Regulations and Standards of Fitness and Probity (the F&P Standards), issued under Part 3 of the Central Bank Reform Act 2010 ('the 2010 Act'), on 1 September 2011. These statutory standards came into effect on 1 December 2011. The 2010 Act provides for a fitness and probity regime for the periodic assessment of individuals performing PCFs and Control Functions ("CFs"), including Directors, senior management and those employees whose activities have a material impact on the business.

As a regulated entity, the Company is subject to the F&P Standards. There are continuous processes in operation within the Company to determine which roles fall under the F&P Standards and to collect and collate information to evidence compliance with the F&P Standards.

The Company has a Fitness and Probity Policy which governs the Company's fitness and probity processes. This is reviewed and approved annually by the Board.

The Fitness and Probity Policy is supported by detailed documented procedures. These processes and procedures enable the Company to annually confirm to the CBI that the Company is in compliance with the

relevant regulatory requirements under the CBI's Fitness and Probity Standards and associated CBI Guidance (the "Fitness and Probity Standards").

These processes provide a mechanism for ensuring that all relevant individuals meet, and continue to meet, the Fitness and Probity Standards and fulfil any training obligations. The Fitness and Probity Policy and the procedures cover:

- New appointments of individuals performing PCFs and CFs;
- Internal PCF and CF transfers and promotions;
- Outsourcing of PCFs and CFs;
- On-going due diligence of individuals performing PCFs and CFs; and
- Potential consequences if a PCF or CF does not meet or no longer meets the F&P Standards.

As part of the Company's fitness and probity processes, the Board endorses the appointment of individuals performing PCFs within the Company and those who may have a material impact on the risk profile of the Company (being the Company's General Manager, CFO, CRO, Head of Internal Audit, Head of Compliance, HoAFs (life and non-life), Branch Managers, Head of Underwriting, Head of Investment and Head of Claims). All Board Directors (incorporating Board and Committee Chairs) are categorised as PCFs.

The Company maintains records in relation to individuals performing PCF or CF roles on behalf of the Company. The records include evidence of the due diligence undertaken in respect of that individual prior to their appointment and evidence of the PCF's and CF's ongoing compliance with the Fitness and Probity Standards. Annual due diligence of each Company PCF and CF is also conducted by completion of a detailed Annual Certification, which is reviewed by the Head of Compliance. Results of the due diligence are recorded.

The due diligence undertaken requires the Company to analyse the competencies and the degree of probity required to discharge a particular function (and whether the responsibilities of the function fall into a PCF or CF category) and ensures the relevant expertise, qualifications and background of the individual meets this criteria. If deemed necessary, relevant and comprehensive training is carried out in conjunction with the PCF or CF appointment process to ensure that an individual is fit and proper to perform the role.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

In the reinsurance industry, the core of the business model is the assumption and management of risk. A key challenge is to create economic value through the intelligent and optimal assumption and management of reinsurance, capital market and investment risks while limiting and mitigating those risks that can destroy tangible as well as intangible value, those risks for which the organisation is not sufficiently compensated, and those risks that could threaten the ability of the Company to achieve its objectives. While many companies start with a return goal, the Company starts with a capital-based risk appetite, a critical element of the Company's risk management framework, and then looks for risks that meet its return targets within that framework. Management believes that this construct allows the Company to balance the cedants' need for certainty of claims payment with the shareholders' need for an adequate total return.

The assumption and management of risk are at the core of the Company's value proposition and operating principles. All business decisions entail a risk/return trade-off, and these decisions are applicable to the Company's risks. In the context of assumed business risks, this requires an accurate evaluation of risks to be assumed, and a determination of the appropriate economic returns required as fair compensation for such risks. In the context of other than voluntarily assumed business risks, the decision relates to comparing the probability and potential severity of a risk event against the costs of risk mitigation strategies. In many cases, the potential impact of a risk event is so severe as to warrant significant, and potentially expensive, risk mitigation strategies. In other cases, the probability and potential severity of a risk does not warrant extensive risk mitigation.

The Company's results are primarily determined by how well it understands, prices, manages and diversifies assumed risk. Additionally, every organisation faces numerous risks that could threaten the successful achievement of a company's goals and objectives. These include choice of strategy and markets, economic and business cycles, competition, changes in regulation, data quality and security, fraud, business interruption and management continuity; all factors which can be viewed as either strategic, financial, or operational risks that are common to any industry.

Risk Appetite Framework

The Risk Appetite Framework (“RAF”) for the Company provides the context for risk management, from the articulation of a risk strategy set by the Board through to the detailed monitoring of the risk exposure relative to pre-set limits or triggers.

Risk appetite is an integral part of an effective risk management system. Risk appetite is defined as the overall level of risk the Company is prepared to accept in pursuit of its strategic objectives. Within the RAF, the Risk Appetite Statement ("RAS") defines the level and type of risk that the Company is prepared to take in order to achieve its goals, defining related limits and tolerances.

The Company's RAF represents only one part of PartnerRe’s risk management framework and of its transposition for the Company; as such it cannot be disconnected from the other components of the risk management framework, which together are integrated into a comprehensive approach to risk management.

A core tenet of the risk management framework is that it must continuously evolve to be responsive to changes in the economic environment, reinsurance markets we serve and their respective regulatory environments. It must also evolve to be responsive to our organizational needs including any new businesses or strategic initiatives.

With respect to the Company's RAF there are clearly defined roles and responsibilities for the Board, the Risk Committee and the first, second and third lines of defense, all of which are discussed below.

The Board

The Board is ultimately responsible for ensuring that risk is effectively managed in the Company. The key risk management responsibilities of the Board include the following:

- Setting overall risk appetite and risk limits;
- Overseeing and reviewing the key risks of the Company;
- Approving the risk strategy and the risk management framework;
- Approving risk policies; and
- Promoting a culture which is conducive to effective risk management.

The Risk Committee

The Board delegates certain risk management responsibilities to the Risk Committee. The responsibilities of the Risk Committee are specified in its charter and include:

- Providing assurance on the effectiveness of the risk management framework;
- Reviewing risk reports and escalating risk matters to the Board as appropriate;
- Monitoring adherence to risk appetite;
- Overseeing the CRO and the risk management function;
- Advising the Board on capital modelling matters; and
- Advising the Board on all risk related matters.

First Line of Defense

Risk is primarily managed by those involved in the day to day running of the Company. All staff have responsibility for ensuring that the business complies with the specific obligations imposed on them i.e. operate within risk appetite, implement risk policies, ensure business processes are designed, implemented and operated to achieve compliance and risks are reported to a member of the LEM. In addition, the first line of defense is responsible for working with the risk management function to identify, assess, monitor and report to the Risk Committee.

Second Line of Defense

The risk management function, under the direction of the CRO, has oversight of risk management activities including identifying, assessing, monitoring and reporting existing and emerging risks. The risk management function will monitor the risk profile of the Company's position against risk appetite statements and tolerances and report deviations in line with agreed reporting procedures. Other responsibilities include:

- Implementing the risk management framework;
- Providing advice on risk management to all stakeholders;
- Providing education and training on risk topics; and
- Promoting a strong risk culture.

The compliance function is responsible for providing direction, guidance and support to the business in relation to compliance risks. The compliance function must ensure that the Company remains up to date with legal and regulatory requirements as well as defined internal policies and that appropriate compliance controls exist and operate effectively.

Third Line of Defense

Internal audit is an independent evaluation and appraisal function reporting to the Board through the Audit Committee. Internal audit examines and evaluates the functioning of the internal controls and other elements of governance.

Risk Appetite Process

The formulation of the RAS is based on cyclical process and includes:

- Strategic planning and objective setting;
- Risk identification and assessment;
- Review of RAF currently in place; and

  Review of current risk limits in the light of any evolution either through future business plans or the willingness to improve the framework.

The RAS and related limits are developed through discussions within the Company's LEM and are subsequently discussed with Risk Committee and Board members.

Business and Risk Strategy

The Company assumes and manages global reinsurance and capital market risks. The Company's long-term strategy is to generate shareholder value. It focuses on maintaining a broadly diversified product range with appropriate geographic diversification of risks, actively managing its capital across its portfolio and over the duration of the cycle, adding value through underwriting and transactional excellence and achieving superior returns on invested assets in the context of a disciplined risk framework. The Company believes that this construct allows it to balance its cedants' needs for absolute certainty of claims payment with the ultimate aim of capital growth and dividend payment.

The Company generates its reinsurance revenue from premiums. Premium rates and terms and conditions vary by line of business depending on market conditions. The reinsurance markets have historically been highly cyclical in nature. The cycle is driven by competition, the amount of capital and capacity in the industry, loss events and investment returns. The reinsurance business is also influenced by several other factors, including changes in legal, regulatory and judicial environments, loss trends, inflation and general economic conditions.

In its reinsurance portfolio, the Company writes all lines of business in virtually all markets worldwide (principally outside the U.S., except for certain specialty and facultative lines) and differentiates itself through its risk management strategy and its financial strength. In assuming its clients' risks, the Company removes the volatility associated with those risks and then manages those risks and the risk-related volatility. Through its broad product, geographic diversification and its excellent execution capabilities, the Company is able to stabilise returns across the cycle, respond quickly to market needs, and capitalise on business opportunities virtually anywhere in the world.

Similarly, for the Company's investment risks, which include both public and private market investments, diversification of risks is critical to achieving the risk and return objectives of the Company. The Company's investment policy distinguishes between liquid, high quality assets that support the Company's liabilities, and the more diversified, higher risk asset classes that make up the Company's capital funds. While there will be years where investment risks achieve less than the risk-free rate of return, or potentially even negative results, the Company believes the rewards for assuming these risks in a disciplined and measured way will produce a positive excess return to the Company over time. Additionally, since investment risks are not fully correlated with the Company's reinsurance risks, this increases the overall diversification of the Company's total risk portfolio.

In setting its risk appetite the Board considers stakeholder expectations (in particular the Group, cedants, the CBI, creditors, business partners and employees) alongside the business environment and risks including the current level of risk in the business plan and strategy.

Risk Assessment Process for Risk Appetite Statement

When assessing the key risks to be included in the RAS the Company thinks of risk in multiple dimensions:

- Global or Industry level risks: those risks driven by multi-year, secular trends, which the Company has little to no influence on. For those risks, the Company maintains its awareness, closely follows the trends and pace and takes them into account in the strategic business planning process.
- Company risks that are specific to its business model and strategic objectives: here, the Company has an opportunity to adopt the right responses through its risk-assuming activities, its operational structure, its governance and risk management, which allow a mix of risk avoidance, risk acceptance and/or mitigation in order to optimise the risk/reward profile, all within Board approved risk appetite and risk limits.

The Company also considers the Group risk universe which is updated on an annual basis.

Assessment and Monitoring of Emerging Risks

In 2017, the Emerging Risk Committee ("EmRC") was established by the Group Executive Management Committee as an operational unit that reports to the Group Executive Risk Committee. The EmRC is comprised of representatives from the business and assurance functions. The Company's CRO attends the meeting and reports to the Company's Risk Committee and Board thereafter.

The committee charter objectives include:

- Maintain risk awareness;
- Identify emerging risks (i.e. risks that do not currently exist and/or risks whose significance may be uncertain and not well understood) and evaluate the potential impact on the current inforce portfolio;
- Monitor emerging risks and key risk indicators;
- Quantify scenarios for some identified risks; and
- Plan and take actions if needed.

The EmRC meets semi-annually and is responsible for the discussion and analysis of emerging risks as well as the development of strategies for managing these risks.

This process feeds into the Company's risk assessment process through updating the risk universe and through the Company's CRO.

During 2017, a working group performed a risk assessment on Cyber Risk in order for the Company to gain an understanding of the development of this emerging risk and the measures the Company currently has in place in order to minimize the risk. The findings from the Cyber risk assessment on IT security, was shared with the Board in December 2017.

Each risk policy is complemented by associated controls which contain the details of the various risk items, processes and controls that are implemented throughout the organisation to allow the mitigation of the risks associated with the risk policy.

Own Risk and Solvency Assessment Process

The ORSA process can be defined as the overarching process in the Company related to identifying, assessing, measuring, monitoring, controlling and mitigating all sources of business, operational, and reputational risks. This leads to the assessment of the capital adequacy of the Company to support its strategy.

The Company has developed an ORSA process which encompasses all the risk management activities of the Company. This process is proportionate to the nature, scale and complexity of the business and risk profile of the Company. It includes several processes executed throughout the year, under the responsibility of the Board and its Risk Committee. The ORSA process is executed according to the ORSA policy which is approved by the Board on a yearly basis.

B.4. INTERNAL CONTROL SYSTEM

The Company's governance framework is subject to periodic review for appropriateness and any enhancements necessary to reflect the evolution of the organisation, business model, strategy, and any changes in external factors such as the regulatory landscape or markets within which the Company operates.

The Company's lines of defense model ensures that risk management is embedded within all major processes that exist across the entire Group. The risk management framework provides the principles, rules and policies that govern how the organisation as a whole works together to satisfy the strategic objectives.

The Board is committed to high standards of business conduct and has adopted various codes (including a Code of Ethics and Business Conduct) and guidelines to address key risk areas. These codes and guidelines are supported by detailed procedures as necessary.

The Company’s internal control system covers a wide range of processes across the Company which includes, but is not limited to: underwriting; claims; investments; risk management and operational functions. Also included in the internal control system are the Company’s extensive SOX controls. The internal control system has also been strengthened by the implementation of a software tool to collate and monitor the Company’s existing internal control framework.

Each risk policy is complemented by associated risk controls which contain the details of the various risk items, processes and controls that are implemented throughout the organisation to allow the mitigation of the risks associated with the risk policy.

The Board oversees the internal control system and is supported in the first instance by the Audit Committee and secondly by internal audit through the performance of their annual audit plan.

In addition to the Company’s Board, the Company’s compliance function, finance function, actuarial function, risk management function and internal audit are all key contributors to the governance and oversight of the Company’s internal control system.

There are established robust internal controls in existence in each of the key functions i.e. risk management, finance, actuarial, internal audit and legal & compliance in addition to internal controls across all other business areas.

Risk Management Function

The risk management function (which is lead by the Company's CRO) sits within the capital and risk department which delivers the risk oversight within PartnerRe and provides the critical link between the operations within the business units and the overall PartnerRe governance framework.

The capital and risk department represents the consolidation of significant functions within the Group which evaluate, measure and report on the risks inherent in the PartnerRe business model. The Company’s CRO and risk management function provide relevant feedback concerning risk assessment and measurement to the Company’s Risk Committee on a quarterly basis and to the LEM. The CRO liaises directly with the Company’s Board in this regard on a periodic basis.

Additionally the Company will have a newly appointed CRO based in Dublin in 2018, pending CBI approval.

Finance Function

The Company's finance function (which is led by the Company's CFO) ensures:

- The Company's annual statutory financial statements under IFRS are completed in accordance with accounting standards;
- Appropriate reporting of USGAAP and IFRS financial information of the Company;
- The Company is compliant with its regulatory financial reporting obligations to the CBI;
- The Company maintains sufficient capital to meet business requests and regulatory requirements;
- Maintenance of solvency calculations and oversight of prudent person investment approach;
- Appropriate processes and controls are maintained; and
- In conjunction with the risk function and the LEM, that the Company's capital is managed as efficiently and effectively as possible.

Compliance Function

The Company's compliance function (which is headed by the Company's Head of Compliance) comprises the Company's compliance team in Dublin together with jurisdictional compliance contacts. The Head of Compliance attends all Audit and Risk Committee meetings and reports quarterly to the Board.

This function is responsible for ensuring the Company's compliance with regulatory requirements and legal obligations together with the identification and assessment of regulatory risk and facilitating the management of these risks.

The strategic objectives of the compliance function are:

- Ensuring effective relationships with the CBI, industry groups and the Group in order to anticipate and manage new regulatory, legislative and industry developments;
- Identifying and implementing appropriate policies and procedures to ensure compliance with regulatory and legislative obligations;
- Identifying and reviewing existing regulatory and legislative requirements to determine that existing policies and procedures comply with obligations; and
- Providing compliance risk management expertise to ensure business initiatives maintain compliance and achieve business objectives.

The Company's compliance framework ensures there is effective oversight of the activities of the Company taking into consideration the nature, scale and complexity of the business being conducted by it. This includes:

- Identification of regulatory and legal obligations and requirements. These are identified by monitoring and documenting legal, regulatory and industry developments and liaising with the CBI (and other jurisdictional regulators as appropriate);
- Development of an overarching compliance framework underpinned by detailed policies and procedures. The identified regulatory and legal obligations and requirements inform and shape the policies and procedures to be followed; and
- Robust monitoring and regular reporting in respect of the Company's compliance with policies and procedures. Internal audit, the CRO and the Group risk management functions are key contributors to the assessment of the Company's compliance framework.

The compliance policy is presented to the Board annually for review and approval by the Head of Compliance. There were no significant changes to the policy during 2017.

The compliance function is subject to regular audit reviews by internal audit.

Solvency II Internal Control Environment

In relation to the calculation of Solvency II balance sheet and SCR, as well as the preparation of the QRTs and preparation of the Solvency and Financial Condition Report ("SFCR") and Regular Supervisory Report ("RSR"), the Company has developed processes and controls to ensure that the calculations and disclosures are complete, accurate and reliable.

The production of the Solvency II balance sheet, SCR and QRTs are controlled through a fully integrated work flow management system, with automated validations and controls, which feed into a third party Solvency II reporting tool.

Requirements are allocated to applicable functional areas such as: finance, actuarial, risk management, investments and tax. Each functional area is responsible for implementing controls around the calculations and disclosures. These typically include:

- Reconciling information back to source data;
- Peer review of calculations;
- Analytical review of results including understanding the differences to IFRS and analysis of change from the prior period; and
- Review and sign-off of final QRTs.

The following central controls also apply:

- Sign-off is received from each functional area;
- The Solvency II balance sheet is reconciled to IFRS net equity;
- The Company's CRO signs-off the total SCR calculation;
- The Company's CFO signs-off the Solvency II balance sheet as well as the complete set of QRTs;
- The Company's CFO and CRO jointly review the Solvency II balance sheet and SCR results;
- The Solvency II balance sheet and SCR results are reviewed by the LEM;
- The SFCR and RSR are prepared by each applicable functional area and signed off by the CFO; and
- The annual QRTs, SFCR and RSR are reviewed by the Audit Committee and signed off by the Board.

Internal audit carries out a detailed review to ensure that each department's key controls are fully operational and evidenced. The key processes and controls for Solvency II reporting are outlined in the Solvency II regulatory reporting guideline which has been approved by the Board.

B.5. INTERNAL AUDIT FUNCTION

The Corporate Audit Group's ("Internal Audit") mission is to provide the Audit Committee with an independent appraisal function to assess the Company's internal control and operating environment so as to provide reasonable assurance that:

- Operations are effective & efficient;
- Financial reporting is reliable;
- There is compliance with laws & regulations;
- Assets are appropriately safeguarded; and
- The Company's risk management policies are consistently applied as documented.

Annually, internal audit provides the Audit Committee with an overall assessment of the condition of the Company's internal control environment based on conducting a risk based internal audit program.

Internal audit reports functionally to the Audit Committee in order to ensure independence. Internal audit acts as the third line of defense. Internal audit closely interacts with the second line of defense (e.g. risk management

and compliance) in relation to risk identification and risk assessment. Internal audit leverages the work of the second line when deemed appropriate from a governance and independence point of view.

Internal audit regularly tests the Company's risk policies and the internal controls associated with the respective policies. The results of such testing are included in audit reports circulated to management, and summaries of the results are provided to the Audit Committee.

Independence of Internal Audit

To provide for the independence of internal audit, its personnel report directly to the Group Chief Audit Officer, who reports functionally to the Group Audit Committee and administratively to the Group Chief Corporate and People Operations Officer. The independence of the internal audit function is periodically evaluated by the Group Audit Committee.

Internal audit reports directly to the Company's Audit Committee on a quarterly basis and also separately meets with the INED's on at least an annual basis. Internal audit has no direct operational responsibility or authority over any of the activities they review. Additionally, internal audit is not involved in installation of systems or procedures, preparation of records, or engagement in any other activity that would normally be audited. Internal audit does not assume responsibility for any other functions within the Company.

B.6. ACTUARIAL FUNCTION

The actuarial function is a key function of the Company's system of governance.

The actuarial function tasks are undertaken by an in-house team who have the appropriate knowledge of actuarial and financial mathematics and experience, proportionate to the nature, scale and complexity of the risks present in the business.

The actuarial function is operationally part of the Group reserving team led by the Chief Risk and Actuarial Officer of the Group parent.

The duties of the actuarial function are under the responsibility of two function holders who provide independent oversight and report to the Board via the Audit and Risk Committees. One is responsible for the non-fife business and one for the life and health business. Both acting as HoAF, a PCF 48 under the CBI's Fitness and Probity regime, and are members of the Society of Actuaries in Ireland with the relevant level of experience required for the role.

The Company's actuarial function and each HoAF are responsible for the calculation of technical provisions performed on a quarterly basis. The actuarial function tasks include the following:

- Establishment of the technical provisions under the responsibility of a senior actuary within the actuarial function reporting directly to the HoAFs;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of the technical provisions;
- Identification of any sources of deviation from statutory requirements and implementation of any relevant changes in order to ensure that the calculation performed is consistent with those requirements;
- Validation of technical provisions based on experience and identification of solutions on how to deal with any material differences detected, which may imply revisions of assumptions and/or methodologies; and
- Preparation of an annual actuarial report on technical provisions to be presented in summary form at the same time as the actuarial opinion on technical provisions and in full within 2 months of the submission of the actuarial opinion on technical provisions to the CBI.

The actuarial function is responsible for providing the non-life and life underwriting risk components for the overall SCR. The risk margin calculation is performed by the risk management function with support from the actuarial function.

There is a strong co-operation between the actuarial function and the risk management function in implementing the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements, and to the ORSA.

The actuarial function provides inputs to the risk scorecards produced by the risk management function.

The actuarial function is also represented in the Company Audit & Risk Committees. Each quarter, each HoAF presents the quarterly reserve update to the Audit Committee.

In addition, the HoAF provide an actuarial report on an annual basis to inform the Board of the reliability and adequacy of the calculation of technical provisions and to express an opinion on the overall underwriting policy, the adequacy of retrocession arrangements and the ORSA process.

B.7. OUTSOURCING

The Company is part of a multi-national reinsurance group and as such the Company uses the expertise and resources from other Group entities and jurisdictions under a shared services model.

A number of the Company's functions are outsourced via intra-group and intra-company arrangements. These include underwriting, business development and underwriting authorities, claims, regulatory legal and compliance, finance, internal audit and investments.

The Company also uses third party service providers which is driven by strategic business decisions and/or legal and regulatory obligations.

The Company has adopted the group outsourcing principles to mitigate risks associated with the outsourcing of the Company's activities. Adherence to these outsourcing principles is monitored through the performance and delivery of the service level agreements ("SLAs") in place with the relevant outsourced provider. The Company continues to work to strengthen its outsourcing procedures by way of implementing the Group Outsourcing Framework.

This work programme included:

- Replacing the outsourcing principles document with the Group outsourcing policy ("the outsourcing policy");
- Strengthening procedures and controls to manage outsourcing risk;
- Development of an outsourcing register for the Company;
- Creating defined roles and responsibilities within the LEM and key functions around outsourcing risk; and
- Strengthening of MI and reporting provided by the General Manager, CFO and Head of Compliance to the Board around outsourcing risk.

The outsourcing of any of the Company's processes, services or activities is governed by the outsourcing policy. This outsourcing policy is required to be implemented by the Company. The purpose of the outsourcing policy is to establish a framework by which the Company may outsource parts of its business functions or activities.

This outsourcing policy also governs the processes in place to enable the Board to satisfy themselves as to the compliance with its regulatory and legal requirements applicable to the Company.

The outsourcing framework is designed around 5 key pillars.

The 5 pillars are:

- Due diligence;
- Written agreements;
- Register of outsourcings;
- Monitoring oversight and reporting; and
- Annual review process.

In the event of outsourcing, the outsourcing policy provides that due diligence shall be performed in line with the risk posed by the arrangement and shall ensure, among other things, the financial stability of the service provider together with their capacity and technical resources to carry out the outsourced activity. The outsourcing policy also sets out the required content for Service Level Agreements ("SLAs") which includes an obligation on the parties to the contract to comply with all legal and regulatory obligations.

Pursuant to Solvency II requirements, specific rules apply to the outsourcing of critical or important functions by the Company, as a reinsurance undertaking incorporated in and supervised by a regulator with jurisdiction in Ireland.

A critical or important function is determined on a materiality basis. A critical function is assessed under the following criteria:

- The financial impact of the function or activity and the impact on earnings, solvency, liquidity, capital and risk profile;
- The adequacy of internal controls;
- The consequences on reputation and on achieving the Company's business objectives and strategy in the event that the service provider fails to provide the service;
- Ability of the Company through appropriate contingency arrangements to meet regulatory requirements if the service provider fails to provide the service; and
- Aggregate exposure to a particular service provider.

Material outsourcing arrangements will be subject to more detailed consideration and examination than non-material outsourcing arrangements.

Prior to the entering into a material outsourcing arrangement the approval of the Risk Committee must be sought. This approval will be determined by considering the following:

- The rationale for the decision to outsource the relevant function or activity;
- That the due diligence process has been completed satisfactorily; and
- That a draft written agreement has been prepared and agreed in principle, incorporating all relevant requirements of the outsourcing policy.

A component of the outsourcing framework includes the Company's outsourcing register which details all of the Company's outsourced relationships and functions.

The following is a list of important functions which are outsourced i.e. intra-group/intra-company and/or third parties.

Outsourced Service	**Service Provider**	**Outsourcing Oversight**	**Jurisdiction**	**Type of Outsourcing Internal/ External**
Underwriting	French, Swiss, Hong Kong, Dubai, London branches of the Company. PartnerRe Connecticut, Partner Reinsurance Company Ltd, PartnerRe America SC, PartnerRe Miami, PartnerRe U.S, (& Canada branch)	Group Chief Underwriting Officer (PCF2) General Manager & Head of Underwriting (PCF 8 & 18)	Zurich, Paris, Dubai, Connecticut, Miami, Canada, Stamford, Bermuda, London, Sao Paulo, Mexico City	Internal
Claims	Swiss & French branches of the Company PartnerRe US PartnerRe Asia	Head of Claims (PCF43)	Zurich, Paris, Stamford, Singapore	Internal
Business development & delegated underwriting authorities via Managing General Agents (MGAs)	Third party MGAs	General Manager (PCF8)	London, Dubai, Spain, Portugal	External

Life Actuarial & Reserving	The Company's French branch.	Chairman of the Board (PCF3)	Paris	Internal
Non-Life Actuarial & Reserving	French & Swiss branches of the Company. PartnerRe US	Chairman of the Board (PCF3)	Zurich, Paris, Stamford	Internal
Risk Management	French & Swiss branches of the Company. PartnerRe US	Chairman of the Board (PCF3)	Paris, Zurich, Stamford	Internal
Legal & Compliance	Swiss & French branches of the Company PartnerRe Asia, Partner Reinsurance Company Ltd, PartnerRe US Dubai - Third Party	Head of Compliance (PCF12)	Zurich, Paris, Bermuda, Stamford, Singapore, Dubai	Internal & External
Finance & Accounting	Swiss & French branches of the Company PartnerRe Asia, Partner Reinsurance Company Ltd, PartnerRe US	CFO (PCF11)	Zurich, Paris, Singapore, Bermuda, Stamford	Internal
Internal Audit	Swiss & French branches of the Company Partner Reinsurance Company Ltd	CFO (PCF11)	Zurich, Paris, Bermuda	Internal
Investments	PartnerRe Asset Management	Head of Investments (PCF19)	Stamford	Internal

C. RISK PROFILE

The Company relies upon diversification of risk sources and risk limits to manage exposures. Diversification enables losses from one risk source to be offset by profits from other risk sources so that the chance of overall losses exceeding the Company's risk appetite is reduced. However, if multiple losses from multiple risk sources occur within the same year, there is the potential that operating and economic losses can exceed the risk appetite. In addition, there is the chance that the Company's internal assessment of capital at risk for a single source of risk or for multiple sources of risk proves insufficient resulting in actual losses exceeding the Company's risk tolerance.

To reduce the chance of either of these unfavorable outcomes, the Company uses risk limits to minimise the chance that losses from a single risk source or from multiple risk sources will cause losses to materially affect the Company's financial condition.

The Company establishes key risk limits, net of any retrocession, for any risk source deemed by Management to have the potential to cause operating losses or economic losses greater than the Company's risk appetite. The Company may also establish risk limits for any risk source deemed to have the possibility of causing reputational damage. The Board, upon recommendation by the Risk Committee, approves the key risk limits. The actual level of risk is dependent on current market conditions and the need for balance in the Company's portfolio of risks. Quarterly, the CRO reviews and reports to the Risk Committee the actual limits deployed against the approved limits and the compliance with the approved risk appetite.

C.1. UNDERWRITING RISK

The Company uses a number of tools and metrics which help the monitoring and mitigation of the risks inherent to underwriting activities, i.e. the core business of the Company:

- Underwriting and pricing guidelines;
- Underwriting and pricing processes and control-checks; and
- Regular risk reporting on selected metrics materially key to the business of the Company.

The SCR in the Solvency II framework is based on a Value-at-Risk measure calibrated to a 99.5% confidence level over a 1-year time horizon.

C.1.1. NON-LIFE UNDERWRITING RISK

Using the standard formula, the SCR for non-life underwriting risk is €737 million (2016: €823 million) on a pre-diversified basis, which is 39% (2016: 42%) of the Basic Solvency Capital Requirement ("BSCR") before diversification. The SCR calculation is split between:

- SCR for premium and reserve risk;
- SCR for lapse risk; and
- SCR for Catastrophe risks.

Sensitivity tests are conducted to assess the variability of the SCR for non-life underwriting risk.

The following sensitivities assess the impact on the SCR for non-life underwriting risk and Solvency II Own Funds to adverse deviations in net non-life technical provisions:

Adverse deviation of current net technical provisions	Impact on SCR on non-life underwriting risk	Impact on Own Funds (before tax)*	Impact on SCR non-life underwriting risk	Impact on Own Funds (before tax)*
	2017	2017	2016	2016
€ million	€ million	€ million	€ million	€ million
50	+14	-58	+12	-53
100	+28	-116	+24	-106
150	+42	-175	+36	-159

* *Corresponding impact related to the adverse deviation of reserves and corresponding increase of the risk margin due to the increase of SCR.*

The following sensitivities assess the impact of writing additional premium on the SCR for non-life underwriting risk:

Additional amount of net premiums underwritten	Impact on SCR non-life underwriting risk	Impact on SCR non-life underwriting risk
	2017	2016
€ million	€ million	€ million
50	+7	+11
100	+13	+23
150	+20	+34

The Company monitors non-life underwriting risks, with a specific focus on the following risks:

Natural catastrophe risk

The Company defines this risk as the risk that the aggregate losses from natural perils materially exceed the net premiums that are received to cover such risks. The Company considers both catastrophe losses due to a single large event and catastrophe losses that would occur from multiple (but potentially smaller) events in any year.

The Company imposes a limit to natural catastrophe risk from any single loss through exposure limit, net of external and internal retrocession, in each zone and to each peril and also utilises probable maximum loss ("PML") estimates to manage its exposures to specific peril zones.

At 31 December 2017, the natural catastrophe preferred range for a peril zone outlined in the RAS, net of retrocession, was €200 million and the actual maximum limit deployed in a single peril zone was €66 million.

Actual exposure limits deployed and estimated PMLs in a specific peril zone will vary from period to period depending on Management’s assessment of current market conditions, the results of the Company’s exposure modelling, and other analysis.

The Company's exposure to natural catastrophe risk is not expected to change significantly over the planning timeframe as the level of property related business is not expected to change materially and there are no plans to change the retrocession programme.

Long-tail non-life reserving risk

The Company defines this risk as the risk that the estimates of ultimate losses for casualty and other long-tail lines will prove to be too low, leading to the need for substantial reserve strengthening.

The Company manages and mitigates the reserving risk for long-tail lines in a variety of ways. Underwriters and pricing actuaries follow a disciplined underwriting process and the Company establishes prudent reserving policies for determining carried reserves.

The Company’s limit for long-tail reinsurance risk as per the RAS represents the ratio of gross premiums for casualty business compared to total non-life premiums and the preferred range is set at 25%. At 31 December 2017, the ratio was 15%.

The Company's exposure to long-tail non-life reserving risk is not expected to change significantly over the planning timeframe.

Credit and Surety underwriting risk

Credit and Surety underwriting losses of the magnitude that have the potential to exceed the Company's risk appetite are associated with the systemic impacts of severe economic and financial stress. In these events, underwriting losses may arise from defaults of single large named insureds and from a high frequency of defaults of smaller insureds. In addition, trade credit underwriting risk is highly correlated with default and credit spread widening risk of the standard investment grade fixed income portfolio during times of economic stress or financial crises.

In order to determine a Credit and Surety underwriting limit metric for the purposes of risk accumulation, the Company examined extreme scenarios and measured its exposure to loss under those scenarios.

At 31 December 2017, the Credit and Surety preferred limit, net of retrocession, as per the RAS, was €200 million and the actual limit deployed was €123 million.

The Company's exposure to Credit and Surety underwriting risk is not expected to change significantly over the planning timeframe.

Mortgage reinsurance risk

Mortgage reinsurance underwriting losses that have the potential to exceed the Company's risk appetite are associated with the systemic impacts of severe mortgage defaults, driven by large scale economic downturns and high unemployment.

Mortgage reinsurance is managed through geographic diversification both within countries and across countries. This is accomplished through the allocation and tracking of capacity across exposure zones (defined as individual countries) and is accompanied by regular extreme event modelling, and a combination of quantitative and qualitative analysis.

The Company utilises total limits deployed, net of retrocession, to manage its exposures. The limits per individual contract are aggregated within an exposure zone to establish the total exposures. Actual exposure deployed and estimated probable maximum losses in a specific zone will vary from period to period depending on Management's assessment of current market conditions, the results from exposure modelling, and other analysis.

At 31 December 2017, the mortgage reinsurance preferred limit, net of retrocession, as per the RAS was €250 million. The actual limit deployed was €98 million.

The Company's exposure to Mortgage reinsurance risk is not expected to change significantly over the planning timeframe.

C.1.2. LIFE UNDERWRITING RISK

The SCR for life underwriting risk is €327 million (2016: €289 million) on a pre-diversified basis, which is 17% (2016: 15%) of the BSCR before diversification. The Company monitors life reinsurance risks, with a specific focus on the following risks:

Longevity risks

The Company considers longevity exposure to have a material accumulation potential and has established a limit to manage the risk of loss associated with this exposure. The Company defines longevity risk as the potential for increased actual and future expected annuity payments resulting from annuitants living longer than expected, or the expectation that annuitants will live longer in the future.

In order to determine a longevity limit metric for the purposes of risk accumulation, the Company examines extreme scenarios and measures its exposure to loss under those scenarios. Examples of these scenarios include, but are not limited to, immediate elimination of major causes of death and an extreme improvement in mortality continuing indefinitely. For risk accumulation purposes, the Company selects the most financially adverse scenario and adds an additional margin for potential deviation. The longevity metric used for the Company also recognises the gradual nature of the adverse longevity trends that could eventually require a change in the reserving assumptions and thereby cause a financial loss to the Company's longevity portfolio. The longevity limit (accumulation of longevity exposure) is based on the modelled loss at the 99th percentile of longevity distribution.

At 31 December 2017, the approved longevity risk limit, net of retrocession, as per the RAS was €450 million and the actual limit deployed was €311 million.

The Company's exposure to Longevity risk is not expected to change significantly over the planning timeframe.

Pandemic risks

The Company considers mortality exposure to have a material accumulation potential to common risk drivers, in particular to pandemic events, which may result in significant losses to the Company. The Company defines pandemic risk as the increase in mortality over an annual period associated with a rapidly spreading virus (either within a highly populated geographic area or on a global basis) with a high mortality rate.

In order to determine a pandemic limit metric for the purposes of risk accumulation, the Company examined extreme scenarios and measured its exposure to loss under those scenarios. Examples of these scenarios included, but were not limited to, increased mortality associated with past pandemic events (e.g. 1918 Spanish flu) and potential mortality outcomes from transmission scenarios across differing age groups, and across developed and developing countries. For risk accumulation purposes, the Company selected an extreme mortality scenario applied to the insured portfolio in developing and developed countries that would have twice the assumed fatality rate of a 1918 Spanish flu recurring today, combined with an adverse mortality age pattern, and with the same transmissibility characteristics. This is equates to a 1 in 100 year pandemic shock.

At 31 December 2017, the preferred pandemic risk limit, net of retrocession, as per the RAS was €350 million and the actual limit deployed was €223 million.

The Company's exposure to Pandemic risk is not expected to change significantly over the planning timeframe.

Mitigation of underwriting risk by use of retrocession

The Company uses external retrocessional agreements to reduce its exposure on certain reinsurance risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events. These agreements provide for the recovery of a portion of losses and loss expenses from retrocessionaires. The Company’s external retrocessional agreements cover most of non-life classes of business, and are predominantly bought on a non-proportional basis. The Company also utilises external retrocessions in the life business to manage the amount of per-event and per-life risks to which it is exposed. Retrocessionaires must be pre-approved based on their financial condition and business practices, with stability, solvency and credit ratings being important criteria. Strict limits per retrocessionaire are also put into place and monitored to mitigate counterparty credit risk.

The Company remains liable to its cedants to the extent that the retrocessionaires do not meet their obligations under retrocessional agreements and, therefore, retrocessions are subject to credit risk in all cases and to aggregate loss limits in certain cases. The Company holds collateral, including escrow funds, securities and letters of credit under certain retrocessional agreements. Provisions are made for amounts considered potentially uncollectible and reinsurance losses recoverable from retrocessionaires are reported after allowances for uncollectible amounts.

In addition to the external retrocessional agreements, the Company has a Reserve Agreement in place with Colisée Re, a subsidiary of AXA (Colisée Re). See section D.2.1. for details of this agreement.

The Company further mitigates assumed reinsurance risk with the purchase of internal retrocession cover. The Company has entered into two quota-share agreements with Group Companies, a 65% quota-share with PRCL, 50% for underwriting year 2016 and prior, and a 10% quota-share with PRA.

The main objectives of this retrocession cover are as follows:

- Reduce the capital requirements and associated cost of capital for the Company;
- Ensure the Company is in a position to be a well capitalised reinsurer for its cedants; and
- Ensure the Company receives and maintains an appropriate rating from the rating agencies.

C.2. MARKET RISK

The Company is exposed to financial risk through its financial and reinsurance assets and liabilities. The significant components of financial risk relating to the Company's assets are investment risk (market risk) and liquidity risk. The Company mitigates this risk by maintaining a portfolio of liquid, high quality, standard publicly traded investment grade fixed income assets that will at all times be greater than its net reinsurance liabilities.

The SCR for market risk, using the standard formula, on a pre-diversified basis is €453 million (2016: €489 million), which is 24% (2016: 24%) of the BSCR before diversification. See section E.2. of this report for further details.

Investment risk

Investment risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to the following investment risks: interest rate risk, currency risk, equity risk, counterparty default and credit spread risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests in high quality fixed income securities and actively manages the duration of the fixed income portfolio relative to the duration of the reinsurance liabilities so that the economic value of changes in interest rates has offsetting effects on the Company's assets and liabilities. If market interest rates on fixed income securities were higher/lower by 100bps with all other variables held constant, the market value of fixed income securities would have been lower/higher by €132 million (2016: €138 million)**.** This sensitivity does not take into account offsetting impact on the change in valuation of technical provisions from a change in interest rates.

Currency risk

Currency risk is the risk that the fair value or future cash flows of assets and liabilities will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future transactions and recognised monetary assets and liabilities which are denominated in a currency other than the functional currency of the Company.

The Company's investment philosophy distinguishes between investments that are matched against existing reinsurance liabilities (liability funds) and those that represent shareholders' equity (capital funds).

The Company generally matches its liability funds against its net reinsurance liabilities by currency to mitigate the currency risk. For currencies in which the liability funds and net reinsurance liabilities are not completely matched and the Company deems the net exposure to be material, the Company employs a hedging strategy utilising derivative financial instruments to ensure its liability funds are matched by currency. The Company does not employ hedging strategies with respect to its capital funds.

Assuming all other variables are held constant, as at the reporting date, a 10% adverse movement in the value of the Euro currency against all other currencies comprising the Company's Solvency II Own Funds, would have resulted in a €93 million decrease in Solvency II Own Funds (including the effect of derivatives) (2016: €126 million decrease (including the effect of derivatives)).

Equity risk

The Company defines this risk as the risk of a substantial decline in the value of its equity and equity-like securities which include all invested assets that are not investment grade standard fixed income securities and certain fixed income asset classes that are not liquid.

To mitigate the risk, the Company sets strict limits on its total allocation to equity risk as a proportion of its capital funds as well as ensuring portfolio diversification through appropriate concentration limits by any one name and any one industry. During the period the Company invested in an Indian public equity fund. This investment was compliant with the asset allocation plan and remains within the limits of the concentration limits set by the Company.

Default/counterparty and credit spread risk

The Company defines this risk as the risk of a substantial increase in defaults in the Company's standard fixed income securities (which includes investment grade corporate bonds and asset-backed securities) leading to realised investment losses or a significant widening of credit spreads resulting in realised or unrealised investment losses, either of which may result in economic losses to the Company.

The Company controls this risk by setting clear limits on the accumulation of credit risk in its investment portfolio in its agreed asset allocation plan, by limiting the allocation to any one issuer and industry as well as monitoring the credit ratings of all investments. Compliance with the asset allocation plan is reported to the Risk Committee on a quarterly basis.

Description of how assets have been invested in accordance with the 'Prudent Person Principle'

The Company employs a prudent investment philosophy. It maintains a high quality, well-balanced and liquid portfolio having a total return investment objective, achieved through a combination of optimising current investment income and pursuing capital appreciation. The Company's total invested assets were €5,080 million at 31 December 2017 (2016: €5,197 million); refer to section D.1. of this report for a breakdown by asset type. From a risk management perspective, the Company allocates its invested assets into two categories: liability funds and capital funds.

For the Company's portfolio, which may include both public and private market investments, diversification of risks contributes to achieving the risk and return objectives of the Company. The Company's investment policy distinguishes between liquid, high quality assets that support the Company's liabilities, and the more diversified, higher risk asset classes that may make up a portion of the Company's capital funds. While there will be years where investment risks achieve less than the risk-free rate of return, or potentially even negative results, the Company believes the rewards for assuming these risks in a disciplined and measured way will produce a positive excess return to the Company over time. Additionally, since investment risks are not fully correlated with the Company's reinsurance risks, this increases the overall diversification of the Company's total risk portfolio.

The Company's investments are managed by PRAM subject to a management agreement. The allocation of the Company's investments are subject to an asset allocation plan set by the Board. Furthermore PRAM is required to adhere to investment guidelines approved by the General Manager of the Company as to minimum ratings and issuer and sector concentration limitations.

Liability funds represent invested assets supporting the net reinsurance liabilities, and are invested primarily in investment grade fixed income securities and cash and cash equivalents. The preservation of liquidity and protection of capital are the primary investment objectives for these assets.

Liability funds are invested in a way that generally matches them to the corresponding liabilities (referred to as asset-liability matching) in terms of both duration and major currency composition to provide the Company with a natural hedge against changes in interest and foreign exchange rates. In addition, the Company may use certain approved derivatives to further protect against changes in interest and foreign exchange rates.

Capital funds represent shareholder capital of the Company and may be invested in a diversified portfolio with the objective of maximising investment return, subject to prudent risk constraints. Capital funds may contain asset classes typically viewed as offering a higher risk and higher return profile. Capital funds may be invested in investment grade and below investment grade fixed income securities, publicly listed and private equities, bond and loan investments and real estate investments. The Company's investment strategy allows for the use of derivative instruments, subject to strict limitations and for the purpose of managing and hedging currency risk, market exposure and portfolio duration, hedging certain investments, mitigating the risk associated with underwriting operations, or enhancing investment performance that would be allowed under the Company's investment policy if implemented in other ways.

The Company through its management agreement, its investment risk policy, asset allocation plan and investment guidelines ensures that management and reporting of its investment portfolio is suitable for the nature and size of the risks of the Company and are subject to portfolio diversification guidelines which include issuer and sector concentration limitations. Processes and procedures ensure that the Company can properly identify, measure, monitor, manage, control and report on its portfolio.

Quarterly reporting is completed to the risk and the audit committee of the Board. If a new asset class is proposed the Company assesses the change including the potential impact on credit quality, liquidity and capital requirements.

In respect to liquidity the Company's fixed income portfolio is primarily invested in high quality, investment grade securities which are characterised by relatively low levels of credit risk and relatively high liquidity. As previously set out the Company ensures it holds sufficient such securities to at least cover its liability funds at all times.

In respect to capital funds and subject to the limits set out in the Company's asset allocation plan, the Company may invest a portion of its portfolio in:

- Fixed income securities that are below investment grade as well as other interest paying investments such as fixed income type mutual funds, notes receivable, loans receivable, private placement bond investments, derivative exposure assumed and other specialty asset classes. These securities generally pay a higher rate of interest and have a higher degree of credit or default risk. These securities may also be less liquid in times of economic weakness or market disruptions.
- Common stocks or equity-like securities. These assets tend to be highly liquid however their value fluctuates with equity markets. In times of economic weakness, the market value of these assets may decline, and impact net income and capital.
- Private market investments that may exhibit lower levels of liquidity but provide additional diversification and potential return to its investment portfolio. Such investments may include private equity, real estate and infrastructure investments.

C.3. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Company's exposure to credit risk arises mainly from cash and cash equivalents deposited with banks, investments in fixed income securities, reinsurance balances recoverable on ceded reinsurance and funds held by reinsured companies.

Credit risk is referred to as counterparty default risk in the SCR calculation. The SCR for counterparty default risk, using the standard formula, on a pre-diversified basis is €328 million (2016: €280 million), which is 17% (2016: 17%) of the BSCR before diversification. See section E.2. of this report for further details.

The Company is using rating information provided by both S&P and AM Best to ensure a consistent view on the financial condition of external parties.

The Company uses retrocessional agreements to reduce its exposure on certain reinsurance risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events.

Retrocessionaires must be pre-approved based on their financial condition and business practices, with stability, solvency and credit ratings being important criteria. Strict limits per retrocessionaire are also put into place and monitored to mitigate counterparty credit risk.

The Company actively manages its reinsurance exposures by generally selecting retrocessionaires having a credit rating of A- or higher. In certain cases where an otherwise suitable retrocessionaire has a credit rating lower than A-, the Company generally requires the posting of collateral, including escrow funds and letters of credit, as a condition to its entering into a retrocession agreement.

The main exposures related to retrocession agreements are with related companies of Group, rated A+.

The credit risk related to cash, cash equivalents and investments is primarily mitigated by investing only with counterparties with strong credit ratings and by limiting the aggregate exposure to any individual counterparty through appropriate concentration limits.

For funds held by reinsureds the Company is subject to the credit risk of its cedants in the event of their insolvency or their failure to honour the value of the funds held balances due to the Company for any other reason. However, the Company's credit risk in some jurisdictions is mitigated by a mandatory right of offset of amounts payable by the Company to a cedant against amounts due to the Company. In certain other jurisdictions, the Company is able to mitigate this risk, depending on the nature of the funds held arrangements, to the extent that the Company has the contractual ability to offset any shortfall in the payment of the funds held

balances with amounts owed by the Company to cedants for losses payable and other amounts contractually due.

The Company directly manages one funds held account (in relation to the AXA guaranteed reserves) with one cedant, Colisée Re. This funds held account is backed with assets that are maintained in a segregated investment portfolio by Colisée Re and are managed by the Company through its investment managers, PRAM. The Company is subject to the credit risk of this cedant in the event of insolvency or Colisée Re's failure to honour the value of the funds held balances for any other reason. This risk is mitigated by the fact that Colisée Re no longer actively writes new business and only administers the run-off of the business ceded to the Company, using the funds held to make claim payments. The Company is also exposed to the credit risk of the investment portfolio underlying the funds held balance, however, the Company manages the credit risk in this investment portfolio in a similar manner to the investment portfolio that it directly owns.

The creditworthiness of counterparties is monitored on an on-going basis.

C.4. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company is exposed to liquidity risk mainly through claims arising from its reinsurance contracts. Liquidity risk may also arise from a difference in timing between claims payments and recoveries from reinsurance ceded.

The Company aims to maintain sufficient liquidity at all times so that it can support its cedants by settling claims quickly. The Company generates cash flows primarily from its underwriting and investment operations. The Company believes that a profitable, well-run reinsurance organisation will generate sufficient cash from premium receipts to pay claims, acquisition costs and operating expenses in most years. To the extent that underwriting cash flows are not sufficient to cover operating cash outflows in any year, the Company may utilise cash flows generated from investments and ultimately liquidate assets from its investment portfolio. The Company ensures that its liquidity requirements are supported by maintaining a high-quality, well-balanced and liquid investment portfolio, and by managing the duration of its investments with that of its net reinsurance liabilities.

The Expected Profit Included in Future Premium ("EPIFP") for the Life business was €271 million at 31 December 2017 (2016: €261 million). The EPIFP for Life is calculated as the sum of positive best estimate liabilities. A positive best estimate liabilities corresponds to an anticipation of positive future cash flows. The EPIFP for Life is calculated at treaty level meaning that there is no compensation between treaties with negative future cash flows and treaties with positive future cash flows.

The EPIFP for the non-life business was at €130 million at 31 December 2017 (2016: €161 million). The EPIFP represents the difference between the premiums from future exposure arising from contracts that the Company is obligated to as at 31 December 2017 and the expected acquisition costs, losses and expenses relating to these premiums. A lapse rate was assumed on in force contracts relating to future additional premium and on premium relating to business bound but not yet incepted at the closing date. The calculation was discounted using Solvency II yield curves.

C.5. OPERATIONAL RISK

Operational risks are managed by designated functions within the organisation. These risks include, but are not limited to, failures or weaknesses in financial reporting and controls, regulatory non-compliance, poor cash management, fraud, breach of information technology security, disaster recovery planning and reliance on third party vendors. The Company minimises these risks through robust operating risk management procedures and internal controls, which internal audit periodically evaluates.

The Company has identified its main processes related to operational risks:

- Reserving process
- Aggregation process
- Fraud
- Legal/Compliance
- Financial and Regulatory reporting

- Information Technology
- Asset Valuation process
- Human Resources
- Third Party Providers
- Business Continuity
- Claims process
- Retrocession process.

The 2017 risk assessment was executed with a specific focus on cyber risk.

The Company is dependent upon the effective functioning and availability of its information technology and application systems platforms. These platforms include, but are not limited to, PartnerRe's proprietary software programs such as catastrophe models as well as those licensed from third-party vendors including analytic and modeling systems. The Company relies on the security of such platforms for the secure processing, storage and transmission of confidential information. Examples of significant cybersecurity events are unauthorized access, computer viruses, deceptive communications (phishing), malware or other malicious code or cyber-attack, catastrophic events, system failures and disruptions and other events that could have security consequences (a cybersecurity event). A cybersecurity event could materially impact the Company's ability to adequately price products and services, establish reserves, provide efficient and secure services to clients, brokers, vendors and regulators, value the investments and to timely and accurately report the financial results.

Although the Company has implemented controls and has taken protective measures to reduce the risk of cybersecurity events, it cannot reasonably anticipate or prevent rapidly evolving types of cyber attacks and such measures may be insufficient to prevent a cybersecurity event. cybersecurity events could expose the Company to a risk of loss or misuse of our information, litigation, reputational damage, violations of applicable privacy and other laws, fines, penalties or losses that are either not insured against or not fully covered by insurance maintained. This may require the investment of significant additional resources to modify protective measures or to investigate and remediate vulnerabilities.

The Company, through its IT function, has established an effective IT Security control environment which is annually tested by audit and independent external IT security experts. The operational risk policy addresses crisis management and communication including cyber attacks.

As an overall summary, beyond general corporate principles for developing and maintaining the Company's operational risk management environment, the framework also consists of general and detailed procedures for actual operational risk management. Those are maintained in a dedicated tool, through SOX and risk-oriented control-checks, as well as dedicated risk policies (e.g. operational risk policy).

C.6. OTHER MATERIAL RISKS

Strategic Risks

Strategic risks are discussed and agreed between the General Manager, the LEM and the Board and include the direction and governance of the Company, as well as its response to key external factors faced by the reinsurance industry, such as changes in cedants' risk retention behavior, regulation, competitive structure and macroeconomic, legal and social trends. Management considers that strong governance procedures, including a robust system of processes and internal controls is appropriate to manage risks related to its reputation and risks related to new initiatives, including acquisitions, new products or markets.

Reputational risk, which is considered as a type of strategic risk, is the risk of potential loss through deterioration of the Company's reputation or standing due to a negative perception of the undertaking's image among customers, counterparties, shareholder and supervisory authorities.

Emerging Risk

As described in the risk management system section of this report, an EmRC, comprised of representatives from the business and assurance functions including the Company's CRO, and was established in order to identify emerging risks and develop strategies for managing these risks.

During 2017, a working group performed a risk assessment on cyber risk in order for the Company to gain an understanding of the development of this emerging risk and the measures the Company currently has in place in order to minimize the risk. The findings from the cyber risk assessment on I.T. security, was shared with the Company's Board in December 2017. The operational risk element of this assessment is included under the operational risk section.

In addition to the operational risk component, the cyber risk assessment also identified that the Company may also have exposure to additional cyber risks as part of the reinsurance business classified as follows:

- Affirmative Stand-Alone Cyber Cover: specific policies for data breach, liabilities, property damage and other losses resulting from information technology failures, either accidental or malicious, generally known as Cyber Liability Insurance Cover.
- Affirmative Cyber Endorsements: cyber endorsements that extend the coverage of a traditional insurance product, such as commercial general liability, to cover cyber-induced losses, typically privacy breaches.
- Silent Cyber Exposure - gaps in explicit cyber exclusions or policies without cyber exclusions.

Potential Brexit Impacts

Given the ongoing uncertainty surrounding the final terms under which Brexit will be effected, the Company's contingency plans for its U.K. operation are being developed on the assumption that a hard Brexit remains a real possibility. To this end, the Company is exploring contingency options for its U.K. operating platform which assume that no free trade arrangements will be in place between the U.K. and the EU. Such options include the conversion of its existing U.K. branch to subsidiary or a third country branch (as per the approach to subsidiary and branch supervision recently communicated by the U.K. Prudential Regulation Authority). Ensuring that the Company remains in a position in which it has ongoing access to the U.K. market and is able to serve its existing U.K. based cedants is of paramount importance. Whilst the recent communication by U.K. and EU authorities of a proposed 21 month transitional period is a welcome development, the Company is fully aware that time remains of the essence with regard to the implementation of its proposed contingency plan and expects to finalise this plan shortly.

Group Risk

As mentioned in C.3, the Company implemented intra-group retrocession transactions with PRCL (Bermuda) and PRA (Singapore).

The size of these contracts imply a concentration risk, which by nature is a Group risk. This means, the Company is dependent upon the financial soundness of the Group in general and some of its affiliates in particular. Monitoring of the financial condition of each related company is performed on a regular basis.

Other Potential Material Risks

Additionally, any new potential material risk is discussed in the Committees and Board, for example the potential consequences of Brexit were discussed at the Risk Committee. Further development of the risk universe is on-going in 2018 and further risk assessments will be conducted. The risk identification and assessment process classifies the Company's material risks including those outlined in the RAS. New product and key person risks will be considered in this assessment as part of the risk categories reviewed.

D. VALUATION OF THE SOLVENCY II BALANCE SHEET

The Company's Solvency II balance sheet, valued using Solvency II rules, was as follows at 31 December 2017 and 2016:

	Section	2017 €'000	2016 €'000
Investments	D.1.	5,079,933	5,196,981
Other assets	D.3.	483,464	404,837
Total assets		**5,563,397**	**5,601,818**
Net non-life technical provisions	D.2.1.	2,169,278	2,510,448
Net life technical provisions	D.2.2.	351,726	302,808
Other liabilities	D.3.	1,186,568	1,203,621
Total liabilities		**3,707,572**	**4,016,877**
Excess of assets over liabilities		**1,855,825**	**1,584,941**

For a discussion of valuation bases, methods and assumptions for the Company's assets and liabilities see the sections below.

D.1. VALUATION OF ASSETS

The Company is required to classify its investments using the Solvency II hierarchy as follows:

- Quoted market price in active markets for the same assets (“QMP”);
- Quoted market price in active markets for similar assets (“QMPS”);
- Alternative valuation methods (“AVM”);
- Adjusted equity methods (“AEM”) applicable for the valuation of the participations; and
- IFRS equity method (“IEM”) applicable for the valuation of the participations.

Accordingly the Company's investment assets under Solvency II by category and by valuation classification, as at 31 December 2017 and 2016, are as follows:

	2017				2016			
	QMP	QMPS	AVM	Total	QMP	QMPS	AVM	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Government Bonds	—	1,356,050	—	**1,356,050**	2,115	1,700,933	—	**1,703,048**
Corporate Bonds	—	1,665,327	—	**1,665,327**	—	1,654,304	11,323	**1,665,627**
Collateralised securities	—	513,283	—	**513,283**	—	578,027	—	**578,027**
Total Fixed Income	**—**	**3,534,660**	**—**	**3,534,660**	**2,115**	**3,933,264**	**11,323**	**3,946,702**
Equity	33,030	—	114	**33,144**	6	—	112	**118**
Investment property	—	—	69,637	**69,637**	—	—	12,824	**12,824**
Collective investment undertakings	80,297	—	14,415	**94,712**	176,082	—	16,652	**192,734**
Cash and cash equivalents	412,951	—	—	**412,951**	180,444	—	—	**180,444**
Deposits to cedants	—	—	642,793	**642,793**	—	—	571,053	**571,053**
Other loans & mortgages	—	—	290,167	**290,167**	—	—	290,583	**290,583**
Property, plant & equipment held for own use	—	—	1,869	**1,869**	—	—	2,523	**2,523**
Grand Total	**526,278**	**3,534,660**	**1,018,995**	**5,079,933**	**358,647**	**3,933,264**	**905,070**	**5,196,981**

Fixed Income

- *Governments bonds* - these securities are generally priced by independent pricing services. The independent pricing services may use actual transactions prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value, which may incorporate Option Adjusted Spread ("OAS"), interest rate data and market news. Substantially all of these securities are classified as QMPS for valuation purposes under Solvency II.

- *Corporate bonds* - consist primarily of investment grade bonds issued by U.S. and non-US corporations covering a variety of industries and issuing countries. These securities are generally priced by independent pricing services and brokers. The pricing provider incorporates information including credit spreads, interest rate data and market news into the valuation of each security. Substantially all of these securities are classified as QMPS for valuation purposes under Solvency II.

- *Collateralised securities* - consist primarily of Mortgage Backed Securities ("MBS"), these securities are generally priced by independent pricing services and brokers. When current market trades are not available, the pricing provider or the Company will employ proprietary models with observable inputs including other trades information, prepayment speeds, yield curves and credit spreads. Substantially all of these securities are classified as QMPS for valuation purposes under Solvency II.

Equities

Public equity securities are primarily highly liquid listed equity securities and the Company uses prices received from independent pricing sources based on quoted prices in active markets. Accordingly public equity securities are generally classified as QMP for valuation purposes under Solvency II. Private equity securities are classified as AVM.

Investment property

During the year the Company completed the acquisition of four residential apartments in the U.K. which management determined met the definition of investment properties. Investment properties are stated at fair value in the Company's IFRS balance sheet. The same valuation is maintained as the applicable economic valuation under Solvency II. Accordingly the Company considers investment properties to be classified as AVM for valuation purposes under Solvency II.

Collective investment undertakings

Collective investment undertakings represent assets invested in funds and includes money market funds and private equities funds.

As the majority of its collective investment undertakings are money market funds the Company typically has available prices received from independent pricing sources based on quoted prices in active markets. Accordingly these are generally classified as QMP for valuation purposes under Solvency II. Where quoted prices in active markets are not available, such as for private equity investment funds, these assets are generally classified as AVM.

Cash and cash equivalents

Cash and cash equivalents represent amounts exchangeable for currency on demand at par and which are directly usable for making payments. They generally comprise cash and transferable deposits and not short term deposits or long term deposits that would be potentially subject to any costs or limitations on withdrawals.

Cash and cash equivalents are carried at face value in the IFRS balance sheet as best representing their fair value. Since the underlying currency of the cash is freely tradable the Company considers them to be classified as QMP for valuation purposes under Solvency II.

Deposits to cedants (Funds held by reinsured Companies - cedants)

The Company writes certain business on a funds held basis. Under such contractual arrangements, the cedant retains the premiums that would have otherwise been paid to the Company.

The Company generally records deposits to cedants at face value in its IFRS balance sheet.

The Company undertakes a review of its deposits to cedants, at each Solvency II reporting period, to assess if a material difference to the amount reported under its IFRS balance sheet could arise under Solvency II valuation principles. In such case the cedant deposits potentially contributing to such difference are identified and revalued on a discounted value basis considering the applicable fixed or guaranteed interest rate applicable to that deposit and the projected run-off of the corresponding reserves. Such cases may arise where a cedant deposit is both material in amount and whose economic value may vary based on the underlying characteristics of the asset. Accordingly the Company considers cedant deposits to be classified as AVM for valuation purposes under Solvency II.

Other loans and mortgages

These assets consist only of inter-company loans provided by the Company. The value for these assets reported in the Company's IFRS balance sheet is based upon the face value (which is deemed to equal fair value and therefore the same calculation is used for the Solvency II balance sheet). The same valuation is maintained as the applicable economic valuation under Solvency II. Accordingly the Company considers other loans and mortgages to be classified as AVM for valuation purposes under Solvency II.

Property, plant & equipment held for own use

Property, plant and equipment for own use is carried at cost less any accumulated depreciation and impairment losses in the Company's IFRS balance sheet. The valuation of property, plant and equipment should be based upon the revaluation approach under Solvency II valuation guidelines. It is considered that the application of the valuation approach for Solvency II would not result in a material difference to the valuation reported in the Company's IFRS balance sheet and thus the same valuation is used. Property, plant and equipment for own use thus classified as AVM for valuation purposes under Solvency II.

Derivatives

The Company utilises derivative financial instruments, mainly forward foreign exchange contracts and to a lesser extent foreign currency options, as part of its overall currency risk management.

The derivative financial instruments are initially recognised in the Company's IFRS balance sheet at fair value which usually represents their cost. They are subsequently measured at their fair value. The fair values of derivatives traded in active markets are based on closing quoted market prices. The fair values of derivatives not traded on active markets are determined using AVM.

Under IFRS all derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The valuation method recorded to report derivatives for Solvency II under quarterly reporting template requirements are also on a Mark to Market basis however the notional value of the derivative assets and liabilities are displayed.

Based on the above the Company's derivatives, as at 31 December 2017 and 2016, by category are valued under Solvency II as follows:

	2017			2016		
	Asset fair value	Liability fair value	Total	Asset fair value	Liability fair value	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Foreign currency forward contracts	1,834,203	1,832,217	**1,986**	1,432,881	1,433,858	**(977)**

Comparison of investments between Solvency II Balance Sheet and IFRS Balance Sheet

The variance between the Solvency II balance sheet and the IFRS balance sheet for investments as at 31 December 2017 and 2016 are set out below:

	2017			2016		
	Solvency II Balance Sheet	IFRS Balance Sheet	Variance	Solvency II Balance Sheet	IFRS Balance Sheet	Variance
	€'000	€'000	€'000	€'000	€'000	€'000
Government Bonds	1,356,050	1,356,050	—	1,703,048	1,703,048	—
Corporate Bonds	1,665,327	1,665,327	—	1,665,627	1,665,627	—
Collateralised securities	513,283	513,283	—	578,027	578,027	—
Total Fixed Income	**3,534,660**	**3,534,660**	—	**3,946,702**	**3,946,702**	—
			—			
Equity	33,144	33,144	—	118	118	—
Investment property	69,637	69,637	—	12,824	12,824	
Collective investment undertakings	94,712	94,712	—	192,734	192,734	—
Cash and cash equivalents	412,951	412,951	—	180,444	180,444	—
Deposits to cedants	642,793	589,164	53,629	571,053	554,111	16,942
Other loans & mortgages	290,167	290,167	—	290,583	290,583	—
Property, plant & equipment held for own use	1,869	1,869	—	2,523	2,523	—
Grand Total	**5,079,933**	**5,026,304**	**53,629**	**5,196,981**	**5,180,039**	**16,942**

The variance is attributable solely to Deposits to Cedants as a consequent of differences between the IFRS and Solvency II valuations as described above.

D.2. TECHNICAL PROVISIONS

D.2.1. VALUATION OF NON-LIFE TECHNICAL PROVISIONS

Under Solvency II, the technical provisions are determined as a discounted Best Estimate Liability ("BEL") augmented by a risk margin. The BEL includes claim and premium provisions and are defined as the mean of the full range of possible future outcomes on a discounted cash flow basis with all existing contracts being valued, whether they have incepted or not. The risk margin is a component of the technical provisions representing the current values of all costs-of-capital that will be determined yearly until the existing liabilities are fully extinct.

Non-Life Technical Provisions by line of business

The following table outlines the Solvency II technical provisions for non-life business and health similar to non-life business by line of business, as at 31 December 2017 and 2016:

2017	Claim Provision	Premium Provision	Recoverables from Reinsurance contracts	Risk Margin	Total Technical Provisions net of Recoverables
	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	164,443	13,886	104,324	7,444	81,449
Proportional marine, aviation and transport reinsurance	494,306	9,094	292,191	29,370	240,579
Proportional fire and other damage to property reinsurance	737,569	33,864	461,283	33,558	343,708
Proportional general liability reinsurance	485,699	11,586	228,137	29,598	298,746
Proportional credit and suretyship reinsurance	221,301	(21,722)	119,338	33,045	113,286
Non-proportional casualty reinsurance	1,160,768	20,636	597,376	126,758	710,786
Non-proportional Marine, aviation and transport reinsurance	154,381	3,525	65,754	20,361	112,513
Non-proportional property reinsurance	344,491	(9,374)	187,783	39,526	186,860
Other lines of business	120,400	10,417	64,542	15,076	81,351
Total	**3,883,358**	**71,912**	**2,120,728**	**334,736**	**2,169,278**

2016	Claim Provision	Premium Provision	Recoverables from Reinsurance contracts	Risk Margin	Total Technical Provisions net of Recoverables
	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	199,300	7,475	112,501	8,412	**102,686**
Proportional marine, aviation and transport reinsurance	639,157	14,397	369,075	32,080	**316,559**
Proportional fire and other damage to property reinsurance	833,099	42,712	462,902	35,065	**447,974**
Proportional general liability reinsurance	529,257	8,866	227,549	28,219	**338,793**
Proportional credit and suretyship reinsurance	229,563	(32,042)	108,781	34,595	**123,335**
Non-proportional casualty reinsurance	1,279,856	16,393	619,189	111,684	**788,744**
Non-proportional Marine, aviation and transport reinsurance	150,158	5,975	70,451	14,848	**100,530**
Non-proportional property reinsurance	355,049	(3,661)	173,780	36,301	**213,909**
Other lines of business	114,029	9,921	65,361	19,329	**77,918**
Total	**4,329,468**	**70,036**	**2,209,589**	**320,533**	**2,510,448**

Analysis of Change

In aggregate we see a significant reduction in the gross claims provision year on year which is the driver of the fall in total net technical provisions. The largest impact comes from foreign exchange movements between 31 December 2016 and 31 December 2017, which accounts for more than half of the downward movement. The largest impact is seen on proportional and non-proportional marine, aviation and transport reinsurance line of business where we have the highest exposure to liabilities denominated in U.S. dollar.

Most lines of business have experienced favorable prior underwriting years loss development due to a combination of favorable loss emergence, as losses reported by cedants for prior underwriting years were lower than the Company expected and an update, during 2017, of some of the Company's reserving assumptions which resulted in more weight being given to the actual emerging loss experience more quickly than in previous years. This led the Company to decrease its ultimate loss ratios and loss estimates for those years. The main drivers of good experience are the non-proportional property and proportional fire lines of business.

Overall the premium provision is stable over the year. The most noticeable movement in the year comes from the proportional credit and suretyship line of business and reflects a downward revision of the expected future premium related to one large U.S. mortgage treaty. The change reflects a revision in the assumptions on prepayments and leads to a lower level of expected future profits as a result.

Due to the fact that the vast majority of reinsurance recoverables relate to the internal quote share arrangements with PRCL and PRA, these recoveries will tend to move in line with the gross premium provisions. However, we do see a higher cession rate at 2017 year-end which is related to the fact that the cession to PRCL was increased to 65% for underwriting year 2017 from 50% for underwriting year 2016 and prior.

Despite the overall reduction in the BEL, we see an increase in the risk margin compared to prior year end. The largest driver of this is a change in the assumption used to project the future SCR. Based on the simplified method adopted, the payout of existing liabilities is used in the projection of the future SCR. As part of the revision of our assumptions during 2017 we have lengthened the payout pattern of the proportional general liability and non-proportional casualty reinsurance lines of business. In particular, the change in our approach to modelling periodic payment orders (PPOs) within the U.K. motor reserves means the payment pattern for the portfolio explicitly recognises the potential for current unsettled claims within the non-life obligation to settle as PPOs and this has led to a considerable lengthening of the related claims payout pattern.

Best Estimate Liability

The BEL was determined gross of amounts recoverable from reinsurance contracts, which is held separately on the asset side of the Solvency II balance sheet (‘Reinsurance recoverables on technical provisions’). The valuations of best estimate provision for claims outstanding and for premium were carried out separately. The methodology is outlined below, with commentary on the key methods and assumptions used in each element of the gross BEL.

Claims Provisions

The starting point for the calculation is the IFRS Best Estimate ("IFRS BE"). The IFRS BE is comprised of Case Reserves (reported by the cedant), Additional Case Reserves ("ACR") estimated by the Company on an individual loss basis, and reserves for losses Incurred but Not Reported ("IBNR"). The IBNR is determined by projecting reported claims to ultimate using deterministic actuarial methods like Chain Ladder, Bornhuetter-Ferguson, Benktander and expected loss ratio. The final selection of ultimate loss is subject to actuarial judgment and will depend on several considerations such as, but not limited to, the age of the underwriting year, the type of underlying risk, actual experience against that expected and the credibility of the underlying data used to establish the estimate of ultimate loss.

The selected IFRS BE is equal to the expected undiscounted value of the Company’s future liabilities as at the valuation date.

The future claims payments related to the held IFRS BE reserves, as well as future expenses linked to non-life reinsurance obligations, were estimated by applying expected payout patterns derived from the Company's historical experience. It should be noted that an allowance for Events Not in Data ("ENIDs") is considered and included in future claims before projecting those into the future since such losses are not considered under IFRS.

In accordance with Solvency II technical specifications we have included the future administrative expenses, investment management expenses and claims management expenses expected to be incurred in the future related to business bound as of the valuation date. The expenses were estimated based on an analysis of the plan 2018 expenses. The expenses estimated which relate to existing and bound but not incepted business were calculated in total and allocated across lines of business and between the claims and premium provision in line with expected future payments.

As is normal for reinsurers with a large proportional treaty portfolio, the calculation of the best estimate of claims provisions also includes expected future cash flows from premiums already earned but not yet received which are reflected within premium receivables in the IFRS balance sheet at the valuation date. Acquisition costs and commissions payable are included in the projection of future premium receivable as a netted item. The premium payout patterns used were derived from the Company's historical experience.

The estimated future cash-flows were then discounted using the relevant Solvency II yield curves.

Premium Provision

The premium provision was calculated by considering all future cash flows (claim payments, expenses and future premiums) relating to future exposure arising from contracts that the Company is obligated to as at 31 December 2017.

The following table shows the different components included in the calculation of the gross premium provision as at 31 December 2017 and 2016:

2017	Undiscounted					
Line of Business	Unearned Premium receivables net of costs	Future losses and expenses on UPR	Technical profit on additional premiums	Technical profit on business bound but not incepted	Discounting impact	Gross Premium Provision
	€'000	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	(25,648)	39,476	342	1,935	(2,219)	13,886
Proportional marine, aviation and transport reinsurance	(101,187)	116,420	1,192	334	(7,665)	9,094
Proportional fire and other damage to property reinsurance	(153,701)	187,727	524	5,195	(5,881)	33,864
Proportional general liability reinsurance	(30,412)	54,716	(23)	(3,988)	(8,707)	11,586
Proportional credit and suretyship reinsurance	(68,084)	74,527	(22,705)	(5,276)	(184)	(21,722)
Non-proportional casualty reinsurance	(18,131)	43,183	—	12,518	(16,934)	20,636
Non-proportional marine, aviation and transport reinsurance	(6,298)	11,427	—	(729)	(875)	3,525
Non-proportional property reinsurance	(20,782)	31,142	—	(18,156)	(1,578)	(9,374)
Other lines of business	(17,408)	28,391	9	(101)	(474)	10,417
Total	**(441,651)**	**587,009**	**(20,661)**	**(8,268)**	**(44,517)**	**71,912**

2016	Undiscounted					
Line of Business	Unearned Premium receivables net of costs	Future losses and expenses on UPR	Technical profit on additional premiums	Technical profit on business bound but not incepted	Discounting impact	Gross Premium Provision
	€'000	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	(22,749)	31,493	264	320	(1,853)	7,475
Proportional marine, aviation and transport reinsurance	(103,857)	122,509	10	2,207	(6,472)	14,397
Proportional fire and other damage to property reinsurance	(166,137)	209,645	(166)	3,866	(4,496)	42,712
Proportional general liability reinsurance	(26,416)	43,799	(206)	(1,135)	(7,176)	8,866
Proportional credit and suretyship reinsurance	(58,883)	70,206	(36,282)	(6,916)	(167)	(32,042)
Non-proportional casualty reinsurance	(18,865)	41,793	—	3,096	(9,630)	16,394
Non-proportional marine, aviation and transport reinsurance	(3,848)	10,939	—	(673)	(443)	5,975
Non-proportional property reinsurance	(18,547)	30,833	—	(15,528)	(420)	(3,662)
Other lines of business	(29,301)	40,110	(33)	414	(1,269)	9,921
Total	**(448,603)**	**601,327**	**(36,413)**	**(14,349)**	**(31,926)**	**70,036**

The methodology used to calculate the gross premium provisions has included all cash flows associated with the following components:

- Unearned future premium receivables net of acquisition costs and commissions payable as at the balance sheet date.
- Discounted future losses and loss adjustment expenses relating to the part of the premium not yet exposed to risk at the balance sheet date. This exposure was measured by the Unearned Premium Reserve ("UPR") in the IFRS balance sheet plus the part of the Estimated Premium Income ("EPI") relating to reinsurance proportional business that is not recognised as a written premium in the IFRS

financial statements. The default selection for expected future losses was the pricing loss ratio. It should be noted that an allowance for ENIDs is considered and included in future claims. A lapse rate was assumed such that there was a reduction of expected future profits on in force treaties relating to future additional premium under those treaties which was not yet been recognised as written premium in the IFRS financial statements as at the valuation date.

- Discounted technical profit on Business Bound but Not Incepted ("BBNI"), i.e. contracts deemed to be bound by the date of the closing, including covers beginning after the date of the closing. The business relating to the 1 January renewal was included within this component. The discounted technical profit was based on treaty-level pricing assumptions of the undiscounted technical ratio, appropriate payout patterns from the Company's in-force portfolio and underlying currencies. A lapse assumption was implemented on BBNI with a corresponding reduction in expected future profits.
- Future expenses were included within the premium provision as outlined in the previous section on claims provisions.

The gross premium provisions were calculated on a consistent basis across all lines of business with the expected profits and timing of cash flows being based on the characteristics of the underlying business. Future cash flows were discounted using Solvency II yield curves.

Risk Margin

In the Solvency II framework, technical provisions consist generally of the best estimate and the risk margin.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible own funds is called Cost-of-Capital rate and equals 6%.

The calculation of the risk margin is based on the following transfer scenario:

- The whole portfolio of reinsurance obligations (life and non-life business) is taken over by another reinsurance undertaking (reference undertaking);
- The transfer of reinsurance obligations includes the retrocession contracts and arrangements with special purpose vehicles relating to these obligations;
- After the transfer the reference undertaking raises eligible own funds equal to the SCR necessary to support the reinsurance obligations over the lifetime thereof;
- After the transfer the reference undertaking has assets to cover its SCR and the net technical provisions; and
- The assets should be considered to be selected in such a way that they minimise the SCR for market risk that the referenced undertaking is exposed to.

The SCR of the reference undertaking which should be considered for the calculation of the risk should capture:

- Underwriting risks with respect to the transferred business;
- Non-hedgeable market risks (where deemed material);
- Counterparty default risk with respect to reinsurance contracts;
- Operational risk; and
- No loss-absorbing capacity of deferred taxes for the reference undertaking.

The calculation of the risk margin is based on the assumption that the reference undertaking at time 0 (when the transfer takes place) will capitalize itself to the required level of eligible own funds. According to the technical specifications, the basic risk-free interest rate corresponds to the Euro currency as this currency is the one used for the financial statements.

First, the risk margin is calculated for the whole business, allowing for diversification between lines of business. In a second step the margin is allocated to the lines of business. The allocation reflects the contributions of the lines of business to the SCR of the reference undertaking over the lifetime of the obligations.

The risk margin per line of business takes the diversification between lines of business into account. Consequently, the sum of the risk margins per line of business equals to the risk margin for the whole business. The contribution of a line of business is calculated under the assumption that the other business does not exist.

The allocation of the risk margin between Life business and Non-Life annuities (which are part of the SCR Life) is done a posteriori by splitting the amount related to the overall Life risk margin according to the Life net present value of losses at time 0 between pure Life business and Non-Life annuities business.

Level of uncertainty

The IFRS BE reserves calculated by the Company are estimations, based on various sources of information and the use of actuarial techniques as described above. Additional assumptions guide the adjustments to calculate the Solvency II BEL out of IFRS BE reserves, such as priced profitability of unearned premium. The ultimate outcome of these estimations may materially differ from what is selected for the Solvency II BEL. The deviations compared to current BEL can relate, amongst others, to:

- The level of future inflation compared to current expectations;
- Catastrophic weather events
- The evolution in case law for future claims following a change in court awards;
- The current assumptions about market environment and pricing conditions happen to be wrong; and
- Future claim activity differs from what was anticipated, due to the nature of the business covered.

Simplifications used in the calculation of the technical provisions

The following simplifications have been used in the calculation of the technical provisions:

- Reserves have been split using only seven major currencies (USD, EUR, GBP, AUD, CAD, CHF and JPY) to discount future cash flows;
- A percentage approach has been adopted to quantify reinsurance recoverables also for non-proportional treaties;
- The date of binding is not captured in the Underwriting system, SICSnt. Following discussions with the underwriting operations unit it has been decided to capture BBNI contracts running a report on 10th of the month following the last day of the quarter end valuation;
- Some of the cash-flows used to calculate the BEL might include several offsetting items stemming from different cash-flows with the same timing (i.e. future premium receivables are projected net of acquisition cost instead of projecting separately future premium receivables gross of acquisition cost (cash-in flows) and acquisition costs (cash-out flows));
- The Company's BEL includes a provision for ENIDs which is assumed to have the same cash-flow profile of other claims for discounting purposes; and
- Future SCRs used to calculate the risk margin are projected using a carrier/pattern approach which is applied to the SCR at time 0.

Simplifications used in the calculations are not expected to materially affect final results and have been mainly used to overcome data limitations and to find the right balance of presenting an extremely complex process in a simple, but still representative way.

Data limitations

While significant progress has been made during the year relating to the identification and evaluation of non-life claims settled as annuities relating to the U.K. motor market, there is still insufficient data held within the Company’s claims system to allow the actuarial function to identify claims settled as annuities from the remainder of the European portfolio. The main exposure for the Company to this type of claim settlement is

through its European non-proportional motor portfolio - mainly via France, Germany, Belgium and Austria. For this year end these claims (so called annuities stemming from non-life contracts) remain part of the Non-Life technical provisions. Further progress on this issue will be addressed during 2018. An analysis performed in 2016 indicated this treatment does not have a material effect on the overall SCR of the Company. Any increase in the aggregated life and non-life technical provisions as a result of reclassifying the non-life annuity claims would be at least partially offset by the increased diversification impact due to the fact that life and non-life reserves are assumed to be uncorrelated within the standard formula.

There are several other data limitations which lead to the actuarial function to make certain additional assumptions when establishing the technical provisions. Some of these are typical data issues faced by reinsurers but others come from decisions made within the Company in order to make certain processes more efficient. These decisions tend to favour the benefits of associated cost savings over loss of detail within the data. This loss of detail has an impact on the quality of data available to the actuarial function and tends, in general, to lead to a more conservative approach in setting IBNR.

Lapse Rates

The valuation of premium provisions should take account of future cedant behaviour such as the likelihood of policy lapse during the remaining period. In general we don't expect an insurance company to lapse its reinsurance cover and so have assumed that we would see no material level of lapses from this action. However, with reinsurance premiums dependent on the level of underlying premiums written by the cedant, we do expect that the initial premium estimates we establish for certain reinsurance treaties (particularly proportional risks attaching treaties) are likely to change over time either due to the cedant writing more or less business than originally assumed or through underlying cedant lapse. Within a reinsurance company it is difficult to assess the underlying likelihood of lapse on the covered insurance policies so we have focused on the change in EPI over time in order to establish a lapse assumption within the premium provision.

In order to assess this we have looked at the change in the premium over time from initial pricing EPI to final written premium.

Homogeneous risk groups used to calculate the technical provisions

The actuarial segmentation used for the reserving process is done at a lower levels of granularity than the main classes of business and Solvency II lines of business.

The segmentation of data must balance the need for enough volume with a reasonable degree of homogeneity to develop the best view of meaningful loss development patterns for the standard actuarial methods used. The chosen segmentation also highlights areas where we believe that the underlying claim characteristics would justify that the segments be modeled separately. Where the resulting grouping produces reserving segments that are deemed to be not sufficiently credible to produce development patterns, we have made use of appropriate internal or external benchmarks to supplement the analysis in conjunction with our actuarial judgment.

As at the valuation date, the Company's segmentation underlying the IFRS reserves is based on:

- Location of business underwritten (Europe, Connecticut or Hong Kong);
- Business segment (based on the internal management reporting structure);
- Class of business (e.g. Automobile or Casualty);
- Type of reinsurance (proportional, non-proportional ("XL") or facultative); and
- Type of business, other segmentations were created to allow for homogeneity in the data triangles, where necessary (e.g. Physical Damage ("PD") or Non-Physical Damage ("NoPD") for Automobile).

The calculated IBNR from the analyses are then allocated on a treaty level basis.

Data for the minor amounts of facultative business for some classes of business are included with the proportional treaties.

A description of where unbundling has been used for material contracts

In general most treaties written by the Company map directly to one Solvency II lines of business. There are some situations where treaties may cover more than one line of business, for example a motor proportional treaty that covers both physical damage and third party liability. These should be included within separate Solvency II lines of business. In some situations these will be booked into the underwriting/business ledger with separate bookings for each class of business. Where this happens, the mapping to Solvency II line of business is applied appropriately.

In certain other cases the bookings will be made against the main risk. In this situation the whole of the treaty will be mapped to one Solvency II lines of business. Although this will have no impact on the BEL, it creates some additional uncertainty over the SCR. However, it seems that most of the situations where this occurs, the treaty is classed as automobile liability and as such this leads to a slightly more prudent approach for the SCR and risk margin. Overall, given the volume of the BEL, the impact of this is expected to be immaterial and based on the consideration of proportionality, we will not look to split these risks into the correct lines of business.

We do have a handful of large treaties which do require unbundling. The largest is the Stone Point QS treaty with Colisée Re (AXA). This is recorded in SICSnt as a proportional treaty and so although the underlying losses are recorded by line of business, they would all be mapped to proportional lines of business for Solvency II purposes. Colisée Re (AXA) provides us with the actual split of the underlying reserves between proportional and non-proportional reinsurance and so we reallocate the amounts to the correct line of business at the end of the process of determining the Solvency II best estimate liability. In addition we also write a number of Lloyds Net Quota Share treaties which are recorded in SICSnt as proportional multiline treaties. In the prior year, due to some difficulties in ensuring the split of the total premium and losses to be consistent in terms of both in force and plan numbers, it was decided not to unbundle this business but we took the view that the business should be isolated and as such we allocated it to the Miscellaneous Financial Loss line of business. For 2017 we have collaborated with our underwriters to determine an appropriate allocation of the premiums and losses by Solvency II lines of business. In addition, there is one external retrocession treaty that covers multiple lines of business.

Reinsurance recoverables

Reinsurance recoverables are calculated on a best estimate basis and are calculated separately from the Gross BEL. Reinsurance recoverables are accounted on the assets side of the Solvency II balance sheet. The reinsurance recoverables best estimate is a probability weighted average of the discounted future cash-flows stemming from reinsurance contracts which includes an adjustments for the expected losses due to the counterparty default risk.

Principles applied in the calculation of the Gross BEL are applicable also to the calculation of reinsurance recoverables. This means that reinsurance recoverables take into account expected recoveries from ENIDs and BBNI contracts wherever they occur (claims or premium provisions).

The Gross BEL allows for expenses related to administration of reinsurance contracts however internal expenses are not included in the recoverables.

Any relevant differences in timing of reinsurance recoveries compared to direct payments are taken into account during the estimation process.

The Company uses external and intra-group retrocession agreements to reduce its exposure on certain risks assumed and to mitigate the effects of a single major event or the accumulation of medium-size events. The Company remains liable to its cedants to the extent that the retrocessionaires do not meet their obligations under these agreements.

95% of retroceded reserves relate to intra-group quota-share agreements with two other entities of the Group. The intra-group agreements are as follows:

- A 65% quota share agreement with PRCL (50% for underwriting years 2016 and prior), applying to the complete book of reinsurance business except the pre-2009 business relating to the acquisition of Paris Re portfolio and the reserves guaranteed by Colisée Re (AXA);
- Within the above agreement, any Catastrophe business is ceded at 90% rather than 65%; and

- A 10% quota-share agreement with PRA for non-Catastrophe business written by the Company's Swiss and French branches.

External retrocessions are mainly on a non-proportional basis and are a small part of the Company's overall retrocession program. Catastrophe business is further ceded externally on a losses occurring basis through a number of quota share agreements.

The valuation of the reinsurance recoveries was performed on the basis that the Company will continue with the same reinsurance program to the extent it will cover the run off of the business underlying the technical provisions.

Due to the significant part pertaining to the intra-group quota share and the specificities of estimating ceded loss reserves on non-proportional cessions, the estimate of the IFRS ceded losses are not based on loss development to reserves. The intra-group quota share reserves mirror the inward ones. For non-proportional protection the individual losses are analysed to identify the amount covered by the protection. For proportional cessions on an accident year basis we allocate the gross reserves by accident years before applying the cession rate.

For Solvency II calculation of retrocession recoverables the adjustment to the IFRS position is calculated differently for loss reserves and premium provisions:

- For ceded loss reserves the removal of Margin for Uncertainty ("MFU") and Unallocated Loss Adjustment Expenses ("ULAE") (for the intra-group quota share) is performed at the level of individual retrocession contract by currency. For the discounting adjustment the average discounting observed on gross loss reserves for each discounting currency is applied, as the information on original underwriting year is not available for the ceded loss reserves. The allocation of ceded loss reserves by line of business is based on the same proportion as the gross reserves for the internal quota shares and by line of business for the most material external contracts.
- For premium provisions the unearned reserves (UPR and DAC) were removed and replaced by an estimation of future cash-flows linked with retrocession agreements in force or bound at year-end. The UPR pertaining to the main intra-group and external contracts was identified and the future losses that will arise out of the UPR were estimated by applying estimated loss ratios in line with the ones selected for the corresponding gross exposure. The same approach was applied for the future losses out of additional premium recognised on a gross basis or for BBNI. A specific cash-flow analysis of future losses was not performed as it was considered that they mirror the patterns selected on an inward basis. This is reasonable due to the importance of the intra-group quota share. In addition the future costs that will arise out of the non-proportional cover are calculated separately as they are not included in the IFRS BE.

An additional adjustment was made by calculating a counterparty default adjustment for ceded loss reserves in order to take account of the possible shortfall on expected recovery from the retrocessionaires. The calculation was based on the credit quality of each counterparty, reserve durations and probability of default associated to the different Credit Quality Steps ("CQS"). The CQS are defined by Solvency II rules following the ratings the different retrocessionaires.

Comparison to IFRS reporting

The IFRS BE of the Company includes the following:

- Actuarial Mid Estimate ("AME");
- UPR;
- ULAE;

  MFU is added to the AME to set the Management Best Estimate reserves ("MBE"). The MFU is also internally referred to as the Reserve for Adverse Deviation ("RAD") or Additional IBNR.

The main differences between the IFRS and Solvency II valuation bases are summarised as follows:

- IFRS BE includes an explicit MFU which should not be included in the Solvency II technical provisions. On the other side Solvency II technical provisions include the Risk Margin which is not included in the IFRS BE.

- IFRS BE is calculated on an undiscounted basis, whereas the cash-flows used to determine the Solvency II technical provisions are discounted using risk free rates provided by EIOPA. The impact of discounting is more material on long-tail business.
- Solvency II technical provisions need to consider BBNI contracts. This is not required in the IFRS calculation.
- An allowance for ENIDs is required in the Solvency II technical provisions, whereas this is not included within the IFRS BE.
- IFRS UPR is replaced with a best estimate of the premium provision which takes into account the expected cost of claims and expenses on the unearned period as well as expected future premium payable (net of acquisition cost and commissions); this is likely to produce a lower premium provision.

The following table shows the movement from the Gross IFRS technical reserves in the IFRS financial statements to the Gross Claims Provision under Solvency II:

2017 Line of Business	Gross IFRS Technical Reserve €'000	Removal of UPR €'000	Removal of MFU €'000	ENID load	Change of Claims Expense Basis €'000	Earned Premium Receivables €'000	Unbundling of Guaranteed reserves and Multiline €'000	Discounting Impact €'000	Other €'000	Solvency II Gross Claims Provision €'000
Proportional motor vehicle liability reinsurance	224,272	(59,717)	(7,887)	4,150	5,548	(4,828)	11,012	(8,107)	—	164,443
Proportional marine, aviation and transport reinsurance	738,247	(141,908)	(12,329)	13,891	19,098	(75,205)	(25,476)	(23,012)	—	493,306
Proportional fire and other damage to property reinsurance	1,126,372	(256,541)	(23,066)	8,076	29,199	(116,833)	(8,124)	(21,514)	—	737,569
Proportional general liability reinsurance	800,618	(75,664)	(26,815)	10,249	16,139	(27,841)	(172,037)	(38,950)	—	485,699
Proportional credit and suretyship reinsurance	419,575	(152,075)	(4,643)	6,378	8,470	(49,933)	1,184	(7,655)	—	221,301
Non-proportional casualty reinsurance	1,233,560	(39,533)	(41,407)	58,492	47,892	(15,646)	104,593	(140,908)	(46,275)	1,160,768
Non-proportional marine, aviation and transport reinsurance	128,979	(13,220)	(2,681)	2,925	3,949	(7,501)	48,023	(6,093)	—	154,381
Non-proportional property reinsurance	393,353	(40,491)	(8,039)	3,373	11,831	(31,608)	22,268	(7,282)	1,086	344,491
Other lines of business	259,600	(57,478)	(8,684)	2,894	4,319	(17,678)	(51,268)	(10,305)	—	121,400
Total	**5,324,576**	**(836,627)**	**(135,551)**	**110,428**	**146,445**	**(347,073)**	**(69,825)**	**(263,826)**	**(45,189)**	**3,883,358**

**Included within Other within the Non-proportional casualty reinsurance line of business is an adjustment to remove the non-life claims settled as annuities.*

*** The impact in the movement of the Ogden discount rate does not impact the claims provision for the year ended 31 December 2017.*

2016

Line of Business	Gross IFRS Technical Reserve	Removal of UPR	Removal of MFU	ENID load	Change of Claims Expense Basis	Earned Premium Receivables	Unbundling of Guaranteed reserves	Discounting Impact	Other	Solvency II Gross Claim Provision
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Proportional motor vehicle liability reinsurance	337,793	(42,419)	(6,830)	—	5,751	(22,798)	(61,544)	(10,653)	—	199,300
Proportional marine, aviation and transport reinsurance	936,604	(159,819)	(24,272)	—	18,041	(66,787)	(40,424)	(24,503)	316	639,156
Proportional fire and other damage to property reinsurance	1,279,657	(298,739)	(32,259)	—	23,948	(102,235)	(17,421)	(19,852)	—	833,099
Proportional general liability reinsurance	829,096	(64,818)	(22,939)	—	11,754	(14,950)	(173,526)	(35,360)	—	529,257
Proportional credit and suretyship reinsurance	424,373	(141,968)	(10,960)	—	7,176	(41,555)	(644)	(6,858)	—	229,564
Non-proportional casualty reinsurance	1,220,028	(45,814)	(45,679)	—	30,238	(9,075)	176,434	(90,467)	44,191	1,279,856
Non-proportional marine, aviation and transport reinsurance	142,255	(13,939)	(3,053)	—	3,395	(5,820)	32,397	(5,078)	—	150,157
Non-proportional property reinsurance	421,931	(41,805)	(5,549)	—	9,784	(36,140)	11,895	(5,067)	—	355,049
Other lines of business	299,779	(59,854)	(13,757)	—	6,605	(108,233)	—	(11,087)	577	114,030
Total	**5,891,516**	**(869,175)**	**(165,298)**	**—**	**116,692**	**(407,593)**	**(72,833)**	**(208,925)**	**45,084**	**4,329,468**

**Included within Other within the Non-proportional casualty reinsurance line of business is an adjustment for the impact of the movement in the Ogden discount rate.*

For the 2017 year end, we reconsidered the impact of distorting effects on the paid loss triangles which may lead the reader of the QRT to misinterpret the data presented. As a result for the current year end QRTs we have made a refinement to the disclosure and excluded the paid losses related to the Colisée Re agreements as well as those relating to the Lloyds Net Quota Share treaties.

D.2.2. VALUATION OF LIFE TECHNICAL PROVISIONS

Under Solvency II, the technical provisions are determined as a discounted BEL augmented by a risk margin. The Life and Health SLT BEL are calculated as the net present value of future cash flows projected using best estimate assumptions. The risk margin is a component of the technical provisions representing the current values of all cost-of-capital that will be determined yearly until existing liabilities are fully extinct.

The main lines of business included in the Life and Health SLT technical provisions are Protection, Longevity business and Non-Life annuities. Protection business is subdivided into Short Term ("ST"), Long Term ("LT"), Term and Critical Illness ("TCI") and Guaranteed Minimum Death Benefit ("GMDB"). For longevity business, distinction is made between standard annuity and non-standard annuity contracts. Non-life annuities are identified annuities originating from non-life business and classified in the life scope as per SII requirements.

This classification of business is used for internal management purposes and broadly consistent with the underlying products / homogeneous risk groups.

Best estimate by line of business

The following table outlines the Solvency II technical provisions for Life business, including short term life business and Health similar to life business as at 31 December 2017 and 2016:

	2017				2016		
	Protection	Longevity	Non-life annuities	Total	Protection	Longevity	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross best estimate liability	598,981	(42,132)	32,414	589,263	567,099	27,272	594,372
Reinsurance recoverable	(358,944)	11,901	(19,448)	(366,491)	(343,427)	(36,055)	(379,482)
Net best estimate liability	**240,037**	**(30,231)**	**12,966**	**222,772**	**223,672**	**(8,783)**	**214,890**
Risk margin				128,954			87,918
Net technical provisions				**351,726**			**302,808**

** Non-life annuities were not included within the scope of the Life technical provisions for the year end 31 December 2016*

Analysis of change

Overall, there has been a slight decrease in the net BEL (excluding non-life annuities) year on year. The main drivers for this decrease relate to new business contribution and economic changes (discount rates) partially offset by the portfolio run-off and the relevant assumptions taken during the year which are discussed in further detail below.

Despite the overall reduction in net BEL, we see an increase in the risk margin compared to the prior year which is mainly due a review of non-life parameters (SCR and patterns) which mechanically leads to an increase in the proportion of the total risk margin allocated to Life and Health and a lengthening of the risk margin pattern applied reflecting the new business written in the Longevity lines of business.

Relevant assumption changes

The main assumptions for each of the lines of business and the changes that were made during the year are the following:

- ST and LT without policy data information - The key assumption for those lines of business relates to the assumed loss ratio. For LT business this is set with reference to assumed pricing margins or based on historical loss ratios. For ST business the assumed margins in IFRS reserves is an area of expert judgment informed by past performance of the portfolio and have remained unchanged over the past year.
- TCI - biometric incidence rates (both basis of mortality or morbidity and improvement or deterioration), and the lapse rates. The best estimate assumptions are derived from investigations of observed experience. Both mortality and lapse assumptions were updated as at 31 December 2017 to reflect emerging experience. The combined overall impact of the updated mortality (-€3million) and lapse (€6million) assumptions is an increase in the net BEL of €3 million.
- GMDB - The key assumptions are investment return, investment volatility, mortality, lapses and cedant switches. The best estimate assumptions for lapse are derived from investigations of observed experience. Mortality assumptions are derived from industry benchmarks. Economic assumptions are modelled stochastically using a set of risk-neutral economic scenarios provided by an external vendor. The valuation is performed on a market consistent basis. No changes were made to either mortality or lapse assumptions as emerging experience are aligned with the best estimate assumptions.
- Longevity - for standard annuities, the base mortality rate assumption is based on actual experience of the underlying business and is expressed as a proportion of internal benchmark rates which are derived using a combination of population data and internal company data. During 2017, the base mortality assumptions were updated to reflect positive emerging experience. The impact on the net BEL was a decrease of €11 million.

  Mortality improvement rates are derived from past population trends and projected into the future and methodologies used are in line with the Continuous Mortality Investigation (CMI). During 2017, the

improvement assumptions were updated by moving to the CMI 2016 model. The long term mortality improvement assumption was also increased. The impact is an increase in the net BEL of €4 million.

For non-standard annuities, the experienced mortality of people known to have a medical impairment at the time of purchase varies significantly depending on the nature and degree of the impairment. Therefore the best estimate models are based on conditions (Diabetes, Myocardial Infarction, Prostate cancer, Breast cancer, etc.) and are further subdivided by a number of risk / severity factors relevant to the condition in question. The survival models themselves are defined as additions (extra mortality) to expected mortality rates that would be suitable for an average standard annuitant (of the same age and gender) in the underlying population. The model includes a method for combining extra mortality rates for multiple conditions. No changes were made to the mortality assumptions as emerging experience are broadly aligned with the best estimate assumptions.

- Non-Life annuities - annuities originating from non-life reinsurance contracts should be classified under the within Life technical provisions on the Solvency II balance sheet. Data currently recorded into the Company's underwriting system does not capture recognise all non-life annuities claims across different European countries. The Company as at 31 December 2017 has been able to identify only annuities related to the U.K. market known as PPOs. A project, which involves the Company's claims department has been set up in order to be able to assess the data limitations encountered with the non-U.K. non-life annuities.

  PPOs have been assessed on a case by case basis and valued on the present value of future cash-flows discounted using the relevant risk-free interest rate. Cash-flows considered in the calculation of the reserves for PPOs are related to future benefit payments for cost of care and loss of earnings. Expenses have been considered not material since mainly related to administration costs and therefore not included in the calculation as at 31 December 2017. To assess future benefit payments each PPO was projected into the future taking into account future inflation costs as well as longevity assumptions and claimant's life impairment.

- Expenses - The expenses allocated to life are based on the 2018 planned expenses and have been provided by Finance. The allocated expenses are firstly split between longevity and protection business, and further split between short term and long term business on an equal basis. Expenses are projected forward using on claims or premium volumes as drivers. The assumptions generally exclude expenses related to the acquisition of new business. Projected expenses also include an allowance for inflation. During 2017 both the base expense and inflation assumptions were recalibrated to match the 2018 planned expenses and the current economic environment. The impact on the net BEL was an increase of €6 million.

- ENIDs - In practice, a loading on claims is used for mortality products as an allowance for binary events not included in the data (pandemic event for example). This loading was updated following the latest stochastic model runs. The impact on the net BEL was an increase of €4 million.

Best estimate liability (BEL)

The BEL are calculated as the net present value of future cash flows projected using best estimate assumptions. BEL are determined on an assumed and ceded basis separately. The cash flows considered for the BEL cover all liability cash flows related to premiums, benefits and expenses including the time value of options and guarantees. Cash flows are calculated and reported in the relevant currency. The ceded BEL include an adjustment for the counterparty default risk of the retrocessionaires.

There are two applicable approaches depending on the granularity in the underlying data:

- For segments with policy data information, cash flows are projected using actuarial valuation models that reflect the specific contractual conditions. The business in scope are TCI, GMDB, Longevity, non-life annuities and the most material proportional treaties. BEL are calculated as actuarial projections based on contractual terms, assumptions, trends and circumstances known at valuation date. Factors impacting projections include mortality risk, morbidity risk, lapse risk, management expenses and general economic and investment environment conditions including interest rates as prescribed by EIOPA. Assumptions are on a best estimate basis and do not include any prudent margins other than the prescribed risk margin. Cash flows are projected on an incurred/due basis and then converted into a paid basis to integrate the reinsurance accounting lag (incurred/due vs. paid cash flows).

- For segments without policy data information (ST and LT), the approach is similar to the approach described for the non-life BEL. The business includes both short term and long term proportional business and some short term non-proportional business. In this instance, the Life BEL is determined by applying some adjustment to the IFRS reserves. The adjustments from the IFRS reserves are listed below:
    - Removal of margin between booked IFRS reserve and undiscounted best estimate
    - Future claims related to unexpired exposures
    - Inclusion of additional expenses to cover overheads and investment expenses
    - Inclusion of an allowance for ENID
    - Future premiums/costs not yet paid related to both expired and unexpired exposures
    - Specific patterns for cash flows
    - Discounting of future cash flows based on EIOPA prescribed yield curves
    - Discounted cash flows arising from contracts bound but not incepted as of the valuation date.

Risk Margin

The risk margin is based on a transfer scenario of existing reinsurance obligations. It is calculated by determining the cost of providing an amount of eligible Own Funds equal to the SCR necessary to support the reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible Own Funds is called cost-of-capital rate and equals 6%. In other words the risk margin is equal to the current values of all costs-of-capital that will be determined yearly until the current portfolio is fully extinct. The risk margin is calculated on a total Life basis and is not allocated to each of the internal management lines of business described in this section.

Level of uncertainty

The key lines of business where there is exposure to material adverse development is in respect of Longevity (both impaired annuity and mortality swap business), TCI business and GMDB business. Uncertainty also exists with respect to the projections of future expenses.

The main drivers of a need for increased technical provisions for TCI business would be increased rates of mortality as well as pandemic risk. Lapse risk and worse than expected morbidity would have a less severe but still potentially material impact on technical provisions. The mortality and morbidity assumptions for some of the TCI business are based on experience observed at the time of pricing. Actual experience might diverge from the expected basis due to heterogeneity in the underlying portfolios.

For Longevity business, the critical assumption is the level of mortality improvement. Underestimating the rate of mortality improvement can lead to a significantly higher actual liability than expected. The improvement assumptions are consistent across the contracts and have been derived from industry data in line with investigations by the UK Continuous Mortality Investigation Bureau. Actual experience might diverge from the expected basis due to heterogeneity in the underlying portfolios.

In relation to GMDB business, loss of profits in the case of adverse lapse experience is the most significant non-economic risk.

Simplifications used in the calculation of technical provisions

The following simplifications have been used in the calculation of the technical provisions:

- Data - policy-level data for certain long term mortality contracts are not available from cedants. For those contracts inferences are performed on a treaty level based on expert judgment and historic accounts. Overall assumptions are considered reasonable and alternative equally plausible assumptions would not materially impact the technical provisions given the relatively low weight of this segment.
- Modelling of long term mortality business without policy level data - The methodology of projecting future cash flows is performed at a treaty level using treaty level assumptions. The period of projection is an

area of expert judgment that is required due to a lack of information. This assumption is considered reasonable and does not materially impact the net BEL given the relatively low weight of this segment.

- The timing of cash flow settlement is difficult to model accurately as it depends on accounting lags which are volatile and can vary significantly on a treaty level and can change over time. The current approach for deriving cash flow settlement patterns based on past experience on a line of business level does not capture all features of the actual timing of cash flows currently being observed. Based on sensitivity analyses, the BEL would not be materially impacted under alternative settlement patterns within the range of observed historic volatility. Improving the booking of accounts by underwriting year for ST business would improve the ability to derive more sensible settlement patterns.

- The calculation of the risk margin - the projections of the SCR are currently done by projecting the SCR for the individual risk modules for each future year based on the assumption that the future SCRs are proportional to the evolution of an underlying driver equal to the net present value of losses. The risk margin is calculated on a total Life and Health SLT basis and is not allocated to each of the internal management lines of business. This approach is followed for practical reasons as it is not possible to recalculate shocks on a treaty level at future points in time due to data processing constraints. To get comfort around the approach, a possible alternative was analysed that could arguably be considered as the most theoretically accurate yet practical method to apply. Under this alternative, the applicable shocks for each of the life underwriting risks are projected forward using individual drivers adequately capturing each risk, and the SCR would be recalculated at each future time by applying the correlation matrix specified by the Solvency II regulation. The analysis showed that the impact on the risk margin is not overly material and that the current approach is slightly more prudent but significantly simpler and embedded in the SII process. For these reasons and given the uncertainty around the projection of the SCR, i.e. the alternative would still be a simplification, it was decided that the current approach is appropriate and reasonable and that it will be retained.

  Management are comfortable that the simplifications outlined above are proportionate to the scale of the reserves impact, are prudent and do not materially impact the value of technical provisions.

Contract boundaries

An explanation of the contract boundaries applied to each of the different internal lines of business is described below.

- For TCI, GMDB and Longevity business in respect of treaties in run-off, only policies in-force at bordereau date are included. For LT treaties open to new business, no allowance is made for individual contracts bound at valuation date with an attaching period in the future, or so called BBNI business.

- In line with contract wording, future premiums are included until the time of expiry of the underlying contracts. The standard termination clause requires both parties to reach mutual agreement in case of early termination. For TCI business, for both level and risk/YRT premium types, the premium basis is guaranteed at original inception until the term of the underlying policy. Some TCI contracts are reviewed at 5 or 10 year intervals however unlike at the inception of the underlying contracts, no medical reassessment is performed.

- For GMDB business, the cedant has the option to increase the investment as an additional premium. These flexible premiums (i.e. not contractually forecast) increase the level of financial guarantee given and as such affects the economics of the contract. Additional premiums are considered as within the contract boundaries because the Company cannot reject those premiums, nor unilaterally modify the reinsurance tariff, nor terminate the contract.

- For LT business without policy data information 10 years' worth of annually decreasing premium volume is assumed.

- For ST business, the standard duration is one year and the BNI allowance reflects the business renewed or bound but which is not yet incepted at the valuation date.

Key options and guarantees

Options and guarantees and the use of an Economic Scenario Generator are only relevant in the calculation of the technical provisions with respect to GMDB business which provides a guaranteed minimum benefit equal to the original invested premium on the death of a cedant.

Homogeneous risk groups used to calculate the technical provisions

The classification into the homogeneous risk groups is based on the above internal reporting classes, the only difference being TCI which is grouped together with the Mortality LT line of business to create 5 homogeneous risk groups. The approach is considered to result in an appropriate classification.

Recommendations relating to data

The data quality supporting the calculation of the Life and Health SLT TPs is heterogeneous across the portfolio.

There is a need for further improvement in two main areas:

First, for short term segments, there is a need for an allocation of the bookings by Underwriting Year (UWY). Currently, this allocation by UWY is not systematically done. Adding this dimension would help to reduce the need for expert judgements in respect of implicit margins contained in booked IFRS reserve and claims development pattern. This would also improve the accuracy of the analysis of change with the quantification of new business impact. It is recommended that the Life operations team continues to work on determining the allocation of data during by underwriting year over the course of 2018.

Second, the exposure to disability and long term care annuity has increased over the past few years. At some point, a database listing disability annuities in payment at individual level will be required. This tool would enable the actuarial function to perform a reserve calculation based on standard life techniques rather than the loss ratio approach. It is also recommended that the Life Operations team develops a plan in the medium term to design a policy data administration system and the related processes to administrate in-force disability annuities.

Economic Scenario Generator

The use of an Economic Scenario Generator is only relevant in the calculation of the technical provisions with respect to GMDB business which provides a guaranteed minimum benefit equal to the original invested premium on the death of a cedant.

The set of risk-neutral economic scenarios is provided by an external vendor. The scenarios ensures that the simulations are consistent with the prices of derivatives observed in the market. This ESG set is also internally validated (Martingale test in particular).

Reinsurance recoverables

The Company has entered a quota share (50%) retrocession agreement with PRCL which covers all treaties except certain financing treaties. The share of the arrangement was increased from 50% to 65% in respect of new business incepting on or after 1 January 2017. The increased share is not applied to renewals and new tranches of business on existing business that incepted on or before 31 December 2016. The Company has also entered a quota share (10%) arrangement to PRA from the French and Swiss branches which came into effect on 1 January 2015. The reinsurance recoverables from these retrocession contracts are calculated on the same basis as the gross BEL. This retrocession contracts apply after any recoveries from certain external retrocession arrangements, including:

- A 55% quota share arrangement on non-standard longevity business;
- An individual surplus program;
- A Group XL program;
- A Cat XL cover program on a per event basis; and
- A few minor specific treaties.
- The recoverable amounts recognised in the Solvency II from these external retrocession arrangements are not material.

Comparison to IFRS reporting

The following table compares the net BEL, calculated on a Solvency II basis, to the net IFRS liability used in the Company's financial statements as at 31 December 2017 and 2016:

	2017					2016				
Net of retrocession	**Protection**	**Longevity**	**Non-life annuities**	**Risk margin**	**Total**	**Protection**	**Longevity**	**Risk margin**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
IFRS reserves	522,755	111,322	20,343	—	654,420	505,946	102,218	—	608,164
Payables / receivables	(66,629)	(26,160)	(8,137)	—	(100,926)	(73,730)	(20,029)	—	(93,759)
UPR	3,315	—	—	—	3,315	4,840	—	—	4,840
Deferred acquisition costs & deposit accounting assets	(122,593)	—	—	—	(122,593)	(127,990)	—	—	(127,990)
Net IFRS liability	**336,848**	**85,162**	**12,206**	**—**	**434,216**	**309,066**	**82,189**	**—**	**391,255**
Net BEL	**240,037**	**(30,231)**	**12,966**	**128,954**	**351,726**	**223,672**	**(8,783)**	**87,918**	**302,807**
Difference	**(96,811)**	**(115,393)**	**760**	**128,954**	**(82,490)**	**(85,394)**	**(90,972)**	**87,918**	**(88,448)**

** Non-life annuities were not included within the scope of the Life technical provisions for the year end 31 December 2017*

The Company calculates its IFRS reserves in accordance with US GAAP, as allowed by IFRS 4 (through grandfathering its previous accounting basis for reinsurance contracts). The modelling methodology is generally consistent between IFRS and Solvency II (Best Estimate) however the assumptions used are different.

The assumption underlying IFRS reserves and deferred expenses have been generally set to pricing assumptions for mortality, lapses, interest rates and administrative expenses. An additional Provision for Adverse Deviation ("PAD") is added to the IFRS reserves as a prudent margin for uncertainty. As Solvency II is calculated on a Best Estimate basis there is no PAD recognised.

These assumptions are locked-in for IFRS reporting which means that assumptions are generally not updated except in case of reserve deficiency (loss recognition event). In practice, the best estimate reserve assumptions and IFRS assumptions tend to diverge over the time as non-economic best estimate assumptions (mortality, lapse) are regularly updated based on the actual experience of the portfolio and/or industry. For GMDB business, IFRS assumptions are globally consistent with Solvency II except that the IFRS methodology uses real world scenarios (rather than risk neutral scenarios) and no additional premium is taken into account.

Historical pricing interest rates used for IFRS compared to up to date yield curve used in best estimate reserve is another important area of divergence. Expense assumptions are also not aligned. Finally, there is no deferred acquisition costs or deferred income reserve recognised within the Solvency II balance sheet.

D.3. VALUATION OF OTHER ASSETS AND LIABILITIES

This section outlines the valuation basis and comparison for other assets and liabilities excluding investments and technical provisions as at 31 December 2017 and 2016:

		2017			2016		
	Note	Solvency II Balance Sheet	IFRS Balance Sheet	Variance	Solvency II Balance Sheet	IFRS Balance Sheet	Variance
		€'000	€'000	€'000	€'000	€'000	€'000
Other assets							
Receivables (trade, not insurance)	1	236,441	236,441	—	44,225	44,225	—
Insurance and intermediaries receivables	2	170,317	170,317	—	210,795	210,795	—
Reinsurance receivables	3	59,072	59,072	—	72,345	72,345	—
Deferred tax assets	5	13,663	2,335	11,328	76,657	9,205	67,452
Net derivative asset		1,986	1,986	—	—	—	—
Other assets		1,985	1,985	—	815	815	—
		483,464	**472,136**	**11,328**	**404,837**	**337,385**	**67,452**
Other liabilities							
Deposits from reinsurers	4	657,550	657,550	—	609,563	609,563	—
Payables (trade, not insurance)	1	363,755	363,755	—	288,295	288,295	—
Reinsurance payables	3	59,606	59,606	—	67,834	67,834	—
Insurance and intermediaries payables	2	57,799	57,799	—	71,141	71,141	—
Deferred tax liabilities	5	18,157	91,860	(73,703)	152,672	167,781	(15,109)
Other liabilities	6	29,701	29,701	—	13,139	13,139	—
Net derivative liability	D.1	—	—	—	977	977	
		1,186,568	1,260,271	(73,703)	1,203,621	1,218,730	(15,109)
Total other assets and liabilities		**(703,104)**	**(788,135)**	**85,031**	**(798,784)**	**(881,345)**	**82,561**

Notes

1. Receivables and payables (trade, not insurance) are amounts owed by or due to Group companies, business partners etc., as well as payables and receivables from securities purchased and are generally valued at their account balances. Most balances are current items and are collected in a short timeframe so the face value is deemed to equal fair value.

2. Insurance and intermediaries receivables and payables are amounts owed or due under assumed reinsurance contracts and are valued at their account balance which equates to fair value due to the short term nature of the balances.

3. Reinsurance receivables and payables are amounts owed or due under retrocession contracts and are valued at their account balance which equates to fair value due to the short term nature of the balances.

4. Deposits from reinsurers are amounts deposited under retrocession contracts, which are used to settle claims. They are measured at their account balances which is deemed to equate to fair value.

5. Deferred tax assets and liabilities are valued based on the tax impact of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II rules and the values ascribed to assets and liabilities as recognised and valued for tax purposes. Deferred tax assets are also recognised from the carry forward of unused tax credits and the carry forward of unused tax losses.

   Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or the carry forward of unused tax credits. Deferred tax assets and liabilities are not discounted. The difference between the values of the Solvency II balance sheet deferred tax assets and liabilities and the IFRS values are due to the tax impact of valuation adjustments to other assets and liabilities on the balance sheet.

The Company had unrecognised foreign tax credit carry forward of €136 million (2016: €76 million), unrecognised other tax assets related to foreign branches of €4 million (2016: €4 million) and nil unrecognised tax loss carry forward (2016: €4 million which had no expiry date).

6. Other liabilities relate to amounts due under the retrocessional arrangement with Colisée Re.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

Nature of Capital

The capital (Solvency II Own Funds) of the Company consists of ordinary shares, capital contributions from the Group, retained earnings and reserves.

The ordinary shares issued to PREHSA fulfill the criteria in that they:

- Are issued directly by the Company with the prior approval of its shareholders; and
- Entitle the owner to claim on the residual assets of the Company in the event of a winding up.

The various capital contributions from the Group are irrevocable transfers from the Group to the Company and as such do not impose any obligations on the Company. Therefore all of the capital of the Company is classified as Tier 1 Basic Own Funds in the context of Solvency II and is fully eligible to cover the MCR and SCR. There are currently no ancillary own fund items. There are no restricted tier 1, tier 2 or tier 3 items included in Own Funds. There are no deductions from Solvency II Own Funds due to restrictions on availability or transferability of Own Funds within the undertaking. The Company has not applied the transitional arrangements referred to in Articles 308b(9) and 308b(10) of the Directive.

The following table shows a breakdown of the total Solvency II Own Funds as at 31 December 2017 and 2016:

	Tier 1 - unrestricted funds	
	2017	2016
	€'000	€'000
Ordinary share capital	245,092	10,127
Reconciliation reserve	668,945	681,641
Other own funds approved by the supervisory authority	941,788	891,788
Total Solvency II Own Funds	**1,855,825**	**1,583,556**

The Company's ordinary share capital increased to €245 million (2016: €10 million) following the issuance of share capital of €235 million to, its parent, PREHSA in March 2017.

The balance of Solvency II Own Funds, of €1,856 million (2016: €1,584 million), is split between the reconciliation reserve and other own funds approved by the supervisory authority. The reconciliation reserve is made up of IFRS retained earnings, IFRS currency translation reserve and the valuation differences between IFRS and Solvency II. The reconciliation reserve changed during the year as a result of the profit earned during the year, the foreign exchange gains recognised in the currency translation reserves and the change in Solvency II valuation differences.

The other own funds approved by the supervisory authority are equal to the additional paid in capital of the Company. The increase in other own funds approved by the supervisory authority is due to a capital contribution of €50 million received in December 2017 from its parent, PREHSA to strengthen the Company's capital position.

The Company did not make any dividend payments to its shareholder in 2017 or 2016.

Capital Management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a strong going concern so that it can continue to provide returns for its stakeholders and pay losses;
- To ensure that the Company is a well capitalised risk reinsurer for its cedants; and
- To comply with the reinsurance capital requirements required by the CBI.

The capital position of the Company is monitored on a quarterly basis jointly by the CFO and the risk management function and is reported to the Risk & Audit Committees as well as the Board on a quarterly basis.

Any dividend payments must be approved by the Board and will take account of the short-term and long-term interests of shareholders as well as maintaining a balance between the interests of shareholders and other key stakeholders, namely cedants and regulators.

In particular, no distribution of dividends will compromise the ability of the Company to meet its current or future commitments to cedants. In the context of Solvency II, no distribution of dividends shall lead to the Company failing to comply with the SCR (or such higher capital requirement as the Board may determine, from time to time).

Reconciliation of Solvency II Own Funds to IFRS Net Equity

The following table compares shareholders' equity from the Company's IFRS financial statements to the Solvency II Own Funds as at 31 December 2017 and 2016:

	2017 €'000	2016 €'000
IFRS Shareholders Equity	**2,168,477**	**1,893,382**
Goodwill and other intangibles	(220,486)	(257,880)
Revaluation of investments	53,629	16,942
Revaluation of non-life reserves	(313,405)	(253,932)
Revaluation of life reserves	82,580	102,483
Revaluation of other assets and liabilities	85,030	82,561
Solvency II own funds	**1,855,825**	**1,583,556**
Change in equity	**(312,652)**	**(309,826)**

- Goodwill of €205 million (2016: €234 million) is valued at zero under Solvency II rules so reduces shareholders equity compared to IFRS. Intangible assets of €16 million (2016: €24 million) relate to renewal rights and have been valued at zero on the Solvency II balance sheet to reflect the difficulty of evidencing exchange transactions for the same or similar assets.
- The Company values the majority of its investments at fair value in its IFRS financial statements so in most cases the IFRS value is the same at the Solvency II value. See section D.1. for further details of the valuation basis of investments.
- See section D.2.1. of this report for a detailed explanation of the differences in valuation of non-life technical provisions.
- See section D.2.2. for a detailed explanation of the differences in valuation of life technical provisions.
- The difference between other assets and liabilities primarily arises from the difference in deferred tax balances due to the tax impact of the other valuation adjustments. See section D.3. for further details of the valuation basis for other assets and liabilities. A detailed line by line Solvency II balance sheet is provided in the QRT number S.02.01.02 in the annex to this report.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The amount of the Company's SCR and MCR at 31 December 2017 are €1,374 million and €381 million (2016: €1,369 million and €450 million) respectively.

The table below shows the components of the SCR (using the standard formula) as at 31 December 2017 and 2016:

	2017 €'000	2016 €'000
Market risk	452,583	489,318
Counterparty default risk	327,637	280,287
Life Underwriting risks	326,622	289,210
Health underwriting risk	67,466	66,329
Non-Life underwriting risk	737,392	822,585
Sum of risk components	**1,911,700**	**1,947,729**
Diversification effects	(641,063)	(632,635)
BSCR	**1,270,637**	**1,315,094**
Adjustment for the loss absorbing effect of deferred taxes	(18,158)	(80,514)
SCR operational risk	121,310	134,660
SCR	**1,373,789**	**1,369,240**
Solvency II own funds	1,855,825	1,583,556
Ratio of eligible own funds to SCR	**135%**	**116%**

The Company uses the Solvency II standard formula. It does not use an internal model to calculate the SCR.

The SCR remained relatively stable year on year, however there were a number of offsetting movements within each of the risk modules; most notably within the following;

- An overall reduction in the market risk module primarily due to a reduction in the currency risk charge; and
- An overall reduction in the non-life underwriting risk charge primarily due to reductions in the premium and reserve risk measures and the exclusion of the non-life annuities from the non-life scope; partially offset by,
- An increase in the life underwriting risk charge mainly due to the new Longevity contracts written during 2017 and the inclusion of non-life annuities within the Life scope.

The SCR calculation is based on the aggregation of the different sub-modules of the SCR that have been calculated by the various departments in charge.

Risk-mitigation techniques (such as retrocession) are taken into account by the departments responsible for the calculation of the different sub-modules. The SCR of the different sub-modules are net of risk-mitigation techniques and the impact of these techniques from a SCR point of view is dealt in the Counterparty risk module.

The Company has not applied a simplified calculation for any of the standard formula risk modules. The Company has not used any undertaking-specific parameters in calculating the SCR.

The table below outlines the components of the MCR as at 31 December 2017 and 2016:

	2017 €'000	2016 €'000
Linear MCR	381,006	450,378
SCR	1,373,789	1,369,240
MCR cap	618,205	616,158
MCR floor	343,448	342,310
Combined MCR	381,006	450,378
Absolute floor of the MCR	3,600	3,600
MCR	**381,006**	**450,378**

The MCR is calculated by applying the factors specified in the regulation to underlying drivers: premiums and best estimate liabilities by lines of business for non-life business, best estimate liabilities and sums at risk for life business.

See template S.28.01.01 in the annex to this report for a further breakdown of the MCR calculation.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Company has chosen not to use the duration-based equity risk submodule.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

For the calculation of the regulatory capital requirement, the Company uses the standard formula and does not use an internal model.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

There was no breach of the SCR or MCR over the reporting period.

Annex I
SE.02.01.02
Balance Sheet
31 December 2017
€'000

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	13,663
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	1,869
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	5,566,356
Property (other than for own use)	**R0080**	69,637
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	33,143
Equities - listed	**R0110**	33,031
Equities - unlisted	**R0120**	113
Bonds	**R0130**	3,534,660
Government Bonds	**R0140**	1,356,050
Corporate Bonds	**R0150**	1,665,327
Structured notes	**R0160**	-
Collateralised securities	**R0170**	513,283
Collective Investments Undertakings	**R0180**	94,712
Derivatives	**R0190**	1,834,203
Deposits other than cash equivalents	**R0200**	-
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	290,167
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	290,167
Reinsurance recoverables from:	**R0270**	2,487,218
Non-life and health similar to non-life	**R0280**	2,120,728
Non-life excluding health	**R0290**	2,090,859
Health similar to non-life	**R0300**	29,869
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	366,490
Health similar to life	**R0320**	92,994
Life excluding health and index-linked and unit-linked	**R0330**	273,497
Life index-linked and unit-linked	**R0340**	-
Deposits to cedants	**R0350**	642,793
Insurance and intermediaries receivables	**R0360**	170,317
Reinsurance receivables	**R0370**	59,072
Receivables (trade, not insurance)	**R0380**	236,442
Own shares	**R0390**	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	-
Cash and cash equivalents	**R0410**	412,951
Any other assets, not elsewhere shown	**R0420**	1,985
Total assets	**R0500**	9,882,833

Annex I
SE.02.01.02
Balance Sheet
31 December 2017
€'000

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	4,290,005
Technical provisions – non-life (excluding health)	**R0520**	4,198,635
Technical provisions calculated as a whole	**R0530**	-
Best Estimate	**R0540**	3,876,516
Risk margin	**R0550**	322,119
Technical provisions - health (similar to non-life)	**R0560**	91,370
Technical provisions calculated as a whole	**R0570**	-
Best Estimate	**R0580**	78,753
Risk margin	**R0590**	12,617
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	718,218
Technical provisions - health (similar to life)	**R0610**	168,823
Technical provisions calculated as a whole	**R0620**	-
Best Estimate	**R0630**	155,161
Risk margin	**R0640**	13,662
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	549,394
Technical provisions calculated as a whole	**R0660**	-
Best Estimate	**R0670**	434,102
Risk margin	**R0680**	115,292
Technical provisions – index-linked and unit-linked	**R0690**	-
Technical provisions calculated as a whole	**R0700**	-
Best Estimate	**R0710**	-
Risk margin	**R0720**	-
Contingent liabilities	**R0740**	-
Provisions other than technical provisions	**R0750**	-
Pension benefit obligations	**R0760**	1,313
Deposits from reinsurers	**R0770**	657,550
Deferred tax liabilities	**R0780**	18,157
Derivatives	**R0790**	1,832,217
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Insurance & intermediaries payables	**R0820**	57,799
Reinsurance payables	**R0830**	59,606
Payables (trade, not insurance)	**R0840**	363,755
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in basic own funds	**R0860**	-
Subordinated liabilities in basic own funds	**R0870**	-
Any other liabilities, not elsewhere shown	**R0880**	28,388
Total liabilities	**R0900**	8,027,008
Excess of assets over liabilities	**R1000**	1,855,825

Annex I
S.05.01.02
Premiums, claims and expenses by line of business
31 December 2017
€'000

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110																	
Gross - Proportional reinsurance accepted	R0120	0	13,985	-14	80,088	72,893	297,527	519,677	153,537	279,448	0	0	0					1,417,141
Gross - Non-proportional reinsurance accepted	R0130													4,581	100,380	35,318	203,822	344,101
Reinsurers' share	R0140	0	8,939	-9	58,175	52,949	227,321	379,864	98,390	201,683	0	0	0	2,938	67,825	26,373	151,025	1,275,472
Net	R0200	0	5,046	-5	21,913	19,944	70,206	139,813	55,148	77,764	0	0	0	1,644	32,555	8,945	52,797	485,771
Premiums earned																		
Gross - Direct Business	R0210																	
Gross - Proportional reinsurance accepted	R0220	0	14,778	-14	61,450	69,496	298,642	538,541	136,321	261,767	0	0	0					1,380,982
Gross - Non-proportional reinsurance accepted	R0230													4,466	102,650	33,762	200,561	341,438
Reinsurers' share	R0240	0	8,606	-8	41,353	46,767	206,787	365,921	80,607	175,093	0	0	0	2,652	63,995	23,014	140,329	1,155,117
Net	R0300	0	6,172	-6	20,097	22,729	91,854	172,620	55,714	86,675	0	0	0	1,814	38,654	10,748	60,231	567,303
Claims incurred																		
Gross - Direct Business	R0310																	
Gross - Proportional reinsurance accepted	R0320	0	3,593	230	35,590	47,265	196,369	312,232	80,441	80,510	0	0	0					756,229
Gross - Non-proportional reinsurance accepted	R0330						``							-5,722	118,221	23,374	124,783	260,656
Reinsurers' share	R0340	0	2,194	155	23,891	31,658	162,886	224,318	54,499	57,198	0	0	0	-3,829	78,850	18,121	92,418	742,359
Net	R0400	0	1,399	75	11,700	15,607	33,483	87,914	25,942	23,312	0	0	0	-1,893	39,371	5,253	32,365	274,526
Changes in other technical provisions																		
Gross - Direct Business	R0410																	
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0430													0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550	0	3,509	186	6,223	6,837	38,620	56,872	27,669	49,021	0	0	0	478	10,445	3,404	15,534	218,797
Other expenses	R1200																	
Total expenses	R1300																	218,797

Annex I
S.05.01.02
Premiums, claims and expenses by line of business
31 December 2017
€'000

		Line of Business for: life obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**							86,170	637,736	723,906
Reinsurers' share	**R1420**							53,349	358,441	411,790
Net	**R1500**							32,820	279,295	312,115
Premiums earned										
Gross	**R1510**							88,218	638,732	726,950
Reinsurers' share	**R1520**							54,562	359,066	413,628
Net	**R1600**							33,656	279,665	313,321
Claims incurred										
Gross	**R1610**							61,835	553,558	615,393
Reinsurers' share	**R1620**							38,603	305,817	344,419
Net	**R1700**							23,232	247,741	270,974
Changes in other technical provisions										
Gross	**R1710**							0	0	0
Reinsurers' share	**R1720**							0	0	0
Net	**R1800**							0	0	0
Expenses incurred	**R1900**						``	6,211	41,957	48,168
Other expenses	**R2500**									
Total expenses	**R2600**									48,168

Annex I
S.05.02.01
Premiums, claims and expenses by country
31 December 2017
€'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	R0010		(GB) United Kingdom	(US) United States	(DE) Germany	(CH) Switzerland	(NL) Netherlands	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0120	28,704	238,981	264,604	146,309	63,653	77,163	819,415
Gross - Non-proportional reinsurance accepted	R0130	378	93,984	28,194	49,562	28,431	9,461	210,010
Reinsurers' share	R0140	19,693	240,668	211,146	142,296	66,677	62,602	743,082
Net	R0200	9,389	92,296	81,653	53,575	25,407	24,022	286,343
Premiums earned								
Gross - Direct Business	R0210	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0220	47,158	242,908	244,834	153,861	61,384	76,850	826,996
Gross - Non-proportional reinsurance accepted	R0230	515	84,093	30,662	48,182	24,389	8,583	196,423
Reinsurers' share	R0240	31,609	218,134	184,209	136,194	57,891	57,274	685,312
Net	R0300	16,064	108,866	91,286	65,849	27,882	28,159	338,107
Claims incurred								
Gross - Direct Business	R0310	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0320	61,226	176,199	147,745	100,135	35,204	22,385	542,894
Gross - Non-proportional reinsurance accepted	R0330	7,814	137,056	31,168	19,714	-4,286	1,499	192,966
Reinsurers' share	R0340	47,022	223,101	136,060	90,642	``	17,081	536,234
Net	R0400	22,017	90,154	42,853	29,207	8,589	6,804	199,625
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	8,517	29,801	47,111	25,577	9,951	15,461	136,418
Other expenses	R1200							
Total expenses	R1300							136,418

Annex I
S.05.02.01
Premiums, claims and expenses by country
31 December 2017
€'000

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400			(GB) United Kingdom	(FR) France	(BM) Bermuda	(IL) Israel	(AU) Australia
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410	60,462	569,331	285,497	87,278	55,029	45,880	35,184
Reinsurers' share	R1420	35,072	320,834	156,145	51,532	29,326	28,030	20,729
Net	R1500	25,390	248,497	129,353	35,746	25,703	17,850	14,455
Premiums earned								
Gross	R1510	60,845	570,227	285,637	87,404	55,029	45,743	35,570
Reinsurers' share	R1520	35,308	321,337	156,234	51,593	29,326	27,915	20,960
Net	R1600	25,536	248,890	129,402	35,810	25,703	17,828	14,610
Claims incurred								
Gross	R1610	50,291	508,938	284,396	48,285	56,312	34,765	34,889
Reinsurers' share	R1620	28,432	282,202	154,079	28,077	29,985	21,150	20,480
Net	R1700	21,859	226,735	130,317	20,207	26,328	13,616	14,409
Changes in other technical provisions								
Gross	R1710	0	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	``	0
Expenses incurred	R1900	5,613	38,312	17,049	6,163	4,012	3,087	2,387
Other expenses	R2500							
Total expenses	R2600		38,312					

Annex I
S.12.01.02
Life and Health SLT Technical Provisions
31 December 2017
€'000

		Index-linked and unit-linked insurance			Other life insurance			Accepted reinsurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations		Insurance with profit participation on Accepted reinsurance (Gross)	Index-linked and unit-linked insurance on Accepted reinsurance (Gross)	Other life insurance on Accepted reinsurance (Gross)	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations (Gross)	**Total (Life other than health insurance, incl. Unit-Linked)**		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**																				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**																				
Technical provisions calculated as a sum of BE and RM																					
Best Estimate																					
Gross Best Estimate	**R0030**									434,102			401,688	32,414	434,102					155,161	155,161
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									273,497			254,048	19,448	273,497					92,994	92,994
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**									160,606					160,606					62,167	62,167
Risk margin	**R0100**									115,292	0	0	114,792	500	115,292					13,662	13,662
Amount of the transitional on Technical Provisions																					
Technical provisions calculated as a whole	**R0110**																				
Best Estimate	**R0120**																				
Risk margin	**R0130**																				
Technical provisions - total	**R0200**									549,394					549,394					168,823	168,823
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0210**									275,897	0	0	262,432	13,466	275,897					75,830	75,830

Annex I
S.17.01.02
Non-life Technical Provisions
31 December 2017
€'000

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**																	
Technical provisions calculated as a sum of BE and RM																		
Best Estimate																		
Premium provisions																		
Gross - Total	**R0060**	0	122	0	13,886	9,722	9,094	33,961	11,586	-21,722	0	0	0	479	20,636	3,525	-9,374	71,912
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	378	0	14,626	8,549	0	29,814	7,347	-8,598	0	0	0	383	16,248	1,830	-4,135	68,330
Net Best Estimate of Premium Provisions	**R0150**	0	-256	0	-741	1,173	7,205	4,147	4,238	-13,124	0	0	0	96	4,388	1,695	-5,240	3,582
Claims provisions																		
Gross - Total	**R0160**	0	11,813	8,325	164,443	42,343	494,306	737,522	485,699	221,301	0	0	0	57,965	1,160,768	154,381	344,491	3,883,358
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	4,624	4,752	89,698	26,125	290,302	431,474	220,789	127,936	0	0	0	19,727	581,128	63,925	191,918	2,052,398
Net Best Estimate of Claims Provisions	**R0250**	0	7,190	3,573	74,745	16,218	204,003	306,048	264,910	93,366	0	0	0	38,238	579,640	90,456	152,573	1,830,960
Total Best estimate - gross	**R0260**	0	11,935	8,325	178,329	52,064	503,399	771,483	497,285	199,579	0	0	0	58,443	1,181,404	157,906	335,117	3,955,269
Total Best estimate - net	**R0270**	0	6,934	3,573	74,004	17,391	211,209	310,195	269,148	80,241	0	0	0	38,333	584,028	92,152	147,334	1,834,542
Risk margin	**R0280**	0	1,224	404	7,444	2,459	29,370	33,558	29,598	33,045	0	0	0	10,989	126,758	20,361	39,526	334,736
Amount of the transitional on Technical Provisions																		
TP as a whole	**R0290**																	
Best Estimate	**R0300**																	
Risk margin	**R0310**																	
Technical provisions - total																		
Technical provisions - total	**R0320**	0	13,159	8,729	185,773	54,523	532,769	805,041	526,883	232,624	0	0	0	69,433	1,308,162	178,267	374,642	4,290,006
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	5,001	4,752	104,324	34,673	292,191	461,288	228,137	119,338	0	0	0	20,110	597,376	65,754	187,783	2,120,728
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	0	8,158	3,977	81,449	19,850	240,579	343,753	298,746	113,286	0	0	0	49,323	710,786	112,513	186,859	2,169,278

Annex I
S.19.01.21
Non-life Insurance Claims Information
31 December 2017
€'000

Total Non-Life Business

Accident year / Underwriting year	Z0010	2

Gross Claims Paid (non-cumulative)

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100												0	0
N-9	R0160	67,897	936,326	851,616	499,984	337,921	401,822	297,096	156,884	690,423	111,256		111,256	4,239,970
N-8	R0170	46,978	437,022	129,151	74,583	46,983	25,225	32,741	8,024	14,795			14,795	815,503
N-7	R0180	19,364	205,106	126,494	66,788	41,753	44,468	13,558	25,524				25,524	543,054
N-6	R0190	13,342	154,151	91,231	62,044	52,459	16,593	33,394					33,394	423,215
N-5	R0200	26,271	143,371	86,269	71,433	20,796	41,502						41,502	389,641
N-4	R0210	19,213	151,203	143,778	56,732	62,355							62,355	433,282
N-3	R0220	15,873	185,041	81,335	181,669								181,669	463,918
N-2	R0230	14,264	145,602	289,138									289,138	449,004
N-1	R0240	6,018	343,616										343,616	349,634
N	R0250	40,346											40,346	40,346
	Total R0260												1,143,595	8,147,566

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100												0
N-9	R0160									1,381,174	1,189,993		1,100,276
N-8	R0170								140,927	147,894			115,506
N-7	R0180							218,893	185,282				173,708
N-6	R0190						202,638	166,327					157,179
N-5	R0200					235,304	185,806						175,274
N-4	R0210				355,216	302,104							282,501
N-3	R0220			501,218	374,438								348,941
N-2	R0230		694,917	498,766									467,841
N-1	R0240	518,279	607,950										572,069
N	R0250	511,668											490,063
	Total R0260												3,883,358

Annex I
S.23.01.01
Own funds
31 December 2017
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		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		**C0010**	**C0020**	**C0030**	**C0040**	**C0050**
Ordinary share capital (gross of own shares)	**R0010**	245,092	245,092			
Share premium account related to ordinary share capital	**R0030**					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	668,945	668,945			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	941,788	941,788			
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	1,855,825	1,855,825			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	1,855,825	1,855,825			
Total available own funds to meet the MCR	**R0510**	1,855,825	1,855,825			
Total eligible own funds to meet the SCR	**R0540**	1,855,825	1,855,825			
Total eligible own funds to meet the MCR	**R0550**	1,855,825	1,855,825			
SCR	**R0580**	1,373,789				
MCR	**R0600**	381,006				
Ratio of Eligible own funds to SCR	**R0620**	135%				
Ratio of Eligible own funds to MCR	**R0640**	487%				

Reconciliation reserve		**C0060**
Excess of assets over liabilities	**R0700**	1,855,825
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	1,186,879
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	668,945
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	271,492
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	130,434
Total EPIFP	**R0790**	401,926

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula
31 December 2017
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Article 112? (Y/N)	**Z0010**	(2) Regular reporting

Basic Solvency Capital Requirement

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	**C0040**	**C0050**
Market risk	**R0010**	452,583	452,583	-
Counterparty default risk	**R0020**	327,637	327,637	-
Life underwriting risk	**R0030**	326,622	326,622	-
Health underwriting risk	**R0040**	67,466	67,466	-
Non-life underwriting risk	**R0050**	737,392	737,392	-
Diversification	**R0060**	-641,063	-641,063	
Intangible asset risk	**R0070**	0	0	
Basic Solvency Capital Requirement	**R0100**	1,270,637	1,270,637	

Calculation of Solvency Capital Requirement		**C0100**
Adjustment due to RFF/MAP nSCR aggregation	**R0120**	0
Operational risk	**R0130**	121,310
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	-18,157
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency Capital Requirement excluding capital add-on	**R0200**	1,373,789
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	1,373,789
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	-
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	-
Total amount of Notional Solvency Capital Requirement for ring fenced funds	**R0420**	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	-
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	-
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	**R0450**	(4) No adjustment
Net future discretionary benefits	**R0460**	-

Annex I

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

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Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	317,841,499

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	6,934	5,046
Workers' compensation insurance and proportional reinsurance	R0040	3,573	0
Motor vehicle liability insurance and proportional reinsurance	R0050	74,004	21,913
Other motor insurance and proportional reinsurance	R0060	17,391	19,944
Marine, aviation and transport insurance and proportional reinsurance	R0070	211,209	71,964
Fire and other damage to property insurance and proportional reinsurance	R0080	310,195	139,813
General liability insurance and proportional reinsurance	R0090	269,148	55,148
Credit and suretyship insurance and proportional reinsurance	R0100	80,241	77,764
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	38,333	1,644
Non-proportional casualty reinsurance	R0150	584,028	32,555
Non-proportional marine, aviation and transport reinsurance	R0160	92,152	8,964
Non-proportional property reinsurance	R0170	147,334	52,797

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	63,165

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	222,773	
Total capital at risk for all life (re)insurance obligations	R0250		83,552,036

Overall MCR calculation		C0070
Linear MCR	R0300	381,006
SCR	R0310	1,373,789
MCR cap	R0320	618,205
MCR floor	R0330	343,447
Combined MCR	R0340	381,006
Absolute floor of the MCR	R0350	3,600
Minimum Capital Requirement	R0400	381,006

Annex I
SE.02.01.02
Balance Sheet
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		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	76,657
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	2,523
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	5,585,260
Property (other than for own use)	**R0080**	12,824
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	118
Equities - listed	**R0110**	6
Equities - unlisted	**R0120**	113
Bonds	**R0130**	3,946,702
Government Bonds	**R0140**	1,703,048
Corporate Bonds	**R0150**	1,665,627
Structured notes	**R0160**	0
Collateralised securities	**R0170**	578,027
Collective Investments Undertakings	**R0180**	192,734
Derivatives	**R0190**	1,432,881
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	290,583
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	290,583
Reinsurance recoverables from:	**R0270**	2,589,072
Non-life and health similar to non-life	**R0280**	2,209,590
Non-life excluding health	**R0290**	2,176,594
Health similar to non-life	**R0300**	32,996
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	379,482
Health similar to life	**R0320**	85,196
Life excluding health and index-linked and unit-linked	**R0330**	294,286
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	571,053
Insurance and intermediaries receivables	**R0360**	210,795
Reinsurance receivables	**R0370**	72,345
Receivables (trade, not insurance)	**R0380**	44,225
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	180,444
Any other assets, not elsewhere shown	**R0420**	817
Total assets	**R0500**	9,623,774

SE.02.01.02
Balance Sheet
31 December 2016
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		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	4,720,037
Technical provisions – non-life (excluding health)	**R0520**	4,626,831
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	4,314,967
Risk margin	**R0550**	311,864
Technical provisions - health (similar to non-life)	**R0560**	93,207
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	84,537
Risk margin	**R0590**	8,670
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	682,290
Technical provisions - health (similar to life)	**R0610**	152,802
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	142,221
Risk margin	**R0640**	10,581
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	529,488
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	452,151
Risk margin	**R0680**	77,337
Technical provisions – index-linked and unit-linked	**R0690**	0
Technical provisions calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	1,386
Deposits from reinsurers	**R0770**	609,563
Deferred tax liabilities	**R0780**	152,672
Derivatives	**R0790**	1,433,858
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	71,141
Reinsurance payables	**R0830**	67,834
Payables (trade, not insurance)	**R0840**	288,295
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	13,142
Total liabilities	**R0900**	8,040,219
Excess of assets over liabilities	**R1000**	1,583,556

Annex I
S.05.01.02

Premiums, claims and expenses by line of business
31 December 2016
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		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110																	
Gross - Proportional reinsurance accepted	R0120	0	9,346	0	116,039	64,682	285,577	546,835	138,470	270,203	0	0	50,101					1,481,253
Gross - Non-proportional reinsurance accepted	R0130													5,308	100,152	31,665	147,690	284,815
Reinsurers' share	R0140	0	5,598	0	69,502	38,741	171,047	327,529	82,937	161,839	0	0	30,010	3,179	59,986	18,966	88,459	1,057,793
Net	R0200	0	3,748	0	46,537	25,941	114,530	219,306	55,533	108,364	0	0	20,091	2,129	40,166	12,699	59,231	708,275
Premiums earned																		
Gross - Direct Business	R0210																	
Gross - Proportional reinsurance accepted	R0220	0	8,892	0	124,192	64,666	312,197	559,991	140,275	265,952	0	0	56,338					1,532,503
Gross - Non-proportional reinsurance accepted	R0230													5,623	96,152	34,327	151,467	287,569
Reinsurers' share	R0240	0	5,307	0	74,120	38,594	186,326	334,215	83,719	158,726	0	0	33,624	3,356	57,385	20,487	90,399	1,086,258
Net	R0300	0	3,585	0	50,072	26,072	125,871	225,776	56,556	107,226	0	0	22,714	2,267	38,767	13,840	61,068	733,814
Claims incurred																		
Gross - Direct Business	R0310																	
Gross - Proportional reinsurance accepted	R0320	0	3,437	0	61,250	51,235	203,130	369,228	84,224	72,536	0	0	25,394					870,434
Gross - Non-proportional reinsurance accepted	R0330													-93	23,479	2,729	141,883	167,998
Reinsurers' share	R0340	0	2,081	0	37,079	31,005	122,941	223,466	50,978	43,944	0	0	15,375	-55	14,227	1,660	85,854	628,555
Net	R0400	0	1,356	0	24,171	20,230	80,189	145,762	33,246	28,592	0	0	10,019	-38	9,252	1,069	56,029	409,877
Changes in other technical provisions																		
Gross - Direct Business	R0410																	
Gross - Proportional reinsurance accepted	R0420																	
Gross - Non-proportional reinsurance accepted	R0430																	
Reinsurers' share	R0440																	
Net	R0500																	
Expenses incurred	R0550	0	1,724	0	24,976	9,642	47,767	90,481	26,789	60,675	0	0	12,170	736	10,467	3,657	16,286	305,370
Other expenses	R1200																	
Total expenses	R1300																	305,370

Annex I
S.05.01.02
Premiums, claims and expenses by line of business
31 December 2016
€'000

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance	Annuities stemming from non-life insurance contracts and relating to insurance	Health reinsurance	Life reinsurance	Total
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**							148,493	522,559	671,052
Reinsurers' share	**R1420**							87,330	282,797	370,127
Net	**R1500**							61,163	239,762	300,925
Premiums earned										
Gross	**R1510**							148,302	523,472	671,774
Reinsurers' share	**R1520**							87,220	283,323	370,543
Net	**R1600**							61,082	240,149	301,231
Claims incurred										
Gross	**R1610**							135,249	421,104	556,353
Reinsurers' share	**R1620**							79,205	221,595	300,800
Net	**R1700**							56,044	199,509	255,553
Changes in other technical provisions										
Gross	**R1710**									
Reinsurers' share	**R1720**									
Net	**R1800**									
Expenses incurred	**R1900**							13,833	31,867	45,700
Other expenses	**R2500**									
Total expenses	**R2600**									45,700

Annex I
S.05.02.01
Premiums, claims and expenses by country
31 December 2016
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		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	R0010		(GB) United Kingdom	(US) United States	(DE) Federal Republic of Germany	(NL) Netherlands	(CH) Switzerland	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0120	101,029	263,940	258,446	166,927	94,765	58,810	943,917
Gross - Non-proportional reinsurance accepted	R0130	516	63,235	19,674	24,864	6,442	13,912	128,643
Reinsurers' share	R0140	50,923	178,142	151,466	115,814	60,739	43,545	600,629
Net	R0200	50,622	149,033	126,654	75,977	40,468	29,177	471,931
Premiums earned								
Gross - Direct Business	R0210	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0220	90,650	283,053	254,093	158,453	100,908	58,772	945,929
Gross - Non-proportional reinsurance accepted	R0230	340	62,887	21,019	24,855	5,616	12,902	127,619
Reinsurers' share	R0240	45,660	187,722	150,370	110,903	63,929	42,883	601,467
Net	R0300	45,330	158,218	124,742	72,405	42,595	28,791	472,081
Claims incurred								
Gross - Direct Business	R0310	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0320	87,242	134,956	127,441	97,876	31,590	24,146	503,251
Gross - Non-proportional reinsurance accepted	R0330	-348	57,207	-29,679	21,856	6,241	298	55,575
Reinsurers' share	R0340	43,451	106,174	69,378	72,491	23,581	14,292	329,367
Net	R0400	43,443	85,989	28,384	47,241	14,250	10,152	229,459
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	20,977	69,766	73,225	32,733	25,055	7,668	229,424
Other expenses	R1200							
Total expenses	R1300							229,424

Annex I
S.05.02.01
Premiums, claims and expenses by country
31 December 2016
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		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
	R1400		(GB) United Kingdom	(FR) France	(BM) Bermuda	(IL) Israel	(AU) Australia	
		C0220	C0230	C0230	C0230	C0230	C0230	C0280
Premiums written								
Gross	R1410	62,045	267,859	87,535	60,828	39,667	25,184	543,118
Reinsurers' share	R1420	31,117	138,704	52,521	30,417	23,800	15,111	291,670
Net	R1500	30,928	129,155	35,014	30,411	15,867	10,073	251,448
Premiums earned								
Gross	R1510	63,189	267,796	87,553	60,828	39,549	25,141	544,056
Reinsurers' share	R1520	31,803	138,667	52,532	30,417	23,729	15,085	292,233
Net	R1600	31,386	129,129	35,021	30,411	15,820	10,056	251,823
Claims incurred								
Gross	R1610	56,982	266,397	42,528	59,598	32,718	23,077	481,298
Reinsurers' share	R1620	28,668	138,403	25,526	29,800	19,631	13,845	255,873
Net	R1700	28,314	127,994	17,002	29,798	13,087	9,230	225,425
Changes in other technical provisions								
Gross	R1710	0	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	0	0
Expenses incurred	R1900	12,273	22,634	21,393	-21,284	5,194	1,120	41,330
Other expenses	R2500							
Total expenses	R2600							41,330

Annex I
S.12.01.02
Life and Health SLT Technical Provisions
31 December 2016
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		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**																
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**									452,151	452,151					142,221	142,221
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									294,286	294,286					85,196	85,196
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**									157,865	157,865					57,025	57,025
Risk margin	**R0100**									77,337	77,337					10,581	10,581
Amount of the transitional on Technical Provisions																	
Technical provisions calculated as a whole	**R0110**																
Best Estimate	**R0120**																
Risk margin	**R0130**																
Technical provisions - total	**R0200**									529,488	529,488					152,802	152,802
Technical provisions calculated as a whole	**R0210**									235,202	235,202					67,606	67,606
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0220**																

Annex I
S.17.01.02
Non-life Technical Provisions
31 December 2016
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		Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**															
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**															
Technical provisions calculated as a sum of BE and RM																
Best Estimate																
Premium provisions																
Gross - Total	**R0060**	0	307	0	7,475	10,652	14,397	42,712	8,866	-32,042	-1,552	513	16,394	5,975	-3,661	70,036
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	498	-2	6,825	7,875	344	14,130	6,023	-13,755	7,034	614	9,789	2,597	-4,715	37,257
Net Best Estimate of Premium Provisions	**R0150**	0	-191	2	650	2,777	14,053	28,582	2,843	-18,287	-8,586	-101	6,605	3,378	1,054	32,779
Claims provisions																
Gross - Total	**R0160**	0	11,909	9,676	199,300	38,642	639,156	833,099	529,257	229,564	-8,330	62,133	1,279,856	150,157	355,049	4,329,468
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	5,435	5,435	105,676	21,374	368,731	448,772	221,526	122,537	-3,919	21,016	609,401	67,854	178,494	2,172,332
Net Best Estimate of Claims Provisions	**R0250**	0	6,474	4,241	93,624	17,268	270,425	384,327	307,731	107,027	-4,411	41,117	670,455	82,303	176,555	2,157,136
Total Best estimate - gross	**R0260**	0	12,214	9,676	206,774	49,294	653,554	875,811	538,123	197,521	-9,882	62,647	1,296,251	156,132	351,388	4,399,503
Total Best estimate - net	**R0270**	0	6,281	4,243	94,274	20,044	284,479	412,909	310,574	88,740	-12,997	41,017	677,062	85,682	177,608	2,189,916
Risk margin	**R0280**	0	785	395	8,412	2,586	32,080	35,065	28,219	34,595	8,073	7,490	111,684	14,848	36,301	320,533
Amount of the transitional on Technical Provisions																
TP as a whole	**R0290**															
Best Estimate	**R0300**															
Risk margin	**R0310**															
Technical provisions - total																
Technical provisions - total	**R0320**	0	12,998	10,071	215,187	51,880	685,634	910,876	566,342	232,116	-1,809	70,137	1,407,935	170,981	387,689	4,720,037
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	5,933	5,433	112,501	29,250	369,075	462,902	227,549	108,781	3,115	21,630	619,189	70,451	173,780	2,209,589
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	0	7,065	4,638	102,686	22,630	316,559	447,974	338,793	123,335	-4,924	48,507	788,746	100,530	213,909	2,510,448

Annex I
S.19.01.21
Non-life Insurance Claims Information
31 December 2016
€'000

Total Non-Life Business

Accident year / Underwriting year	Z0010	2

Gross Claims Paid (non-cumulative)

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											327,353	R0100	327,353	327,353
N-9	R0160		771,048	393,403	468,497	207,579	54,063	49,282	36,932	20,002	25,125		R0160	25,125	2,025,931
N-8	R0170	137,162	741,318	663,064	143,717	92,189	53,793	44,942	31,276	23,271			R0170	23,271	1,930,732
N-7	R0180	94,847	793,100	250,912	161,972	103,865	61,282	43,924	20,689				R0180	20,689	1,530,591
N-6	R0190	45,870	391,103	281,764	155,194	95,774	66,766	36,650					R0190	36,650	1,073,121
N-5	R0200	27,974	318,462	205,610	137,035	67,979	52,683						R0200	52,683	809,743
N-4	R0210	56,063	324,969	198,885	98,623	56,585							R0210	56,585	735,125
N-3	R0220	41,102	322,957	216,872	139,410								R0220	139,410	720,341
N-2	R0230	34,104	353,632	206,375									R0230	206,375	594,111
N-1	R0240	37,399	373,253										R0240	373,253	410,652
N	R0250	13,986											R0250	13,986	13,986
													Total R0260	948,027	10,171,686

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											1,080,422	R0100	1,057,178
N-9	R0160										158,686		R0160	151,876
N-8	R0170									169,180			R0170	160,698
N-7	R0180								149,781				R0180	140,824
N-6	R0190							236,554					R0190	224,760
N-5	R0200						216,773						R0200	207,598
N-4	R0210					249,446							R0210	239,190
N-3	R0220				382,977								R0220	364,980
N-2	R0230			545,020									R0230	518,534
N-1	R0240		757,547										R0240	726,538
N	R0250	556,630											R0250	537,292
													Total R0260	3,272,290

Annex I
S.23.01.01
Own funds
31 December 2016
€'000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	10,127	10,127			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	681,641	681,641			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	891,788	891,788			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	1,583,556	1,583,556			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,583,556	1,583,556			
Total available own funds to meet the MCR	R0510	1,583,556	1,583,556			
Total eligible own funds to meet the SCR	R0540	1,583,556	1,583,556			
Total eligible own funds to meet the MCR	R0550	1,583,556	1,583,556			
SCR	R0580	1,369,240				
MCR	R0600	450,378				
Ratio of Eligible own funds to SCR	R0620	115.65%				
Ratio of Eligible own funds to MCR	R0640	351.61				

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	1,583,556
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	901,915
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	681,641
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	261,099
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	161,324
Total Expected profits included in future premiums (EPIFP)	R0790	422,423

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula
31 December 2016
€'000

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	489,318	489,318	0
Counterparty default risk	R0020	280,287	280,287	0
Life underwriting risk	R0030	289,210	289,210	0
Health underwriting risk	R0040	66,329	66,329	0
Non-life underwriting risk	R0050	822,585	822,585	0
Diversification	R0060	-632,635	-632,635	
Intangible asset risk	R0070	0	0	
Basic Solvency Capital Requirement	R0100	1,315,094	1,315,094	

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Operational risk	R0130	134,660
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-80,514
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	1,369,240
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	1,369,240
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0.00
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0.00
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	0.00
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0.00
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0.00
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	(4) No adjustment
Net future discretionary benefits	R0460	0.00

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
31 December 2016
€'000

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	388,392

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	6,281	3,748
Workers' compensation insurance and proportional reinsurance	R0040	4,243	0
Motor vehicle liability insurance and proportional reinsurance	R0050	94,274	46,537
Other motor insurance and proportional reinsurance	R0060	20,044	25,940
Marine, aviation and transport insurance and proportional reinsurance	R0070	284,479	114,530
Fire and other damage to property insurance and proportional reinsurance	R0080	412,909	219,306
General liability insurance and proportional reinsurance	R0090	310,574	55,533
Credit and suretyship insurance and proportional reinsurance	R0100	88,740	108,364
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	20,093
Non-proportional health reinsurance	R0140	41,017	2,129
Non-proportional casualty reinsurance	R0150	677,062	40,166
Non-proportional marine, aviation and transport reinsurance	R0160	85,682	12,699
Non-proportional property reinsurance	R0170	177,608	59,230

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	61,985

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0.00	
Obligations with profit participation - future discretionary benefits	R0220	0.00	
Index-linked and unit-linked insurance obligations	R0230	0.00	
Other life (re)insurance and health (re)insurance obligations	R0240	214,890	
Total capital at risk for all life (re)insurance obligations	R0250		82,103,984

Overall MCR calculation		C0070
Linear MCR	R0300	450,378
SCR	R0310	1,369,240
MCR cap	R0320	616,158
MCR floor	R0330	342,310
Combined MCR	R0340	450,378
Absolute floor of the MCR	R0350	3,600
Minimum Capital Requirement	R0400	450,378