PartnerRe Ireland Insurance dac

2017
Solvency and Financial Condition Report

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SUMMARY

PartnerRe Ireland Insurance dac (the "Company" or "PRIIdac") is an Irish based multi-class insurance company capable of writing worldwide risks with multi-national access. 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 PartnerRe 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 made a post tax-profit of €7.3 million in 2017 (2016: loss €5.6 million), which included an underwriting profit, after expenses, of €10.5 million (2016: loss €7.0 million). Excluding administration and investment expenses the Company made an underwriting profit of €22.8 million in 2017 (2016: €11.4 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, including the key Pre-Approved Control Function Holders ("PCF"s). 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 manages its underwriting risk through the use of reinsurance, with the most significant protections being an 85% (70% for 2011 to 2014 underwriting years) quota share agreement with Partner Reinsurance Europe SE ("PRESE") and a stop loss agreement, attaching at 120%, with Partner Reinsurance Company Ltd ("PRCL"), both of which are Group companies. See section C of this report for details of the Company's risk profile and reinsurance protections. The main change to the Company's risk profile during the year was an increase in market risk due to an increase in investments held, as a result of the capital injections outlined below, an increase in credit spread risk from a greater allocation to corporate bonds and an increase in currency risk from an increase in U.S. Dollar exposure.

Given the ongoing uncertainty surrounding the final terms under which Brexit will be effected, the Company's contingency plans for its U.K. operations 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 platforms 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 a subsidiary or 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 policyholders 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.

The Company had Own Funds of €93.9 million in its Solvency II balance sheet at 31 December 2017 (2016: €38.4 million). The increase in Own Funds was driven by the capital injections and net income during the year. On 25 January 2017, 29 March 2017 and 30 June 2017, the Company received capital contributions of €10 million, €20 million and €20 million, respectively, from its immediate parent PartnerRe Holdings Europe Limited.

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 as at 31 December 2017 and 2016 are shown below:

	2017 €'000	2016 €'000
Ordinary share capital	2,249	2,249
Reconciliation reserve	(22,090)	(27,176)
Net deferred tax assets	2,259	1,868
Other own funds approved by the supervisory authority	111,463	61,463
Total Solvency II Own Funds	**93,881**	**38,404**

All of the Company's Solvency II Own Funds, except for net deferred tax assets, are classified as Tier 1 - unrestricted funds and are fully available to cover the Minimum Capital Requirement ("MCR") and Solvency Capital Requirement ("SCR"). Deferred tax assets are classified as Tier 3 capital which means that they are not available to cover the MCR. See section E 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. Except for the capital injections, there have been no other material changes in the Company's capital management objectives, policies and processes during the year.

The Company uses the Standard Formula to calculate the SCR. 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 €'000	2016 €'000
MCR	12,370	11,793
SCR	49,482	47,172
Solvency II Own Funds	93,881	38,404
Ratio of Eligible Own Funds to SCR	**190%**	**81%**

The significant increase in the Ratio of Eligible Own Funds to SCR is driven by the increase in Own Funds due to the capital injections. The increase in the SCR is primarily driven by an increase in market risk due to an increase in investments held, as a result of the capital injections outlined below, an increase in credit spread risk from a greater allocation to corporate bonds and an increase in currency risk from an increase in U.S. Dollar exposure.

At 31 December 2016, the Company did not have sufficient Own Funds to cover the SCR, as calculated using the Solvency II Standard Formula. The Company had assumed that the application of the Standard Formula could take into account the significant economic protection from the stop loss reinsurance agreement with PRCL, indicating a significantly higher Ratio of Eligible Own Funds to SCR than if the stop loss was excluded from the calculation.

When the Company calculated the Solvency II balance sheet and SCR, excluding the impact of the stop loss agreement, as at 31 December 2016, the movements in the valuation of assets and liabilities and the update of other Solvency II application assumptions resulted in the Ratio of Eligible Own Funds to SCR being lower than 100%.

The capital injections, outlined above, brought the Ratio of Eligible Own Funds to SCR in excess of 100%. It is important to note that even though it is excluded from the Solvency II Standard Formula calculation, the stop loss agreement continues to offer significant economic protection to the Company.

The Company is party to a regulatory investigation with the Central Bank of Ireland. On September 20, 2017, the Central Bank of Ireland (Central Bank) issued notices of commencement of investigation pursuant to Part IIIC of the Central Bank Act 1942, as amended (Act). In summary, the Central Bank 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 that this matter will have a material adverse effect on the Company's business or financial condition.

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.

During 2017, the Company has executed its Own Risk and Solvency Assessment ("ORSA") process. The ORSA 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

PartnerRe Ireland Insurance dac is a Designated Activity Company incorporated and domiciled in Ireland.

The Company, through its head office and branch, is a multi-class insurance company capable of writing worldwide risks with multi-national access. The Company underwrites non-life business within its six main lines of business: aviation, energy, property, engineering, marine and casualty. The Company's business strategy is to underwrite a well-managed, well diversified, multi-class and worldwide insurance business that supports our clients' needs while ensuring that the Company retains underwriting discipline and focus on underwriting profitability.

The Company is regulated by the Central Bank of Ireland, 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.

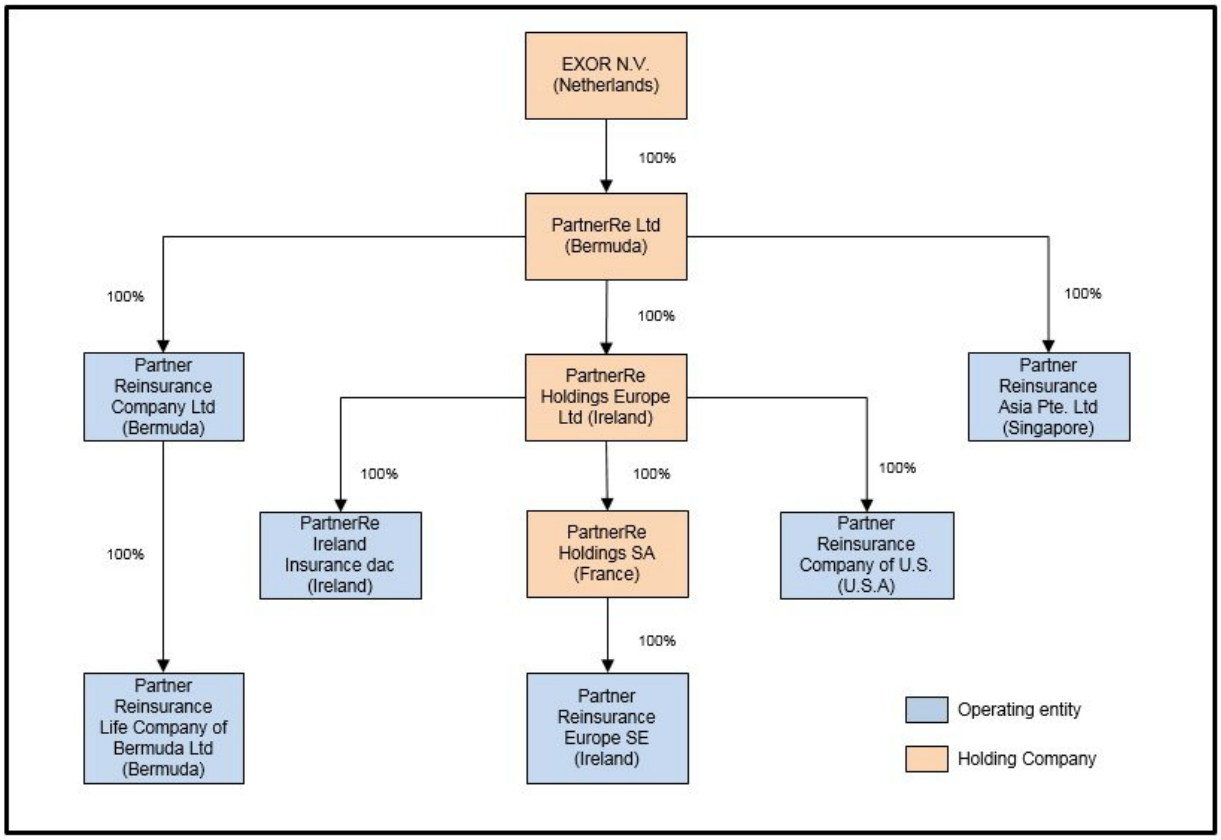
The immediate parent company is PartnerRe Holdings Europe Limited ("PRHEL"), a company incorporated in Ireland. It owns 100% of the Company's ordinary share capital.

The Company is a fully owned subsidiary of the PartnerRe Group ("Group"), the parent company of the PartnerRe Group is PartnerRe Ltd. ("the Group parent"), a company incorporated in Bermuda. The PartnerRe Group is supervised by the Bermuda Monetary Authority.

The ultimate parent company as at 31 December 2017 is Exor N.V. (EXOR), a Dutch public limited liability company (naamloze vennootschap).

On 18 March 2016, the PartnerRe Group was acquired by the EXOR Group. This was completed through a merger of PartnerRe Ltd. with Pillar Ltd., a Bermuda exempted company and a wholly owned subsidiary of EXOR, whereby Pillar Ltd merged with and into PartnerRe Ltd., with PartnerRe Ltd. surviving as a subsidiary of EXOR.

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

The Company's business strategy is to underwrite a well-managed, well diversified, multi-class and worldwide insurance business that supports its clients' needs while ensuring that the company retains underwriting discipline and focus on underwriting profitability.

A key challenge facing the Company is to successfully manage all phases of the insurance cycle. The Company is confident in its long-term strategy and monitors closely the progression of each line of business including periodic individual business reviews as appropriate. Furthermore, the Company continues to be selective in the business that it writes along with ensuring an adequate portfolio mix in order to optimise returns.

Individual lines of business and markets have their own unique characteristics and are at different stages of the insurance pricing cycle at any given point in time. Management believes the existing portfolio mix reflects appropriate risk selection however this will evolve in order to take advantage of niche opportunities as they arise.

The Company believes in developing long-term relationships with both clients and brokers, in order to have a greater impact in the negotiation of insurance terms and conditions and a wider access to preferred business.

The Company will continue to develop flexible underwriting capabilities through an agency and branch network enabling access to market opportunities from multiple dimensions:

- Multiple classes of business; and
- International access to business and expertise.

The Company's strategy is based on capabilities and capacity, selectivity of risks, underwriting discipline, monitoring of accumulated exposures, and efficient and profitable pricing of risk, all of which are underpinned by strong reserving and conservative asset management.

In March 2017 the Company ceased writing a portfolio of Excess and Surplus ("E&S") US Property business and transferred the renewal rights and part of the underwriting team to Everest Re. The Company remains liable for the run-off of the existing book of claims on this business.

In March 2018 the Company ceased writing Direct & Facultative ("D&F") Energy Offshore business and transferred the renewal rights and part of the underwriting team to Ark Syndicate Management Limited. The Company remains liable for all claims on the run-off book of this business.

The Company writes wholesale financial lines ("Wholesale Business") offering Professional Indemnity, Directors & Officers and General Liability package insurance products to small and medium sized enterprises mainly through Managed General Agents ("MGAs"). During 2016 the Company decided not to sign any new MGA agreements. The existing MGA agreements continue to write business until their existing contracts expire, over the next couple of years.

Employees

There were no staff directly employed by the Company during the year, however, employee costs are recharged to the Company by related entities.

A.2. UNDERWRITING PERFORMANCE

The tables below outlines the Company's underwriting performance by Solvency II lines of business for 2017 and 2016:

2017	Marine, aviation and transport €'000	Fire and other damage to property €'000	General liability €'000	Total €'000
Gross premium written	60,961	33,393	92,065	**186,419**
Net premium written	6,995	2,245	10,650	**19,890**
Net premium earned	7,231	4,794	8,125	**20,150**
Net claims incurred	(4,790)	1,666	2,993	**(131)**
Expenses incurred, excluding investment expenses	43	2,059	7,452	**9,554**
Underwriting result	**11,978**	**1,069**	**(2,320)**	**10,727**
Investment expenses	82	55	93	230
Total underwriting result	**11,896**	**1,014**	**(2,413)**	**10,497**

2016	Marine, aviation and transport €'000	Fire and other damage to property €'000	General liability €'000	Total €'000
Gross premium written	53,577	57,711	70,358	**181,646**
Net premium written	6,154	6,729	7,991	**20,874**
Net premium earned	8,518	7,098	7,007	**22,623**
Net claims incurred	7,335	5,110	3,822	**16,267**
Expenses incurred, excluding investment expenses	5,400	3,988	3,806	**13,194**
Underwriting result	**(4,217)**	**(2,000)**	**(621)**	**(6,838)**
Investment expenses	74	61	61	196
Total underwriting result	**(4,291)**	**(2,061)**	**(682)**	**(7,034)**

See Quantitative Reporting Template ("QRT") S.05.01.02 in the annex for a further breakdown by the above lines of business. The marine, aviation and transport line of business includes marine, aviation and energy offshore exposures. The fire and other damage to property line of business includes exposures from property, energy and engineering risks. The general liability line of business includes exposures from casualty risks.

Marine, aviation and transport

Gross premiums written for the year ended 31 December 2017 were €61.0 million, this represents an increase of €7.4 million when compared to the year ended 31 December 2016. This increase was mainly driven by increased business written in the energy offshore and aviation lines of business.

Net premiums earned for the year ended 31 December 2017 were €7.2 million, this represents a decrease of €1.3 million when compared to year ended 31 December 2016. This decrease was mainly driven by a reduction in earned premium in the energy offshore line of business.

The underwriting result was €12.0 million for the year ended 31 December 2017. This represents an increase of €16.2 million when compared to year ended 31 December 2016. The positive result was due to a combination of favourable loss emergence, as losses reported for prior accident years were lower than the Company expected, the use of separate rather than combined assumptions in the energy offshore line of business which resulted in a release of reserves 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, primarily on the energy offshore line of business. In addition, there was a reduction in expenses incurred, which also contributed to the positive underwriting result year on year.

Fire and other damage to property

Gross premiums written for the year ended 31 December 2017 were €33.4 million, this represents a decrease of €24.3 million when compared to the year ended 31 December 2016. This decrease was mainly driven by the sale of the renewal rights of the U.S. E&S property portfolio in March 2017.

Net premiums earned for the year ended 31 December 2017 were €4.8 million, this represents a decrease of €2.3 million when compared to year ended 31 December 2016. This decrease is also mainly driven by by the sale of the renewal rights of the U.S. E&S property portfolio in March 2017.

The underwriting result was €1.1 million for the year ended 31 December 2017. This represents an increase of €3.1 million when compared to year ended 31 December 2016. This increase is predominately driven by favorable loss emergence, as losses reported for prior accident 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.

General Liability

Gross premiums written for the year ended 31 December 2017 were €92.1 million, this represents an increase of €21.7 million when compared to the year ended 31 December 2016. This increase was mainly driven by increases in casualty business written through MGAs.

Net premiums earned for the year ended 31 December 2017 were €8.1 million, this represents a decrease of €1.1 million when compared to year ended 31 December 2016. The increase is also driven by an increase in casualty business written through MGAs.

The underwriting result was a loss of €2.3 million for the year ended 31 December 2017. This represents an increased loss of €1.7 million when compared to year ended 31 December 2016. The increase is primarily driven by an increase in profit commission on the business written by the Wholesale MGAs. The impact of this was partially offset by favorable loss emergence, as losses reported for prior accident 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, excluding commissions paid, compared to the prior year.

Expenses Incurred

Expenses incurred are comprised of administration expenses, mainly amounts recharged from related parties for the provision of employees and services, including the provision of certain underwriting, claims handling and other administrative services, and investment expenses partially offset by net commission income.

Net commission income was €5.2 million compared to €8.4 million in 2016 with the reduction primarily driven by an increase in profit commission payable to MGAs on general liability business and a reduction in overrider commission received on the quota share with PRESE.

Operating expenses were €11.9 million compared to €18.2 million in 2016 with the reduction being driven by the restructuring of the Wholesale business in 2016 and lower Group recharges due to ceasing to write E&S property business through the US based team and underwriting more business in Dublin.

Geographical Analysis

		Top 5 countries by location of insured						
2017	**Ireland**	**United States**	**United Kingdom**	**Italy**	**Norway**	**Germany**	**Other**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Gross premium written	235	84,909	36,128	10,167	6,336	5,630	43,014	**186,419**
Net premium written	25	8,100	3,855	1,085	676	601	5,548	**19,890**
Net premium earned	31	6,944	4,077	1,287	768	722	6,321	**20,150**
Net claims incurred	—	(106)	(42)	(5)	6	(3)	19	**(131)**
Expenses incurred (including investment expenses)	52	3,293	1,858	857	113	359	3,252	**9,784**
Total underwriting result	**(21)**	**3,757**	**2,261**	**435**	**649**	**366**	**3,050**	**10,497**

		Top 5 countries by location of insured						
2016	**Ireland**	**United States**	**United Kingdom**	**Italy**	**Norway**	**Germany**	**Other**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Gross premium written	4,688	84,445	30,017	7,519	5,932	4,766	44,279	**181,646**
Net premium written	539	9,704	3,449	864	682	548	5,088	**20,874**
Net premium earned	233	8,426	4,378	848	923	604	7,211	**22,623**
Net claims incurred	903	6,289	5,299	13	363	429	2,971	**16,267**
Expenses incurred (including investment expenses)	(28)	6,017	1,895	283	602	449	4,172	**13,390**
Total underwriting result	**(642)**	**(3,880)**	**(2,816)**	**552**	**(42)**	**(274)**	**68**	**(7,034)**

Given the nature of the commercial insurance business, where the location of the insured is not representative of the location of the risk, the Company does not manage its underwriting result by geography.

Risk mitigating techniques

For a discussion of the Company's risk mitigation techniques during 2017 see section C. of this report. As outlined in section C, the most significant reinsurance agreements that the Company has in place are on a proportional basis and therefore share in the underwriting results of the Company.

Reinsurance has a significant impact on the underwriting result of the Company, with the 85% quota share contract with PRESE being the most material.

The ratio of ceded premium written remained stable this year at 89% of gross premium written during the year with 85% being ceded through the quota share agreement with PRESE and the remainder relating to external protections and the stop loss with PRCL.

The ceded share of claims incurred increased this year due to a significant proportion of catastrophe losses being fully reinsured to Everest Re as part of the US E&S property renewal rights agreement.

The Company's reinsurance contracts are market standard contracts with market standard terms and conditions. They offer full risk transfer and are legally effective and enforceable. See section C. for a discussion of how the Company monitors the credit risk associated with its reinsurance contracts.

A.3. INVESTMENT PERFORMANCE

The following table outlines the investment income and expenses for 2017 and 2016:

	2017 €'000	2016 €'000
Interest income	709	811
Net realised gains	408	1,172
Net unrealised (losses)/gains	(7,144)	2,148
Investment management and other related expenses	(230)	(196)
Total net of expenses	**(6,257)**	**3,935**

The Company's investments are primarily allocated to fixed income securities and accordingly interest income from fixed income securities accounts for substantially all of the income arising from investments. Realised and unrealised gains and losses include both gains and losses due to changes in market prices on fixed income securities and those due to changes in foreign exchange rates. Included within the net unrealised losses for 2017 is a net unrealised foreign exchange loss of €6.5 million (2016: gain €2.5 million), primarily driven by a weakening of the U.S. Dollar to Euro exchange rate during the year and a net unrealised market loss of €0.6 million (2016: loss €0.4 million).

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. The Company did not have any investments in securitisations.

A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company recognised a €3.9 million (2016: loss €1.9 million) foreign exchange gain in the income statement during the period. This gain was offset by a foreign exchange loss on investments of €6.5 million (2016: gain €2.5 million). The Company recognised a total income tax expense of €1.0 million (2016: €0.7 million) during the period. The tax expense was mainly due to taxable profits generated in the U.K.

The Company leases primarily office space under non-cancellable operating lease arrangements. The Company incurred lease expenses of €0.3 million (2016: €0.7 million) during the period.

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The Company is categorised as medium-low 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's structure and responsibilities are set out in its Board Charter. The Directors 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 PartnerRe 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 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).

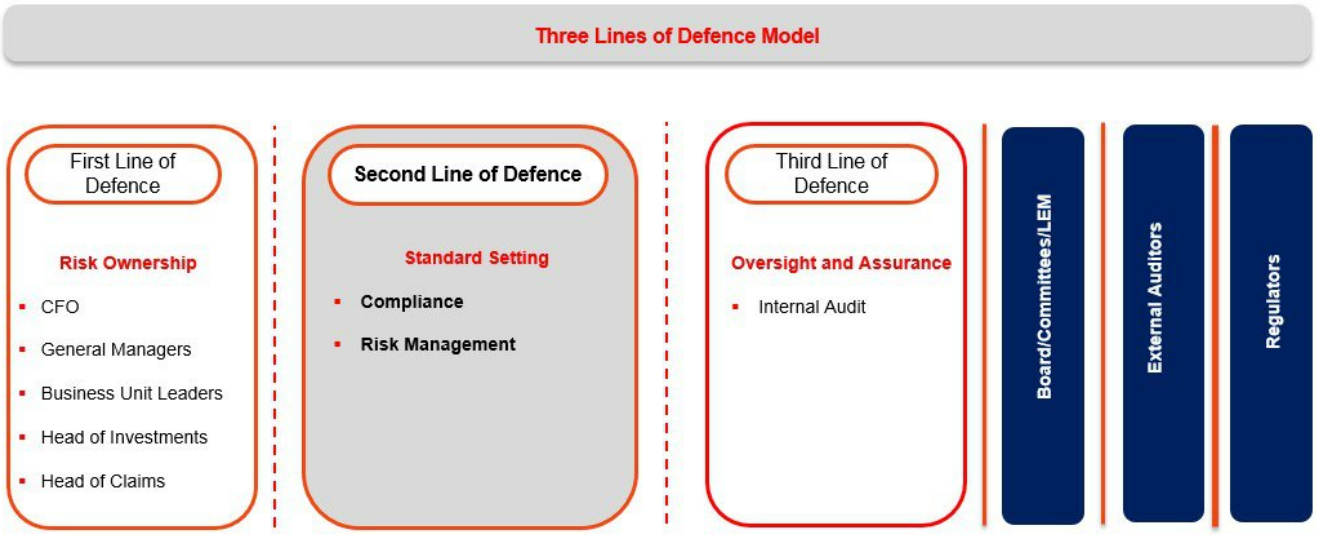
The Board is supported in this regard by the Company's LEM and its Audit Committee and Risk Committee. The shared cross membership of these Committees serves to enhance the Board's consideration of risk related issues. In addition, the Company has a clearly defined structure of key functions (comprising 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 oversight of all activities of the Company (including the London branch).

The Board sets the overall strategy of the Company in line with the strategy of the Group. The Board sets the Company's 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. 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 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 Head of Actuarial Function ("HoAF"), 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 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 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 structure 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 Risk Committee has three main objectives:

- To 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 IT 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, HoAF 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 that 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).

In the fulfillment of the Branch Manager role, the General Manager is provided with regular updates on matters associated with branch operations.

The Board requires that all policies, processes and controls applicable to the Company equally apply to its branch in addition to any local legal and regulatory requirements. Arrangements for business continuity and contingency planning similarly extend and apply to the branch. 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 Group 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 and Risk Committee are 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.

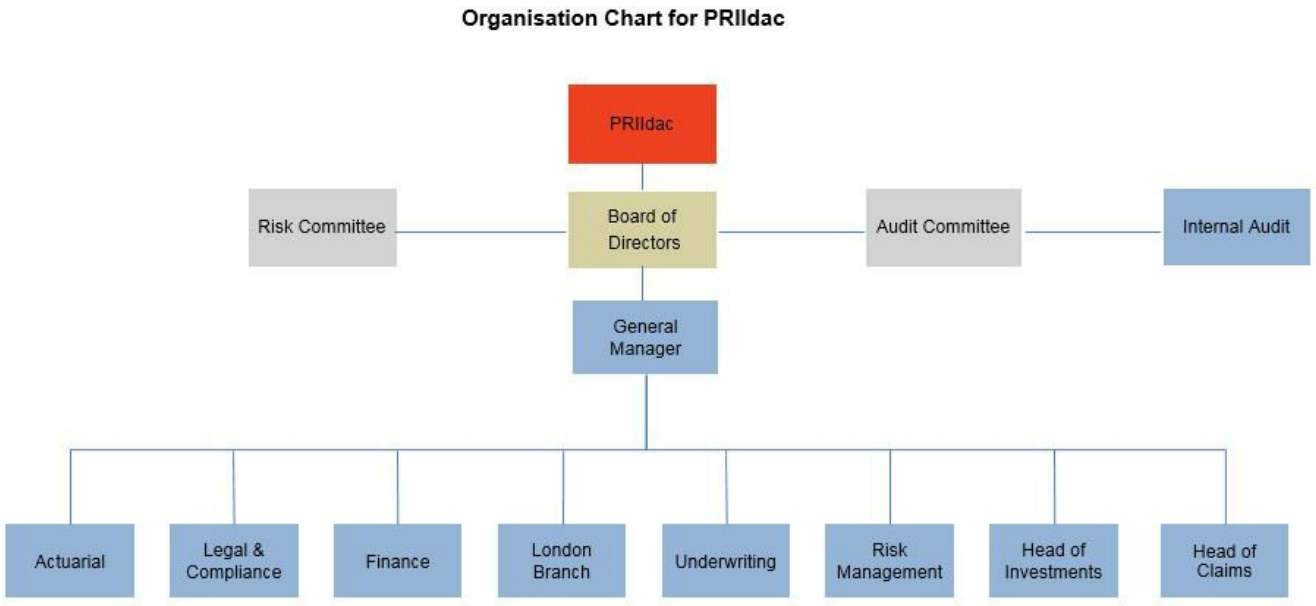
The Risk Committee , in conjunction with the CRO, oversees the management of risk within the Company. Accordingly it oversees the underwriting processes and in particular the development of the Company's risk appetite. There is significant liaison with the Company's CRO (who reports to the Risk Committee 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 which 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”, 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 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.



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 officers and directors meet good practice standards as well as applicable regulatory requirements. The Company does not have any direct employees.

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"); and
- 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"). The AI is a variable, performance-based component of compensation. Each person 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. There is also a hybrid pension plan, which contains elements of a defined benefit and defined contribution plan.

B.2. FIT AND PROPER POLICIES AND PROCEDURES

The Central Bank of Ireland 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 'Controlled Functions' ("CF"s), 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 ("The Policy") which governs the Company's fitness and probity processes. This is reviewed and approved annually by the Board.

The 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 Fitness and Probity 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, HoAF, 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 insurance 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 insurance, 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 policyholders' 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 Group-wide 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 risk 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 based on:

- Strategic planning and objective setting;
- Risk identification and assessment;
- Review of risk appetite framework 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 is a multi-class insurance company capable of writing worldwide risks with multi-national access. The Company underwrites non-life business within its six main lines of business: aviation, energy, property, engineering, marine and casualty. The Company's business strategy is to underwrite a well-managed, well diversified, multi-class and worldwide insurance business that supports our clients' needs while ensuring that the Company retains underwriting discipline and focus on underwriting profitability.

The Company's business strategy forms part of the overall PartnerRe strategy through writing certain lines of business which offer attractive returns that require insurance paper. This compliments the overall Group strategy to focus on reinsurance and not to compete with our clients.

The Company fully contributes to the successful execution of the Group's strategy by assuming and managing risks over the short, medium and long term, all in a manner appropriate to its financial capabilities.

The strategic planning cycle commences in the first half of the year and is led by the General Manager of the Company who discusses the underwriting strategy with the Group executive leadership team and business unit leaders. At this juncture, the General Manager has the opportunity to provide input to the Group strategic planning exercise by laying out the impact any group strategic initiatives will have on the Company. This impact assessment is performed by the General Manager in conjunction with the CFO, and other members of the LEM as necessary, and it includes documented impact analyses on capital, risk appetite, IT, people, legal or regulatory requirements that the Company may have. Once this assessment is complete and approved by the LEM, the General Manager presents the strategy to the Board (mid-September timeframe). This allows the Board the opportunity to discuss, challenge and provide input on the strategy as it pertains to the Company. The General Manager ensures Board feedback is then incorporated within the next draft of the plan. A final financial plan is reported to the Board (November - December timeframe) for approval that also includes planned investment income, operating expenses, impact on capital and risk appetite.

In setting its risk appetite the Board considers stakeholder expectations (in particular the PartnerRe Group, policyholders, 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. The risk universe describes the risk landscape that the Group is exposed to, with a certain granularity that allows sufficient details while keeping a broader perspective.

Risks identified in the risk universe are subsequently mapped onto Risk Heat Maps according to their estimated likelihood and impact potential.

The risk universe encompasses both industry and Company risks, although some of the risks identified will not be relevant for the Company. These risks are grouped by categories and subcategories that are used to perform risk assessments. One new relevant risk subcategory was identified during the period relating to:

- CA12 Emerging Risks (e.g. Cyber Risks)

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 the updating of 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 I.T. security, was shared with the Company’s Board in December 2017.

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 compliance in addition to internal controls across all other business areas.

Risk Management Function

The risk management function, (which is led 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 PartnerRe 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

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 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 PartnerRe 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;
- Robust monitoring and regular reporting in respect of the Company's compliance with policies and procedures. Group 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 preparation of the QRTs, 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 Internal Audit function's 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 & 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 Independent Non-Executive Directors on at least an annual basis. Internal auditors shall have no direct operational responsibility or authority over any of the activities they review. Additionally, they shall not install systems or procedures, prepare records, or engage in any other activity that would normally be audited. Internal auditors do not carry out 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 PartnerRe Ltd.

However, the duties of the actuarial function are under the responsibility the HoAF (PCF 48), under the CBI's Fitness and Probity regime. The HoAF is a member of the Society of Actuaries in Ireland, with the relevant level of experience required for the role.

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

- Establishment of the technical provisions under the responsibility of a senior actuary within the actuarial function reporting directly to the HoAF;

- 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 two months of the submission of the actuarial opinion on technical provisions to the CBI.

The actuarial function is in charge of the non-life contribution to 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, the HoAF presents the quarterly reserve update to the Audit Committee.

In addition, the HoAF provides 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 reinsurance 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 of the Company;
- Creating defined roles and responsibilities within the LEM and key functions around outsourcing risk;
- Strengthening of management information and reporting provided by the General Manager, CFO and 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 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.

The Outsourcing Policy also governs the processes in place to enable the Board to satisfy themselves as to compliance with its regulatory and legal requirements applicable to the Company.

The outsourcing framework is designed around five key pillars.

The five 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 an insurance 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;
- Aggregate exposure to a particular service provider.

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

Prior to the entering into a material outsourcing arrangement the approval of the Company's 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;
- 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 critical/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 Support	Partner Reinsurance Europe SE - French & Swiss Branches Partner Reinsurance Europe SE - Miami Subsidiary PartnerRe Connecticut PartnerRe Ireland Insurance dac - U.K. Branch	Group Chief Underwriting Officer (PCF2) General Manager & Head of Underwriting (PCF 8 & 18)	Zurich, Paris, Miami, Stamford, London	Internal
Claims	Partner Reinsurance Europe SE - Swiss & French branches PartnerRe US PartnerRe Ireland Insurance dac - London Branch Third Party MGA	Head of Claims (PCF43)	Zurich, Paris, Stamford, London	Internal & External
Business Development & delegated underwriting authorities via MGAs	Third party MGAs	General Manager (PCF8)	London, Dubai, Spain, US, Italy, Ireland, Sweden.	External
Non Life Actuarial & Reserving	Partner Reinsurance Europe SE - French & Swiss branches	Chairman of the Board (PCF3)	Zurich, Paris	Internal
Risk Management	Partner Reinsurance Europe SE - French & Swiss branches PartnerRe US	Chairman of the Board (PCF3)	Paris, Zurich, Stamford	Internal
Legal & Compliance	Partner Reinsurance Europe SE - Swiss & French branches PartnerRe Connecticut	Head of Compliance (PCF12)	Zurich, Paris, Stamford	Internal
Finance & Accounting	Partner Reinsurance Europe SE - Swiss & French branches	CFO (PCF11)	Ireland, Paris, Zurich	Internal
Internal Audit	Partner Reinsurance Europe SE - Swiss & French branches Partner Reinsurance Company Ltd	Non-Executive Director (Finance) (PCF2)	Zurich, Paris, Bermuda	Internal
Investments	PartnerRe Asset Management	Head of Investments (PCF19)	Stamford	Internal

All of the above outsourcings fall within the Group Outsourcing Framework which is reviewed annually. The Company is part of a multi-national organisation and as such the Company utilises the expertise from other Group entities and jurisdictions. Third party outsourcings are driven by strategic business decisions and/or legal and regulatory obligations.

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 underwrites non-life business within its six main lines of business: aviation, energy, property, engineering, marine and casualty.

The Company's business strategy is to underwrite a well-managed, well diversified, multi-class and worldwide insurance business that supports our clients' needs while ensuring that the Company retains underwriting discipline and focus on underwriting profitability.

In order to achieve that goal, the Company uses a number of tools and metrics which help monitoring and mitigating 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;
- 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 REINSURANCE RISK

The SCR for non-life underwriting risk, using the standard formula, is €21.3 million (2016: €25.0 million) on a pre-diversified basis, which is 39% (2016: 53%) of the Basic Solvency Capital Requirement ("BSCR") before diversification. The SCR for Non-Life Underwriting risk is split between:

- SCR for premium and reserve risk
- SCR for lapse risk
- SCR for Cat 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 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
10	+1	(11)	+1	(10)
20	+3	(22)	+3	(21)

* 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
5	+1	+1
10	+2	+1

The main changes in the underwriting risk profile since last year are a reduction in exposure to fire and natural catastrophe risk due to the sale of the renewal rights of the US E&S Property business and increase in casualty exposure due to increase business written through MGAs.

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

Natural catastrophe risk

The Company is exposed to natural catastrophe risk through it its property, energy and engineering lines of business. 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 reinsurance, in each zone and to each peril and also utilises probable maximum loss 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 Risk Appetite Framework, net of retrocession, was €13 million (2016: €14 million) and the actual maximum limit deployed in a single peril zone was €5 million (2016: €2 million).

Frequency and severity of claims

The Company manages these risks for the different lines of business through its underwriting strategy and adequate reinsurance arrangements. Underwriting limits are in place to enforce appropriate risk selection criteria. The Company's reinsurance arrangements include quota-share and stop-loss coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than 120% of net earned premium, excluding stop-loss premium, in any one financial year.

Mitigation of Non-life underwriting risk by use of reinsurance

The Company mitigates assumed insurance risk with reinsurance cover purchased from other group entities and from non-related third parties. The Company uses reinsurance cover to reduce its exposure on certain insurance 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 reinsurers and therefore reduce the volatility of the Company's results.

The main objectives of the reinsurance programs of the Company are as follows:

- Reduce the capital required and associated cost of capital for the Company;
- Ensure the Company is in a position to be a well capitalised insurer for its policyholders; and
- Ensure the Company receive and maintains an appropriate rating from its rating agencies.

The reinsurance cover that the Company has in place with other group companies as at 31 December 2017 can be summarised as follows:

- 85% quota-share with PRESE (2017, 2016 and 2015 underwriting years);
- 70% quota-share with PRESE (2011 to 2014 underwriting years);
- 85% quota-share with PRESE (2010 and prior underwriting years);
- 100% line slip with PRESE (2010 underwriting year for business recommended by Paris Re, an affiliate company, which was merged with PRESE in 2010); and
- stop loss agreement with PRCL. The stop loss cover attaches at a loss ratio of 120% with a limit of 870%.

The Company's main external reinsurance agreement provides protection for casualty business written through one MGA, and is ceded on a proportional basis. Effective January 1, 2017 the international CAT retro program was amended to additionally cede Marine, Energy Offshore and Aviation business at 12.76% on a losses occurring basis. As part of the agreement to sell the renewal rights to the U.S. E&S property portfolio in March 2017 the Company also obtained a 100% quota share cession on the unearned premium at the time of the sale.

C.2. MARKET RISK

The Company is exposed to financial risk through its financial and insurance 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 (“Liability Eligible Assets”) that will at all times be greater than its net insurance liabilities (“Liability Funds”).

The SCR for market risk, using the standard formula, on a pre-diversified basis is €15.2 million (2016: €5.1 million), which is 28% (2016: 11%) of the BSCR before diversification. See section E.2. of this report for further details.

The change in market risk since last year is driven by an increase in investments held due to the capital injections during the year, a higher allocation to corporate bonds, which resulted in an increase to spread risk, and an increase in currency risk from an increase in U.S. dollar exposure.

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, 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 insurance liabilities so that the economic value of changes in interest rates has offsetting effects on the Company’s assets and liabilities. At 31 December 2017, 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 €5.3million (2016: €3.8 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 insurance liabilities (liability funds) and those that represent shareholders' equity (capital funds).

The Company generally matches its liability funds against its net insurance liabilities by currency to mitigate the currency risk. For currencies in which the liability funds and net insurance liabilities are not completely matched and the Company deems the net exposure to be material, the Company may employ 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 31 December 2017, 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 €4 million (2016: €2 million) fall in Solvency II Own Funds.

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 €126.8 million at 31 December 2017 (2016: €110.6 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 insurance 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") 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 insurance 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 net 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, insurance balances receivable, receivables from MGAs, investment in fixed income securities and reinsurance balances recoverable on ceded insurance.

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 €17.8 million (2016: €17.3 million), which is 33% (2016: 37%) of the BSCR before diversification. See section E.2. of this report for further details.

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.

The credit risk associated with insurance balances receivable (premiums due) is somewhat mitigated by the fact that the Company generally has the contractual ability to offset any shortfall in payment of balances receivable with amounts owed to the insured for losses payable and other amounts contractually due.

Insurance is ceded only to counterparties with strong credit ratings, and mainly with related companies of PartnerRe Group.

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

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

The Company actively manages its exposures by generally selecting reinsurers having a credit rating of A- or higher. In certain cases where an otherwise suitable reinsurers 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 reinsurance agreement.

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

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 insurance contracts. Liquidity risk may also arise from a difference in timing between claims payments and recoveries from insurance ceded.

The Company aims to maintain sufficient liquidity at all times so that it can support its policyholders by settling claims quickly. The Company generates cash flows primarily from its underwriting and investment operations. The Company believes that a profitable, well-run insurance 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 insurance liabilities.

The Expected Profit Included in Future Premium ("EPIFP") was €5.7 million at 31 December 2017 (2016: €5.7 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.

The EPIFP by line of business was as follows as at December 31, 2017 and 2016:

Line of business	2017 €'000	2016 €'000
Marine, aviation and transport	2,910	1,241
Fire and other damage to property	663	2,550
General liability	2,107	1,875
Total	**5,680**	**5,666**

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 reporting
- Information Technology
- Asset Valuation process
- Human Resources
- Third Party Providers
- Business Continuity
- Claims process
- Reinsurance 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 unauthorised 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, the Company 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 the Group I.T. function, has established an effective I.T. Security control environment which is annually tested by audit and independent external I.T. 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, the Board and Group shareholder and include the direction and governance of the Company, as well as its response to key external factors faced by the insurance industry, such as changes in 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, shareholders and/or supervisory authorities.

Emerging Risk

As described in the risk management system section of this report, an Emerging Risk Committee (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.

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 above.

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 insurance 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. operations 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 platforms 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 a subsidiary or 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 policyholders 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 reinsurance transactions with PRESE and PRCL.

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 PartnerRe 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.

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.	126,824	110,557
Other Assets	D.3.	29,990	21,970
Total Assets		**156,814**	**132,527**
Net Non-Life Technical Provisions	D.2.	48,330	67,825
Other liabilities	D.3.	14,603	26,298
Total Liabilities		**62,933**	**94,123**
Excess of Assets over Liabilities		**93,881**	**38,404**

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”);

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	QMP €'000	QMPS €'000	AVM €'000	Total €'000
Government bonds	—	40,773	—	40,773
Corporate bonds	—	67,707	—	67,707
Total fixed income	**—**	**108,480**	**—**	**108,480**
Investment funds	121	—	—	121
Cash and cash equivalents	17,762	—	—	17,762
Deposits to cedants	—	—	389	389
Property, plant & equipment held for own use	—	—	72	72
Total	**17,883**	**108,480**	**461**	**126,824**

2016	QMP €'000	QMPS €'000	AVM €'000	Total €'000
Government bonds	—	84,639	—	84,639
Corporate bonds	—	2,578	—	2,578
Total fixed income	**—**	**87,217**	**—**	**87,217**
Investment funds	28	—	—	28
Cash and cash equivalents	23,160	—	—	23,160
Deposits to cedants	—	—	26	26
Property, plant & equipment held for own use	—	—	126	126
Total	**23,188**	**87,217**	**152**	**110,557**

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 an option adjusted spread, interest rate data and market news. The Company classifies all of these securities as QMPS for valuation purposes under Solvency II.
- *Corporate bonds* - consist primarily of investment grade bonds issued by U.S. and non-U.S. 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. The Company classifies all of these securities as QMPS for valuation purposes under Solvency II.

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

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 which is deemed to equate to fair value and is 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 statutory accounts and thus the same valuation is used. Property, plant and equipment for own use is therefore classified as AVM for valuation purposes under Solvency II.

Derivatives

The Company has no exposure to derivatives for investment or hedging purposes.

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 is set out below:

2017	Solvency II Balance Sheet €'000	IFRS Balance Sheet €'000	Variance Solvency II vs IFRS €'000
Government bonds	40,773	40,773	—
Corporate bonds	67,707	67,707	—
Total fixed income	**108,480**	**108,480**	—
Investment funds	121	121	—
Cash and cash equivalents	17,762	17,762	—
Deposits to cedants	389	389	—
Property, plant & equipment held for own use	72	72	—
Total	**126,824**	**126,824**	**—**

2016	Solvency II Balance Sheet €'000	IFRS Balance Sheet €'000	Variance Solvency II vs IFRS €'000
Government bonds	84,639	84,639	—
Corporate bonds	2,578	2,578	—
Total fixed income	**87,217**	**87,217**	—
Investment funds	28	28	—
Cash and cash equivalents	23,160	23,160	—
Deposits to cedants	26	26	—
Property, plant & equipment held for own use	126	126	—
Total	**110,557**	**110,557**	**—**

The Company's investments are marked to market in its IFRS balance sheet and there is no variance to the valuation of investments recorded in the Solvency II balance sheet.

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 ("RM"). The BEL includes Claim provisions and Premium provisions and are defined as the mean of the full range of possible future outcomes on a discounted cash flow basis, taking into account the time value of money, and 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.

(a) Technical Provisions by line of business

The following table outlines the Solvency II technical provisions by line of business, as at 31 December 2017 and 2016:

2017	Claim Provision €'000	Premium Provision €'000	Recoverables from Reinsurance contracts €'000	Risk Margin €'000	Total Technical Provisions net of Recoverables €'000
Marine, aviation and transport	95,052	7,403	87,683	2,665	17,437
Fire and other damage to property	75,626	4,442	68,702	1,617	12,983
General liability	81,203	19,370	86,165	3,502	17,910
Total	**251,881**	**31,215**	**242,550**	**7,784**	**48,330**

2016	Claim Provision €'000	Premium Provision €'000	Recoverables from Reinsurance contracts €'000	Risk Margin €'000	Total Technical Provisions net of Recoverables €'000
Marine, aviation and transport	128,360	10,787	111,264	4,641	32,524
Fire and other damage to property	66,379	10,916	60,838	2,571	19,028
General liability	57,564	13,436	58,244	3,517	16,273
Total	**252,303**	**35,139**	**230,346**	**10,729**	**67,825**

The decrease in the gross claim provision of €0.4 million was driven by foreign exchange across all lines of business and the following factors:

- Marine, aviation and transport - the claim provision as at 31 December 2017 was €95.1 million which represents a reduction of €33.3 million since 31 December 2016. The main drivers for this were changes in the actuarial indication for the Energy Offshore portfolio. During the year the Company split the underlying data to create separate rather than combined assumptions for this portfolio, which led to a lower best estimate. In addition the company updated some of its reserving assumptions which resulted in more weight being given to actual emerging experience more quickly than previously, and finally, the gross reserves held in respect of one significant loss reduced over the year.
- Fire and other damage to property - the claim provision as at 31 December 2017 was €75.6 million which represents an increase of €9.2 million since 31 December 2016 mainly driven by losses coming from the catastrophe events in the U.S. and Caribbean in the second half of 2017. As outlined below the majority of this was fully reinsured.
- General liability - the claim provision as at 31 December 2017 was €81.2 million which represents an increase of €23.6 million since 31 December 2016. This reflects the increasing portfolio specifically with regard to casualty business written by MGAs. As more premium is earned the Incurred but Not Reported ("IBNR") reserves will increase and given the longer-tailed nature of casualty business, the IBNR and hence the claim provision will continue to increase in parallel. In addition a shortening of the assumption for the length of the payment pattern for this business leads to a lower impact of discounting on the claims provision.

These effects can also be seen in the movement of the premium provision for the General liability line of business which is growing, again driven mainly by the losses coming from the unearned premium of casualty business but offset by a reduction in the other two lines of business, particularly for the Fire and other damage to property line of business, where the sale of the E&S renewal rights has had a significant impact on the level of unearned premium at 31 December 2017 compared to 31 December 2016.

Because the vast majority of the reinsurance recoverable relates to the internal quota share cession to PRESE, the reinsurance recoveries will tend to move in line with the gross provisions. In addition, the release of IBNR for older years means more of the claims provision relates to the most recent underwriting years ("UWY"s) where the internal cession is at 85% compared to 70% in UWYs 2011-14. Also, there is an increase in external cessions at 2017 year end. The largest part of this come from the losses relating to the E&S portfolio. While the Company sold the renewal rights, it also obtained a 100% quota share cession on the unearned premium at the time of the sale. This

portfolio was impacted heavily by the 2017 catastrophe events and so these losses are recovered at 100%. In addition there is an increase in recoverable on one large loss in the Marine, aviation transport line of business.

The majority of the change in the risk margin comes from an update of the assumptions used to project the future SCR. During the year the expected payout of the General liability and Marine, aviation and transport lines of business were shortened in line with the update of the assumptions underlying the reserving analysis. This resulted in a reduction in the risk margin.

Best Estimate Liability

The BEL was determined gross of the amount recoverable from reinsurance contracts, which is held separately on the 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.

Claim Provisions

The starting point for the calculation is the IFRS Best Estimate ("IFRS BE"). The IFRS BE is comprised of Case Reserves, Additional Case Reserves ("ACR") estimated by the Company on an individual loss basis, and reserves for 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 insurance 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.

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:

	Undiscounted							
2017	Unearned Premium receivables net of costs €'000	Additional Premiums net of costs €'000	Premiums on BBNI net of costs €'000	Future losses and expenses on UPR €'000	Future losses and expenses on Additional Premium €'000	Future losses and expenses on BBNI €'000	Discounting impact €'000	Gross Premium Provision €'000
Marine, aviation and transport	(12,268)	—	(7,245)	20,679	—	6,886	(649)	7,403
Fire and other damage to property	(4,168)	—	(2,172)	9,151	—	1,872	(241)	4,442
General liability	(5,087)	(10,221)	(375)	30,883	6,863	281	(2,974)	19,370
Total	**(21,523)**	**(10,221)**	**(9,792)**	**60,713**	**6,863**	**9,039**	**(3,864)**	**31,215**

	Undiscounted							
2016	Unearned Premium receivables net of costs €'000	Additional Premiums net of costs €'000	Premiums on BBNI net of costs €'000	Future losses and expenses on UPR €'000	Future losses and expenses on Additional €'000	Future losses and expenses on BBNI €'000	Discounting impact €'000	Gross Premium Provision €'000
Marine, aviation and transport	(11,190)	—	(5,336)	23,542	—	5,019	(1,248)	10,787
Fire and other damage to property	(6,612)	—	(64)	18,000	—	29	(437)	10,916
General liability	(5,175)	(10,865)	—	25,266	8,295	—	(4,085)	13,436
Total	**(22,977)**	**(10,865)**	**(5,400)**	**66,808**	**8,295**	**5,048**	**(5,770)**	**35,139**

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 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 additional premium relating to the relating to casualty business that is not recognised as written premium in the IFRS financial statements. The default selection for expected future losses was the pricing loss ratio.
- 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 2018 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. For business coming from MGAs a portfolio pricing assumption was used. 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 insurance 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 insurance obligations is taken over by another insurance undertaking (reference undertaking);
- The transfer of reinsurance obligations includes the reinsurance 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 insurance 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 margin 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 used for the financial statements.

First, the risk margin is calculated for the whole business, allowing for diversification between lines of business (LoB). 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.

Level of uncertainty

The IFRS BE reserves calculated by the Company are estimations, based on the synthesis of diverse sources of information and the use of diverse techniques as described above. Additional assumptions guide the adjustments to calculate 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;
- 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 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;
- As the date of binding is not captured by the underwriting system, based on discussion with underwriting operations 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 Solvency II 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 Solvency II BEL includes a provision for ENIDs which is assumed to have the same cash-flow profile of other claims for discounting purposes;
- 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.

Lapse rates

As the Company's business is mostly written directly with the insured or via an MGA the premium is generally fixed at the start of the contract.

In order to get a view on the likely level of lapses we looked at the way the written premium developed in 2017 by underwriting year. It was generally evident that there is little overall movement in written premium, implying a very low level of lapse activity.

Based on this analysis, lapse rates of between 0% and 5% were applied to the BBNI at 31 December, 2017. We have considered applying the same ratios to the UPR but on review of the development of the written premium over time, there is no evidence that lapse are occurring as written premium shows very few examples of downward development. As such we have concluded there is no real evidence to suggest a best estimate lapse rate of zero is inappropriate. In addition given the large proportion of gross premium that is ceded the impact of any lapse assumption would not be material.

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 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 segmentation underlying the IFRS reserves is based on:

- Location of business underwritten (Europe or Connecticut);
- Business segment (based on the internal management reporting structure);
- Class of business (e.g. Property or Casualty);
- Type of (re)insurance ; and
- Type of business, other segmentations were created to allow for homogeneity in the data triangles, where necessary.

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

Details of the approach used to calculate material reinsurance recoverables

Reinsurance Recoverables are calculated on a best estimate basis, separately from the Gross Solvency II BEL and are accounted on the assets side of the Balance Sheet. Reinsurance Recoverables are 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 Solvency II 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 Provision).

The Gross Solvency II 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 reinsurance 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 policyholders to the extent that the reinsurers do not meet their obligations under these agreements.

The majority of ceded reserves relate to intra-group quota-share agreements with PRESE which can be summarised as follow:

- 85% for 2017, 2015 and 2016 underwriting years;
- 70% for 2011 to 2014 underwriting years;
- 85% for 2010 and prior underwriting years; and
- 100% line slip for 2010 underwriting year for business recommended by Paris Re, an affiliate company, which was merged with PRESE in 2010.

The Company has also a stop loss agreement with PRCL. The stop loss cover attaches at a loss ratio of 120% with a limit of 870%.

The Company's main external reinsurance agreement provides protection for Casualty business written through one MGA, and is ceded on a proportional basis. Effective January 1, 2017 the international CAT retro program was

amended to additionally cede Marine, Energy Offshore and Aviation business at 12.76% on a losses occurring basis (CAT plus Quota Share). In addition while the Company sold the renewal rights to a portfolio of U.S. E&S property business, it also obtained a 100% quota share cession on the unearned premium at the time of the sale.

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 ceded reserves 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 reinsurance 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 reinsurance 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 reinsurers. 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 reinsurers.

(b) Comparison to IFRS reporting

The IFRS BE of the Company includes the following:

- Actuarial Mid Estimate ("AME") loss reserves;
- UPR;
- Unallocated Loss Adjustment Expenses reserves (ULAE); and
- A MFU is added to the IFRS BE to set the Management Best Estimate reserves (“MBE”). This is also referred to as 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; and
- 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 technical provisions in the IFRS financial statements to the claim provision under Solvency II, as at 31 December 2017 and 2016:

2017	Gross IFRS Technical Reserve	Removal of UPR	Removal of Prudence	ENIDs Load	Change of Claims Expense Basis	Earned Premium Receivables	Discounting Impact	Other adjustments	Gross Solvency II Claim Provision
	€'000	€'000	€'000		€'000	€'000	€'000	€'000	€'000
Marine, aviation and transport insurance	131,031	(30,189)	(2,330)	2,522	1,799	(4,748)	(3,033)	—	**95,052**
Fire and other damage to property insurance	92,141	(12,205)	(3,025)	726	1,457	(784)	(2,684)	—	**75,626**
General liability insurance	147,765	(65,039)	(3,863)	1,746	1,485	(369)	(3,533)	3,011	**81,203**
Total	**370,937**	**(107,433)**	**(9,218)**	**4,994**	**4,741**	**(5,901)**	**(9,250)**	**3,011**	**251,881**

2016	Gross IFRS Technical Reserve	Removal of UPR	Removal of Prudence	Change of Claims Expense Basis	Earned Premium Receivables	Discounting Impact	Other adjustments	Gross Solvency II Claim Provision
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Marine, aviation and transport insurance	190,195	(33,428)	(22,006)	4,453	(5,171)	(5,683)	—	**128,360**
Fire and other damage to property insurance	102,817	(26,371)	(7,076)	1,983	(2,994)	(1,980)	—	**66,379**
General liability insurance	112,103	(41,826)	(10,165)	1,585	(1,207)	(5,027)	2,101	**57,564**
Total	**405,115**	**(101,625)**	**(39,247)**	**8,021**	**(9,372)**	**(12,690)**	**2,101**	**252,303**

The "Other adjustments" shown in the above table were related to recognition of earned profit commissions.

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	Note	Solvency II Balance Sheet €'000	IFRS Balance Sheet €'000	Variance €'000
Other assets				
Deferred tax assets	4	2,259	1,161	(1,098)
Insurance and intermediaries receivables	1	18,298	18,298	—
Reinsurance receivables	2	8,351	8,351	—
Receivables (trade, not insurance)	3	900	900	—
Other assets		182	182	—
		29,990	**28,892**	**(1,098)**
Other liabilities				
Deferred tax liabilities	4	—	—	—
Insurance and intermediaries payables	1	520	520	—
Reinsurance payables	2	9,077	9,077	—
Payables (trade, not insurance)	3	1,776	1,776	—
Other liabilities		3,230	3,230	—
		14,603	**14,603**	**—**
Total other assets and liabilities		**15,387**	**14,289**	**(1,098)**

2016	Note	Solvency II Balance Sheet €'000	IFRS Balance Sheet €'000	Variance €'000
Other assets				
Deferred tax assets	4	2,312	1,707	(605)
Insurance and intermediaries receivables	1	8,074	8,074	—
Reinsurance receivables	2	6,726	6,726	—
Receivables (trade, not insurance)	3	4,172	4,172	—
Other assets		686	686	—
		21,970	**21,365**	**(605)**
Other liabilities				
Deferred tax liabilities	4	444	142	(302)
Insurance and intermediaries payables	1	892	892	—
Reinsurance payables	2	10,100	10,100	—
Payables (trade, not insurance)	3	14,620	14,620	—
Other liabilities		242	242	—
		26,298	**25,996**	**(302)**
Total other assets and liabilities		**(4,328)**	**(4,631)**	**(303)**

Notes

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

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

3. Receivables and payables (trade, not insurance) are amounts owed by or due to employees, 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.

4. 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.

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 other Group companies, retained deficit and currency translation reserve.

The ordinary shares issued to PRHEL, 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 other Group companies 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 except for deferred tax assets which are classified as Tier 3 capital, so cannot be used to cover the MCR. There are currently no ancillary own fund items. There are no restricted tier 1 or tier 2 items included in Own Funds. 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 Own Funds as at 31 December 2017 and 2016:

2017	Tier 1 - unrestricted funds €'000	Tier 3 €'000	Total €'000
Ordinary share capital	2,249		2,249
Reconciliation reserve	(22,090)		(22,090)
Net deferred tax assets		2,259	2,259
Other own funds approved by the supervisory authority	111,463		111,463
Total Solvency II Own Funds	**91,622**	**2,259**	**93,881**

2016	Tier 1 - unrestricted funds €'000	Tier 3 €'000	Total €'000
Ordinary share capital	2,249		2,249
Reconciliation reserve	(27,176)		(27,176)
Net deferred tax assets		1,868	1,868
Other own funds approved by the supervisory authority	61,463		61,463
Total Solvency II Own Funds	**36,536**	**1,868**	**38,404**

The increase in 'Other own funds approved by the supervisory authority' was driven by the capital injections during the year. On 25 January 2017, 29 March 2017 and 30 June 2017, the Company received capital contributions of €10.0 million, €20 million and €20 million, respectively, from its immediate parent PartnerRe Holdings Europe Limited.

The decrease in the negative reconciliation reserve was driven by the accounting profit earned during the year partially offset by changes in Solvency II valuation adjustments.

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 insurer for its policyholders; and
- To comply with the insurance capital requirements required by the CBI.

The capital position of the Company is monitored on a quarterly basis jointly by the finance and risk management functions 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 policyholders and regulators.

In particular, no distribution of dividends will compromise the ability of the Company to meet its current or future commitments to policyholders. 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:

	2017 €'000	2016 €'000
IFRS Shareholders Equity	**99,448**	**42,427**
Revaluation of Non-Life Reserves	(6,665)	(4,326)
Revaluation of Other Assets and Liabilities	1,098	303
Solvency II Own Funds	**93,881**	**38,404**
Change in Equity	**(5,567)**	**(4,023)**

- See section D.2 of this report for a detailed explanation of the differences in valuation of non-life technical provisions.
- The difference between other assets and liabilities arises from the difference in deferred tax balances due to the tax impact of the non-life valuation adjustment. See section D.1 and 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 S02.01.02 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 the end of the reporting period are €49 million and €12 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
Sum of risk components		
Market risk	15,241	5,057
Counterparty default risk	17,767	17,327
Non-Life underwriting risk	21,334	24,999
Diversification effects	(13,353)	(8,770)
BSCR	**40,989**	**38,613**
SCR operational risk	8,493	8,623
Adjustment for the loss absorbing effect of deferred taxes	—	(64)
SCR	**49,482**	**47,172**
Solvency II Own Funds	**93,881**	**38,404**
Ratio of Eligible Own Funds to SCR	**190%**	**81%**

The SCR has increased by €2.3 million since 31 December 2016 for the following reasons:

- Market risk has increased by €10.2 million (before diversification) due to an increase in investments held, as a result of the capital injections, an increase in credit spread risk from a greater allocation to corporate bonds and an increase in currency risk from an increase in U.S. Dollar exposure.
- Non-life underwriting risk has decreased by €3.7 million (before diversification) due to a decrease in premium and reserve risk partially offset by an increase in lapse risk.
- Counterparty default risk has increased by €0.4 million (before diversification) due to increases in recoverable balances.

The increase in the Ratio of Eligible Own Funds to SCR has increased due to the increase in Own Funds, partially offset by the increase the SCR.

At 31 December 2016, the Company did not have sufficient Own Funds to cover the SCR, as calculated using the Solvency II Standard Formula. The Company had assumed that the application of the Standard Formula could take into account the significant economic protection from the stop loss reinsurance agreement with PRCL, indicating a significantly higher Ratio of Eligible Own Funds to SCR than if the stop loss was excluded from the calculation.

When the Company calculated the Solvency II balance sheet and SCR, excluding the impact of the stop loss agreement, as at 31 December 2016, the movements in the valuation of assets and liabilities and the update of other Solvency II application assumptions resulted in the Ratio of Eligible Own Funds to SCR being lower than 100%.

The capital injections, made during 2017, brought the Ratio of Eligible Own Funds to SCR in excess of 100%. It is important to note that even though it is excluded from the Solvency II Standard Formula calculation, the stop loss agreement continues to offer significant economic protection to the Company.

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. 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	6,617	8,151
SCR	49,481	47,172
MCR cap	22,267	21,228
MCR floor	12,370	11,793
Combined MCR	12,370	11,793
Absolute floor of the MCR	3,700	3,700
MCR	**12,370**	**11,793**

The MCR is calculated by applying the factors specified in the regulation to underlying drivers: premiums and best estimates by lines of business for non-life business. Ultimately, the MCR is driven by the floor calculated as 25% of the Solvency Capital Requirement. The increase in the MCR is therefore driven by the increase in SCR described above. See template S.28.01.01 in the annex to this report for a further breakdown of the MCR calculation.

The Company was fully compliant with the MCR requirements throughout the reporting period.

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 sub-module.

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

As outlined in section E.2. above the Company was not compliant with the SCR as at 31 December 2016. The SCR amounted to €47 million and the Solvency II Own Funds amounted to €38 million - a deficit of €9 million.

When the Company calculated the Solvency II balance sheet and SCR, excluding the impact of the stop loss agreement, at the end of the period, the movements in the valuation of assets and liabilities and the update of other Solvency II application assumptions resulted in the Ratio of Eligible Own Funds to SCR being lower than 100%.

The Company's parent injected €10 million in January 2017 which remediated the breach, €20 million in March 2017 and €20 million in June 2017 to further strengthen the capital position. Following these capital injections the Company has sufficient capital to cover the SCR, bringing the Ratio of Eligible Own Funds to SCR to 190% at 31 December, 2017.

The Company is party to a regulatory investigation with the Central Bank of Ireland. On September 20, 2017, the Central Bank of Ireland (Central Bank) issued notices of commencement of investigation pursuant to Part IIIC of the Central Bank Act 1942, as amended (Act). In summary, the Central Bank 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 that this matter will have a material adverse effect on the Company’s business or financial condition.

Annex I
SE.02.01.b
Balance Sheet
31/12/2017
€'000

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	2,259
Pension benefit surplus	**R0050**	0.00
Property, plant & equipment held for own use	**R0060**	71,594
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	108,601
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	0
Equities - listed	**R0110**	0
Equities - unlisted	**R0120**	0
Bonds	**R0130**	108,481
Government Bonds	**R0140**	40,774
Corporate Bonds	**R0150**	67,707
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	121
Derivatives	**R0190**	0
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**	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	242,550
Non-life and health similar to non-life	**R0280**	242,550
Non-life excluding health	**R0290**	242,550
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	389
Insurance and intermediaries receivables	**R0360**	18,298
Reinsurance receivables	**R0370**	8,351
Receivables (trade, not insurance)	**R0380**	900
Own shares	**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**	17,762
Any other assets, not elsewhere shown	**R0420**	182
Total assets	**R0500**	399,364

Annex I
S.02.01.02
Balance Sheet
31/12/2017

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	290,880
Technical provisions – non-life (excluding health)	**R0520**	290,880
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	283,096
Risk margin	**R0550**	7,784
Technical provisions - health (similar to non-life)	**R0560**	0
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	0
Risk margin	**R0590**	0
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	0
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
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
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	0
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	520
Reinsurance payables	**R0830**	9,077
Payables (trade, not insurance)	**R0840**	1,776
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**	3,230
Total liabilities	**R0900**	305,484
Excess of assets over liabilities	**R1000**	93,880

Annex I
S.05.01.02
Premiums, claims and expenses by line of business
31/12/2017
€'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						34,219	33,393	89,484									157,097
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	26,741	0	2,581	0	0	0	0					29,322
Gross - Non-proportional reinsurance accepted	R0130													0	0	0	0	0
Reinsurers' share	R0140	0	0	0	0	0	53,966	31,149	81,414	0	0	0	0	0	0	0	0	166,528
Net	R0200	0	0	0	0	0	6,995	2,245	10,650	0	0	0	0	0	0	0	0	19,890
Premiums earned																		
Gross - Direct Business	R0210						32,874	45,078	58,267									136,219
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	27,814	0	2,696	0	0	0	0					30,509
Gross - Non-proportional reinsurance accepted	R0230													0	0	0	0	0
Reinsurers' share	R0240	0	0	0	0	0	53,456	40,284	52,838	0	0	0	0	0	0	0	0	146,577
Net	R0300	0	0	0	0	0	7,232	4,794	8,125	0	0	0	0	0	0	0	0	20,150
Claims incurred																		
Gross - Direct Business	R0310						10,109	43,771	28,430									82,310
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	-11,310	0	1,898	0	0	0	0					-9,412
Gross - Non-proportional reinsurance accepted	R0330													0	0	0	0	0
Reinsurers' share	R0340	0	0	0	0	0	3,589	42,104	27,335	0	0	0	0	0	0	0	0	73,028
Net	R0400	0	0	0	0	0	-4,790	1,666	2,992	0	0	0	0	0	0	0	0	-131
Changes in other technical provisions																		
Gross - Direct Business	R0410						0	0	0									0
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	0	0	0	0	126	2,114	7,545	0	0	0	0	0	0	0	0	9,785

Annex I
S.05.02.01

Premiums, claims and expenses by country

31/12/2017
€'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	R0010		(US) United States	(GB) United Kingdom	(IT) Italy	(NO) Norway	(DE) Germany	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	235	83,117	34,035	9,897	5,090	5,630	138,004
Gross - Proportional reinsurance accepted	R0120	0	567	1,203	91	940	0	2,802
Gross - Non-proportional reinsurance accepted	R0130	0	1,224	889	179	306	0	2,598
Reinsurers' share	R0140	210	76,808	32,273	9,082	5,660	5,030	129,063
Net	R0200	25	8,100	3,855	1,085	676	601	14,342
Premiums earned								
Gross - Direct Business	R0210	258	59,417	32,556	10,449	5,000	5,972	113,651
Gross - Proportional reinsurance accepted	R0220	0	633	332	31	1,062	2	2,060
Gross - Non-proportional reinsurance accepted	R0230	0	1,262	843	171	291	0	2,567
Reinsurers' share	R0240	227	54,369	29,654	9,363	5,585	5,252	104,450
Net	R0300	31	6,944	4,077	1,287	768	722	13,828
Claims incurred								
Gross - Direct Business	R0310	-34	59,263	24,481	2,985	-442	1,936	88,189
Gross - Proportional reinsurance accepted	R0320	0	366	-81	9	-2,879	-24	-2,610
Gross - Non-proportional reinsurance accepted	R0330	0	-380	-769	45	-214	-2	-1,319
Reinsurers' share	R0340	-34	59,355	23,674	3,045	-3,541	1,913	84,411
Net	R0400	0	-106	-42	-5	6	-3	-151
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	52	3,293	1,858	857	113	359	6,533
Other expenses	R1200							
Total expenses	R1300							6,533

Annex I
S.17.01.02
Non-life Technical Provisions
31/12/2017
€'000

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		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	Non-proportional property reinsurance	
		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	0	0	0	0	7,403	4,442	19,370	0	0	0	0	0	0	0	0	31,215
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	0	0	0	0	5,940	3,726	19,767	0	0	0	0	0	0	0	0	29,433
Net Best Estimate of Premium Provisions	**R0150**	0	0	0	0	0	1,463	716	-398	0	0	0	0	0	0	0	0	1,782
Claims provisions																		
Gross - Total	**R0160**	0	0	0	0	0	95,052	75,626	81,203	0	0	0	0	0	0	0	0	251,881
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	0	0	0	0	81,743	64,976	66,398	0	0	0	0	0	0	0	0	213,118
Net Best Estimate of Claims Provisions	**R0250**	0	0	0	0	0	13,308	10,650	14,805	0	0	0	0	0	0	0	0	38,764
Total Best estimate - gross	**R0260**	0	0	0	0	0	102,454	80,068	100,573	0	0	0	0	0	0	0	0	283,096
Total Best estimate - net	**R0270**	0	0	0	0	0	14,772	11,366	14,408	0	0	0	0	0	0	0	0	40,546
Risk margin	**R0280**	0	0	0	0	0	2,665	1,617	3,502	0	0	0	0	0	0	0	0	7,784
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	0	0	0	0	105,120	81,685	104,075	0	0	0	0	0	0	0	0	290,880
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	0	0	0	0	87,683	68,702	86,165	0	0	0	0	0	0	0	0	242,550
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	0	0	0	0	0	17,437	12,983	17,910	0	0	0	0	0	0	0	0	48,330

Annex I
S.19.01.21
Non-life Insurance Claims Information
31/12/2017
€'000

Z Axis:
TA/Non-cumulative

VG/Solvency II
Metric: Monetary
BC/Claims paid
BL/All members
AX/All members
OC/All members
AF/All members

Line of business	Z0010	LB_31
Accident year / Und	Z0020	2
Currency	Z0030	CU_1
Currency conversion	Z0040	CA_1

Gross Claims Paid (non-cumulative) - Development year (absolute amount)

		0	1	2	3	4	5	6	7	8	9	10
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											11,986
N-9	R0160	50	1,095	241	428	475	109	95	1,070	253	4	
N-8	R0170	111	458	233	116	31	6	69	3	9		
N-7	R0180	185	24,774	26,071	9,040	830	115	137	282			
N-6	R0190	567	6,063	6,726	4,647	6,201	1,711	1,627				
N-5	R0200	293	8,696	5,178	3,352	1,684	463					
N-4	R0210	1,065	21,362	15,011	4,524	2,993						
N-3	R0220	2,053	22,342	17,002	19,851							
N-2	R0230	3,234	25,601	39,199								
N-1	R0240	7,795	19,782									
N	R0250	3,986										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	12	7,143
N-9	R0160	4	3,819
N-8	R0170	9	1,036
N-7	R0180	282	61,435
N-6	R0190	1,627	27,542
N-5	R0200	463	19,667
N-4	R0210	2,993	44,954
N-3	R0220	19,851	61,249
N-2	R0230	39,199	68,033
N-1	R0240	19,782	27,577
N	R0250	3,986	3,986
Total	R0260	88,196	319,298

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount)

		0	1	2	3	4	5	6	7	8	9	10
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											524,383
N-9	R0160									144	185	
N-8	R0170								220	244		
N-7	R0180							33	901			
N-6	R0190						11,502	9,079				
N-5	R0200					13,863	8,895					
N-4	R0210				16,871	11,821						
N-3	R0220			69,011	39,464							
N-2	R0230		109,374	71,663								
N-1	R0240	44,316	71,861									
N	R0250	46,681										

		Year end (discounted data)
		C0360
Prior	R0100	317
N-9	R0160	176
N-8	R0170	238
N-7	R0180	848
N-6	R0190	8,488
N-5	R0200	8,694
N-4	R0210	11,389
N-3	R0220	38,250
N-2	R0230	69,385
N-1	R0240	69,149
N	R0250	44,946
Total	R0260	251,881

Annex I
S.23.01.01
Own funds
31/12/2017
€'000
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	2,249	2,249			
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	-22,090	-22,090			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	2,259				2,259
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	111,463	111,463			
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	93,880	91,622			2,259
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	93,880	91,622			2,259
Total available own funds to meet the MCR	R0510	91,622	91,622			
Total eligible own funds to meet the SCR	R0540	93,880	91,622			2,259
Total eligible own funds to meet the MCR	R0550	91,622	91,622			
SCR	R0580	49,481				
MCR	R0600	12,370				
Ratio of Eligible own funds to SCR	R0620	190%				
Ratio of Eligible own funds to MCR	R0640	741%				

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	93,880
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	115,970
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	-22,090
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	5,680
Total EPIFP	R0790	5,680

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula
31/12/2017
€'000

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	15,241	15,241	0
Counterparty default risk	R0020	17,767	17,767	0
Life underwriting risk	R0030	0	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	21,334	21,334	0
Diversification	R0060	-13,353	-13,353	
Intangible asset risk	R0070	0	0	
Basic Solvency Capital Requirement	R0100	40,988	40,988	

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Operational risk	R0130	8,493
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
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	49,481
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	49,481
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Annex I

S.28.01.01

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

31/12/2017

€'000

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	6,616,751.53

		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	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	14,772	6,995
Fire and other damage to property insurance and proportional reinsurance	R0080	11,366	2,245
General liability insurance and proportional reinsurance	R0090	14,408	10,650
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
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	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Overall MCR calculation		C0070
Linear MCR	R0300	6,617
SCR	R0310	49,481
MCR cap	R0320	22,267
MCR floor	R0330	12,370
Combined MCR	R0340	12,370
Absolute floor of the MCR	R0350	3,700
Minimum Capital Requirement	R0400	12,370

31 December 2016
Annex I
SE.02.01.02
Balance sheet
€'000

Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	2,312
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	126
Investments (other than assets held for index-linked and unit-linked contra	**R0070**	87,246
Property (other than for own use)	**R0080**	-
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	-
Equities - listed	**R0110**	-
Equities - unlisted	**R0120**	-
Bonds	**R0130**	87,217
Government Bonds	**R0140**	84,639
Corporate Bonds	**R0150**	2,578
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	28
Derivatives	**R0190**	-
Deposits other than cash equivalents	**R0200**	-
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	-
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	-
Reinsurance recoverables from:	**R0270**	230,347
Non-life and health similar to non-life	**R0280**	230,347
Non-life excluding health	**R0290**	230,347
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-li	**R0310**	-
Health similar to life	**R0320**	-
Life excluding health and index-linked and unit-linked	**R0330**	-
Life index-linked and unit-linked	**R0340**	-
Deposits to cedants	**R0350**	26
Insurance and intermediaries receivables	**R0360**	8,074
Reinsurance receivables	**R0370**	6,726
Receivables (trade, not insurance)	**R0380**	4,172
Own shares (held directly)	**R0390**	-
Amounts due in respect of own fund items or initial fund called up but not	**R0400**	-
Cash and cash equivalents	**R0410**	23,160
Any other assets, not elsewhere shown	**R0420**	686
Total assets	**R0500**	362,874

Annex I
SE.02.01.02
Balance sheet
€'000

Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	298,172
Technical provisions – non-life (excluding health)	**R0520**	298,172
Technical provisions calculated as a whole	**R0530**	-
Best Estimate	**R0540**	287,443
Risk margin	**R0550**	10,729
Technical provisions - health (similar to non-life)	**R0560**	-
Technical provisions calculated as a whole	**R0570**	-
Best Estimate	**R0580**	-
Risk margin	**R0590**	-
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	-
Technical provisions - health (similar to life)	**R0610**	-
Technical provisions calculated as a whole	**R0620**	-
Best Estimate	**R0630**	-
Risk margin	**R0640**	-
Technical provisions – life (excluding health and index-linked and unit-link	**R0650**	-
Technical provisions calculated as a whole	**R0660**	-
Best Estimate	**R0670**	-
Risk margin	**R0680**	-
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**	-
Deposits from reinsurers	**R0770**	-
Deferred tax liabilities	**R0780**	444
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Insurance & intermediaries payables	**R0820**	892
Reinsurance payables	**R0830**	10,100
Payables (trade, not insurance)	**R0840**	14,620
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**	242
Total liabilities	**R0900**	324,470
Excess of assets over liabilities	**R1000**	38,404

31 December 2016
Annex I
S.05.01.02

Premiums, claims and expenses by line of business

€'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				
		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						27,181	57,711	67,680									152,572
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	26,395	0	2,679	-	-	-	-					29,074
Gross - Non-proportional reinsurance accepted	R0130													-	-	-	-	-
Reinsurers' share	R0140	-	-	-	-	-	47,422	50,982	62,368	-	-	-	-	-	-	-	-	160,772
Net	R0200	-	-	-	-	-	6,154	6,729	7,991	-	-	-	-	-	-	-	-	20,874
Premiums earned																		
Gross - Direct Business	R0210						33,640	58,891	46,935									139,466
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	32,206	0	2,726	-	-	-	-					34,932
Gross - Non-proportional reinsurance accepted	R0230													-	-	-	-	-
Reinsurers' share	R0240	-	-	-	-	-	57,328	51,793	42,654	-	-	-	-	-	-	-	-	151,775
Net	R0300	-	-	-	-	-	8,518	7,098	7,007	-	-	-	-	-	-	-	-	22,623
Claims incurred																		
Gross - Direct Business	R0310						37,004	39,428	32,160									108,592
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	20,439	0	-1,515	-	-	-	-					18,924
Gross - Non-proportional reinsurance accepted	R0330													-	-	-	-	-
Reinsurers' share	R0340	-	-	-	-	-	50,108	34,318	26,823	-	-	-	-	-	-	-	-	111,249
Net	R0400	-	-	-	-	-	7,335	5,110	3,822	-	-	-	-	-	-	-	-	16,267
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	-	-	-	-	-	5,474	4,049	3,867	-	-	-	-	-	-	-	-	13,390
Other expenses	R1200																	
Total expenses	R1300																	13,390

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S.05.01.02

€'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	R0010		(US) United States	(GB) United Kingdom	(IT) Italy	(NO) Norway	(DE) Federal Republic of Germany	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	4,688	81,774	26,177	7,504	4,762	4,667	129,572
Gross - Proportional reinsurance accepted	R0120	-	2,671	3,840	15	1,170	98	7,794
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	4,149	74,741	26,568	6,655	5,250	4,218	121,581
Net	R0200	539	9,704	3,449	864	682	547	15,785
Premiums earned								
Gross - Direct Business	R0210	1,799	62,228	29,792	6,522	5,750	4,513	110,604
Gross - Proportional reinsurance accepted	R0220	-	2,729	3,955	16	1,365	146	8,211
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	1,565	56,531	29,369	5,690	6,192	4,055	103,402
Net	R0300	234	8,426	4,378	848	923	604	15,413
Claims incurred								
Gross - Direct Business	R0310	7,065	49,572	40,703	133	3,627	3,395	104,495
Gross - Proportional reinsurance accepted	R0320	0	-280	787	-18	-773	-29	-313
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	6,162	43,003	36,191	102	2,491	2,936	90,885
Net	R0400	903	6,289	5,299	13	363	430	13,297
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	-28	6,017	1,895	283	602	450	9,219
Other expenses	R1200							
Total expenses	R1300							9,219

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S.17.01.02
Non-life Technical Provisions
€'000

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		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	
		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**	-	-	-	-	-	10,787	10,916	13,436	-	-	-	-	-	-	-	-	35,139
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	-	-	8,348	9,962	13,989	-	-	-	-	-	-	-	-	32,299
Net Best Estimate of Premium Provisions	**R0150**	-	-	-	-	-	2,439	954	- 553	-	-	-	-	-	-	-	-	2,840
Claims provisions																		
Gross - Total	**R0160**	-	-	-	-	-	128,359	66,379	57,565	-	-	-	-	-	-	-	-	252,303
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	-	-	102,916	50,876	44,255	-	-	-	-	-	-	-	-	198,047
Net Best Estimate of Claims Provisions	**R0250**	-	-	-	-	-	25,443	15,503	13,310	-	-	-	-	-	-	-	-	54,256
Total Best estimate - gross	**R0260**	-	-	-	-	-	139,147	77,295	71,000	-	-	-	-	-	-	-	-	287,442
Total Best estimate - net	**R0270**	-	-	-	-	-	27,883	16,457	12,756	-	-	-	-	-	-	-	-	57,096
Risk margin	**R0280**	-	-	-	-	-	4,641	2,571	3,517	-	-	-	-	-	-	-	-	10,729
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**	-	-	-	-	-	143,788	79,866	74,517	-	-	-	-	-	-	-	-	298,171
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	-	-	111,264	60,838	58,244	-	-	-	-	-	-	-	-	230,346
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	-	-	-	-	-	32,524	19,028	16,273	-	-	-	-	-	-	-	-	67,825

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

Accident year / Underwriting year	Z0010	2

Gross Claims Paid (non-cumulative)
(absolute amount)

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											4	4	4
N-9	R0160	111	972	397	193	68	268	39	146	7	39		39	2,240
N-8	R0170	53	1,168	257	456	506	116	101	1,141	270			270	4,068
N-7	R0180	118	488	249	124	33	7	74	3				3	1,096
N-6	R0190	197	26,417	27,800	9,639	885	124	146					146	65,208
N-5	R0200	605	6,465	7,172	4,955	6,612	1,824						1,824	27,633
N-4	R0210	313	9,272	5,522	3,574	1,796							1,796	20,477
N-3	R0220	1,136	22,778	16,006	4,824								4,824	44,744
N-2	R0230	2,189	23,824	18,130									18,130	44,143
N-1	R0240	3,448	27,298										27,298	30,746
N	R0250	8,312											8,312	8,312
	Total R0260												62,642	248,671

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

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											190	183
N-9	R0160										-451		-467
N-8	R0170									144			139
N-7	R0180								220				218
N-6	R0190							33					26
N-5	R0200						11,502						10,878
N-4	R0210					13,863							13,638
N-3	R0220				16,871								15,954
N-2	R0230			69,011									65,646
N-1	R0240		109,374										103,828
N	R0250	44,316											42,260
	Total R0260												252,120

31 December 2016
Annex I
S.23.01.01
Own funds
€'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	2,249	2,249			
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	-27,176	-27,176			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	1,868				1,868
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	61,463	61,463			
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	38,404	36,536			1,868
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	38,404	36,536			1,868
Total available own funds to meet the MCR	R0510	36,536	36,536			
Total eligible own funds to meet the SCR	R0540	38,404	36,536			1,868
Total eligible own funds to meet the MCR	R0550	36,536	36,536			
SCR	R0580	47,172				
MCR	R0600	11,793				
Ratio of Eligible own funds to SCR	R0620	81%				
Ratio of Eligible own funds to MCR	R0640	310%				

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	38,404
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	65,580
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	-27,176
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	5,666
Total Expected profits included in future premiums (EPIFP)	R0790	5,666

31 December 2016
Annex I
S25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula
€'000

		Net solvency capital requirement	USP	Simplifications
		C0030	C0040	C0050
Market risk	R0010	5,057		-
Counterparty default risk	R0020	17,327		
Life underwriting risk	R0030	-	-	-
Health underwriting risk	R0040	-	-	-
Non-life underwriting risk	R0050	24,999	-	-
Diversification	R0060	-8,770		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	38,613		

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	-
Operational risk	R0130	8,623
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-64
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	47,172
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	47,172
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	-

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	8,151

		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	-	-
Income protection insurance and proportional reinsurance	R0030	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	27,883	6,157
Fire and other damage to property insurance and proportional reinsurance	R0080	16,457	6,632
General liability insurance and proportional reinsurance	R0090	12,756	8,085
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-
		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	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	8,151
SCR	R0310	47,172
MCR cap	R0320	21,228
MCR floor	R0330	11,793
Combined MCR	R0340	11,793
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	11,793