Partner Reinsurance Europe SE

2018

Solvency and Financial Condition Report

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SUMMARY

Partner Reinsurance Europe SE ("the Company" or "PRESE") is an Irish based reinsurance company that writes non-life and life reinsurance business with cedants on a worldwide basis. The Company is regulated by the Central Bank of Ireland ("CBI"). The Company is a fully owned subsidiary of the PartnerRe Group ("the 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).

The Company is incorporated under the laws of Ireland and is subject to regulation by the CBI under, inter alia, the European Union (Insurance and Reinsurance) Regulations 2015.

As at 31 December 2018, the Company had branches in France, Switzerland, Hong Kong, U.K. and U.A.E. and subsidiaries incorporated in Brazil (a representative office of the Company) and Miami. The French, Swiss, Hong Kong, U.K. and U.A.E. branches are subject to supervision by the CBI. Additionally, the Hong Kong, U.K. and U.A.E. branches are subject to local regulation. PRE Brazil and PRE Miami are subject to regulation in their respective territories.

During the year the Board of Directors took the decision to close the Dubai branch of the Company. It is expected that this branch will be closed by 1 July 2019. A closure step plan is in place to address the various actions to be taken and both the Irish and Dubai regulators have been updated. The closure of this branch will not have a material impact on the Company's activities or risk profile.

The Company wishes to extend the Hong Kong branch lines of business to include Life Reinsurance and has submitted an application and business plan for approval to the Insurance Authority ("IA") in Hong Kong and notification has been submitted to the CBI. This application continues to be reviewed by the IA.

The Company and PartnerRe Ireland Insurance dac (PRIIdac), a related entity, were parties to a regulatory investigation with the CBI. In summary, the CBI alleged contraventions of the Corporate Governance Requirements for Insurance Undertakings 2015 and the Solvency II Regulations. The Company entered into a settlement agreement with the CBI on 16 August 2018, resulting in the CBI closing their investigation and fining the Company €0.6m. There were no other sanctions against the Company and the CBI further noted that the Company had demonstrated adequate remediation by May 2018.

Uncertainty persists around the precise form that Brexit will ultimately take. As part of comprehensive contingency planning, the Company have considered a range of possible scenarios of Brexit and appropriate courses of action to take in various scenarios.

In the event of a "Hard Brexit" scenario, a temporary permission has been secured for the Company under the proposed U.K. Temporary Permission regime. This permission will secure the Company's access to the U.K. market throughout the term of the Temporary Permission regime (a period up to 3 years). During the term of the temporary permission regime the Company will develop a more informed view of the actual impact of Brexit on the U.K. reinsurance market and thereafter take steps to implement an operating model which preserves the Company's access to the U.K. market post the U.K. Temporary Permission regime. In the event of an orderly Brexit under the terms of an agreed "Withdrawal Agreement" between the U.K. and the EU, the Company's access to the U.K. market will remain intact until December 2020 pursuant to the envisaged "Transitional Period" which will form part of the negotiated terms.

Updates on Brexit developments and related contingency planning have been provided to the Company's Board throughout 2018 and will continue into 2019.

The Company earned a post-tax profit of €1 million in 2018 (2017: €137 million), which included an underwriting profit of €63 million (2017: €75 million) and other income of €34 million (2017: €9 million), partially offset by foreign exchange losses of €(52) million (2017: €(6) million), amortisation of intangible assets of €16 million (2017: €8 million) and tax expense of €(28) million (2017: €(24) million). See sections A.1., 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 the Board 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.

The core of the Company's business model is the assumption and management of risk, which is described in further detail in Section C of this report. The Company is exposed to underwriting, market, credit, liquidity and operational risks. The Company mitigates its exposure to underwriting risk through the use of retrocession, with the most significant protections being a 65% (55% for 2016 and prior underwriting years) quota share with Partner Reinsurance Company Ltd ("PRCL") and a 10% quota share with Partner Reinsurance Asia Pte. Ltd ("PRA"), both are Group companies.

Additionally, the risk profile of the Company has evolved in line with PartnerRe's and the Company's business strategy. Changes related to the Nat Cat limit and Longevity limit were revised during the course of 2018.

As a result of a business decision and following the change in scope of the Company and PRCL, the Company's Natural Catastrophe exposure from Latin America (principally Chile earthquake) is held gross in the Company and not ceded to PRCL.

Longevity risk has increased during 2018 as a result of the Company writing two large longevity contracts.

The Company had total Own Funds in its Solvency II balance sheet of €1,897 million as at 31 December 2018 (2017: €1,856 million). The assets and liabilities in the Solvency II balance sheet were valued using Solvency II valuation rules. The Solvency II valuation rules are different, in some areas, than those used in the Company's IFRS financial statements, with the valuation of technical provisions being the major area of difference. See section D for more detail on the valuation methods, bases and assumptions of assets and liabilities in the Solvency II balance sheet as well as a comparison to IFRS. There were no significant changes to the valuation basis of the Company's assets and liabilities during the year.

The Company's Solvency II Own Funds were as follows as at 31 December 2018 and 2017:

	2018 €'000	2017 €'000
Ordinary share capital	245,092	245,092
Reconciliation reserve	698,790	668,945
Net deferred tax assets	11,022	—
Other Own Funds approved by the supervisory authority	941,788	941,788
Total Solvency II Own Funds	**1,896,692**	**1,855,825**

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. There have been no material changes in the Company's capital management objectives, policies and processes during the year.

The Company's MCR, SCR, Solvency II Own Funds and Ratio of Eligible Own Funds to SCR were as follows as at 31 December 2018 and 2017:

	2018 €'000	2017 €'000
MCR	359,074	381,006
SCR	1,321,341	1,373,789
Solvency II Own Funds	1,896,692	1,855,825
Ratio of Eligible Own Funds to SCR	**144%**	**135%**

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

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

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

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

During the year the Board of Directors took the decision to close the Dubai branch of the Company, which is expected to be closed by 1 July 2019. The Company has also submitted an application and business plan for approval to the Insurance Authority in Hong Kong to extend the Hong Kong branch lines of business to include Life reinsurance and has submitted an application to the CBI.

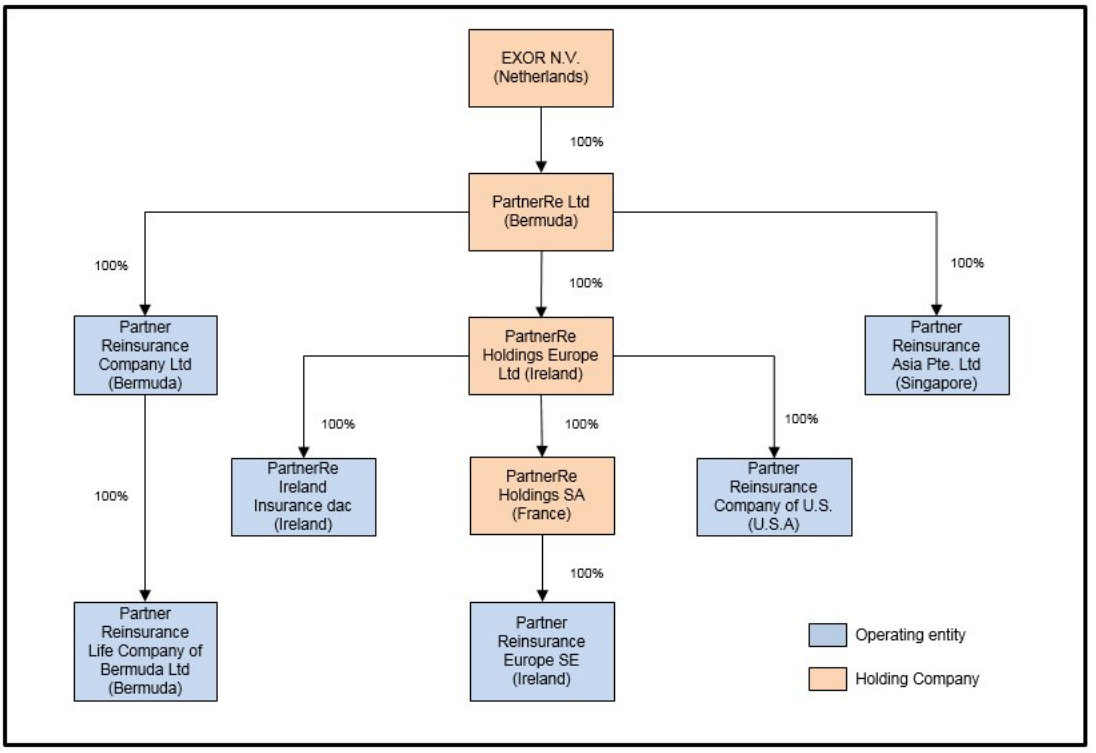
Uncertainty persists around the precise form that Brexit will ultimately take. In the event of a hard Brexit scenario a temporary permission has been secured for the Company under the proposed U.K. Temporary Permission regime. This permission will secure the Company's access to the U.K. market throughout the term of the Temporary Permission regime (a period of up to 3 years).

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

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

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

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



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

Business Strategy and Outlook

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

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

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

Similarly, for the Company's investment risks, which include public, private market and property investments, diversification of risks is critical to achieving the risk and return objectives of the Company. The Company's investment policy distinguishes between liquid, high quality assets that support the Company's liabilities, and the more diversified, higher risk asset classes that make up a portion of the Company's capital 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 underwriting risks, this increases the overall diversification of the Company's total risk portfolio. The Company's investments are managed by PartnerRe Asset Management Corp., a related company.

During the 1 January 2019 renewals, all non-life business units continued to experience a challenging market environment. Obtaining better terms and conditions was possible where accounts were loss impacted, and there were certain Specialty Lines where the pricing cycle finally reached its lowest point, in particular for Onshore Energy business. In the Natural Catastrophe area, there were price increases and with the well publicised contraction of key insurance-linked securities ("ILS") market participants, there was some scope for improved terms. The intrinsic price of risk did not revalue across the broader risk spectrum. Clients were still extremely cost conscious and continued to search for improved efficiencies. This is characterised by increased cedant retentions, bundling of exposures and continuing stiff competition. Most cedants continue to retain more business thereby decreasing the available premium in the global industry. This combined with the impact of M&A which is gradually shrinking the client base continues to provide a challenge to writing profitable business. Despite these persistent challenging market conditions, the Company believes that its strong global franchise and geographic footprint, long track record and broad yet highly technical capabilities over many lines of business position the Company well for the future. The Company expects to continue with its initiatives to find additional areas of attractive new business and expand relationships with its key clients. Overall, the expected premium volume, on a constant foreign exchange basis, from the Company's 1 January 2019 renewals was relatively flat compared to the prior year renewal but in line with expectations, with the Company maintaining its position in a competitive market.

In terms of the Company's Life portfolio, the active 1 January 2019 renewals only impact the short-term in-force premium in the mortality line, which is a relatively limited portion of the overall Life portfolio. For those treaties that actively renew, pricing conditions and terms were modestly softer compared to the prior year renewal.

Management expects moderate continued growth in the Company's Life portfolio in 2019 from new business initiatives, assuming constant foreign exchange rates.

Employees

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

The average number of employees of the Company are categorised as follows for 2018 and 2017:

	2018 Number	2017 Number
Underwriting	121	124
Finance	17	23
Operations	80	72
IT	44	43
Total	**262**	**262**

A.2. UNDERWRITING PERFORMANCE

The following table outlines the Company's underwriting performance for 31 December 2018 and 2017:

2018	**Non-Life** **€'000**	**Life** **€'000**	**Total** **€'000**
Gross premium written	1,751,769	848,120	2,599,889
Net premium written	481,124	342,729	823,853
Net premium earned	467,696	342,895	810,591
Net claims incurred	245,224	295,286	540,510
Acquisition cost	76,452	5,607	82,059
Underwriting profit	**146,020**	**42,002**	**188,022**
- Administration expenses	71,999	52,787	124,786
- Investment expenses	3,327	2,439	5,766
Total underwriting result	**70,694**	**(13,224)**	**57,470**

2017	**Non-Life** **€'000**	**Life** **€'000**	**Total** **€'000**
Gross premium written	1,761,243	723,906	2,485,149
Net premium written	485,771	312,115	797,886
Net premium earned	567,303	313,321	880,624
Net claims incurred	294,972	270,974	565,946
Acquisition cost	109,790	(744)	109,046
Underwriting profit	**162,541**	**43,091**	**205,632**
- Administration expenses	84,086	46,440	130,526
- Investment expenses	4,475	2,472	6,947
Total underwriting result	**73,980**	**(5,821)**	**68,159**

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

The material Solvency II lines of business include the following exposures;

- Proportional reinsurance - fire and other damage to property includes exposures from property, agriculture, energy and engineering risks;

- Proportional reinsurance - marine, aviation and transport includes aviation, marine and energy offshore exposures;
- Proportional reinsurance - credit and suretyship includes exposures from trade credit, mortgage, political risk and surety;
- Life and health reinsurance includes life, health and annuity risks, and;
- Other includes the following lines of business: income protection, workers' compensation, motor vehicle liability, other motor, general liability and the non-proportional lines of business - health, casualty, marine, aviation, transport and property.

The following tables outline the Company's underwriting performance by the material Solvency II lines of business for 2018 and 2017.

2018	Proportional Reinsurance - Fire and other damage to property	Proportional Reinsurance - Marine, aviation and transport	Proportional Reinsurance - Credit and suretyship	Life and Health Reinsurance	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	503,996	260,552	245,236	848,120	741,985	**2,599,889**
Net premium written	137,128	62,139	64,412	342,729	217,445	**823,853**
Net premium earned	134,896	67,222	66,346	342,895	199,232	**810,591**
Net claims incurred	108,959	36,232	18,146	295,286	81,887	**540,510**
Acquisition cost	18,954	8,140	21,394	5,607	27,964	**82,059**
Underwriting profit	**6,983**	**22,850**	**26,806**	**42,002**	**89,381**	**188,022**
Administration expenses	20,766	10,348	10,213	52,787	30,672	124,786
Investment expenses	960	478	472	2,439	1,417	5,766
Total underwriting result	**(14,743)**	**12,024**	**16,121**	**(13,224)**	**57,292**	**57,470**

2017	Proportional Reinsurance - Fire and other damage to property	Proportional Reinsurance - Marine, aviation and transport	Proportional Reinsurance - Credit and suretyship	Life and Health Reinsurance	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	519,677	297,527	279,488	723,906	664,591	**2,485,189**
Net premium written	139,813	70,206	77,764	312,115	197,988	**797,886**
Net premium earned	172,620	91,854	86,675	313,321	216,154	**880,624**
Net claims incurred	94,136	36,794	26,436	270,974	137,606	**565,946**
Acquisition cost	23,702	20,969	32,367	(744)	32,752	**109,046**
Underwriting profit	**54,782**	**34,091**	**27,872**	**43,091**	**45,796**	**205,632**
Administration expenses	25,586	13,615	12,846	46,440	32,039	130,526
Investment expenses	1,362	725	684	2,472	1,704	6,947
Total underwriting result	**27,834**	**19,751**	**14,342**	**(5,821)**	**12,053**	**68,159**

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

Proportional Reinsurance - Fire and other damage to property

Gross premiums written for the year ended 31 December 2018 is €504 million, this represents a decrease of €16 million when compared to the year ended 31 December 2017. This decrease was mainly due to reduced participations, increased cedant retentions and premium reductions in some classes of business.

Net premium earned for the year ended 31 December 2018 is €135 million, this represents a decrease of €38 million when compared to year ended 31 December 2017. This decrease was mainly driven by an increase in ceded premiums written through the internal quota share with PRCL.

The underwriting result was €(14) million for the year ended 31 December 2018. This represents a decrease of €43 million when compared to the year ended 31 December 2017. The decrease was predominately driven by

unfavorable prior underwriting years loss development due to higher losses reported by cedants for prior underwriting years than what the Company expected for certain lines of business compared to an update in 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.

In addition, there was a reduction in expenses incurred, which also mitigated some of the negative underwriting result year on year.

Proportional Reinsurance - Marine, aviation and transport

Gross premium written for the year ended 31 December 2018 is €261 million, this represents a decrease of €37 million when compared to the year ended 31 December 2017. This decrease was mainly due to the reduction in premium assumed from PartnerRe Ireland Insurance dac ("PRIIdac") as a result of the sale of part of the PRIIdac book and reduction in existing business during the period.

Net premium earned for the year ended 31 December 2018 is €67 million, this represents a decrease of €25 million when compared to the year ended 31 December 2017. This decrease was mainly driven due to an increase in ceded premiums written on business ceded via the internal quota share with PRCL.

The underwriting result was €12 million for the year ended 31 December 2018. This represents a decrease of €8 million when compared to the year ended 31 December 2017. This decrease was predominately higher mid-sized loss activity in the current year compared to the prior year and a strengthening of reserve assumptions in relation to certain lines of business.

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

Proportional Reinsurance - Credit and suretyship

Gross premium written for the year ended 31 December 2018 is €245 million, this represents a decrease of €35 million when compared to the year ended 31 December 2017. This decrease was mainly due to a reduction of premium on certain material treaties and the timing difference for a long-term mortgage guarantee contract.

Net premium earned for the year ended 31 December 2018 is €66 million, this represents a decrease of €20 million when compared to the year ended 31 December 2017. This decrease was mainly due to a reduction of premium on a certain material treaty.

The underwriting result was €16 million for the year ended 31 December 2018. This represents a slight increase of €2 million when compared to the year ended 31 December 2017. The increase in underwriting result is mainly driven by favorable loss emergence from prior underwriting years, mostly offset by reduction in net premiums earned discussed above.

Life and Health Reinsurance

Gross premium written for the year ended 31 December 2018 is €848 million, this represents an increase of €124 million when compared to the year ended 31 December 2017. This increase was mainly due to two new large longevity contracts that the Company wrote during the year.

The underwriting result was a loss of €(11) million which is mainly due a slight deterioration in the underwriting profit driven by some adverse loss development and an increase in expenses which aligns with the increase in net premium earned compared to the prior year.

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

Other

There are a number of offsetting impacts within this category, however the key lines of business driving the result for this category are the non-proportional lines of business. The main drivers for the increase in the underwriting result year on year are non-proportional - casualty and the non-proportional - marine, aviation and transport lines of business. For the non-proportional - casualty line the increase in the 2018 result was as a result of a one-off strengthening of the reserves which occurred in 2017 as a result of the Ogden rate change. The positive variance year on year on the non-proportional - marine, aviation and transport line of business was due to the favourable development of previously reported natural catastrophe losses and the release of prior year reserves.

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

Expenses

Administration and investment expenses are allocated allocated across the different lines of business on the basis of net earned premium. Accordingly, the key driver for the movement in these expenses year on year is the fluctuation in the net earned premium.

Geographical Analysis

2018	Top 5 countries by location of cedant							
	Ireland	U.K.	United States	Germany	France	Switzerland	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	66,683	691,101	329,881	195,592	146,000	114,566	1,056,067	2,599,890
Net premium written	25,322	242,120	92,096	54,945	50,426	32,377	326,567	823,853
Net premium earned	28,695	237,624	79,065	54,644	50,570	33,089	326,904	810,591
Net claims incurred	25,676	181,931	33,457	35,346	30,172	19,981	213,947	540,510
Acquisition cost	6,569	1,111	16,536	5,714	3,081	14,064	34,984	82,059
Underwriting profit	**(3,550)**	**54,582**	**29,072**	**13,584**	**17,317**	**(956)**	**77,973**	**188,022**
Administration expenses	4,417	36,581	12,172	8,412	7,785	5,094	50,325	124,786
Investment expenses	204	1,690	562	389	360	235	2,326	5,766
Total underwriting result	**(8,171)**	**16,311**	**16,338**	**4,783**	**9,172**	**(6,285)**	**25,322**	**57,470**

2017	Top 5 countries by location of cedant							
	Ireland	U.K.	United States	Germany	France	Bermuda	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	89,545	618,462	305,938	207,170	148,621	104,430	1,010,983	2,485,149
Net premium written	34,780	221,649	87,133	58,311	51,725	39,419	304,869	797,886
Net premium earned	41,600	238,269	96,730	70,578	53,657	45,255	334,535	880,624
Net claims incurred	44,456	224,395	48,337	35,001	22,854	35,066	155,837	565,946
Acquisition cost	7,056	5,731	29,597	13,000	868	2,407	50,387	109,046
Underwriting profit	**(9,912)**	**8,143**	**18,796**	**22,577**	**29,935**	**7,782**	**128,311**	**205,632**
Administration expenses	6,166	35,316	14,337	10,461	7,953	6,707	49,586	130,526
Investment expenses	328	1,879	763	557	423	358	2,639	6,947
Total underwriting result	**(16,406)**	**(29,052)**	**3,696**	**11,559**	**21,559**	**717**	**76,086**	**68,159**

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

A.3. INVESTMENT PERFORMANCE

The following table outlines the investment income and expenses for the period ending 31 December 2018 and 2017:

	2018 €'000	2017 €'000
Interest income on fixed income and cash and cash equivalents	75,571	74,460
Dividend income on equities	26	2,178
Net realised losses *	(62,992)	(5,170)
Net unrealised (losses)/gains *	(16,444)	15,403
Investment management and other related expenses	(5,794)	(6,970)
Other	1,384	224
Total net of expenses	**(8,249)**	**80,125**

* The Company has reclassified €82.7m net realised and unrealised foreign exchange losses arising on investments previously presented in 2017 to the net foreign exchange losses in the Company's statement of profit or loss and other comprehensive income.

The Company's investments are primarily held in fixed income securities and accordingly interest income accounts for the vast majority of the income arising from investments.

Realised losses of €(63) million (2017: €(5) million) and unrealised losses of €(16) million (2017: €15 million) occurred during the year. The realised losses on fixed maturities and short-term investments were primarily driven by significant portfolio realignment in 2018 to lock in higher USD yields at lower end of yield curve. The unrealised losses were driven by the increase in the U.S. and European risk-free rates and the widening of the U.S. and European investment grade corporate spreads.

The Company did not recognise any gains or losses with respect to its investment portfolio directly in other comprehensive income (within equity) during the year as its portfolio is primarily valued at fair value through profit or loss.

As of 31 December 2018, €371 million (2017: €513 million), or 11.0% (2017: 14.5%) of the Company's fixed income securities were invested in securitisations.

The Company delegates large majority of the management of its investment in securitisations directly to the internal asset management unit of the Group which has over a decade of experience in managing this asset class. At the date of this report the Company's exposure to securitisations was 99% to securitisations issued by U.S. government sponsored enterprises. These securitisations are highly rated and are amongst the most liquid of all securitisations types.

A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company recognised foreign exchange losses for the financial year 2018 of €(52) million (2017: €(6) million) in the income statement from the revaluation of reinsurance balances held in currencies other than the functional currency. The Company holds financial assets (mainly investments and derivative instruments) denominated in these other currencies to economically hedge this currency exposure. The Company also recognised a gain of €44 million (2017: €(147) million) directly in equity from translating the balance sheets of branches with a functional currency other than Euro.

Other income for the Company amounted to €32 million (2017: €9 million), of which €25 million related to the one-off gain following the Colisée Re business commutation. The Company had a reinsurance contract and a reserve guarantee arrangement with Colisée Re which was commuted with effect from 1 October 2018.

The Company recognised a total income tax expense of €28 million (2017: €24 million) reflecting the location of profits earned across the Company's branches and the significant share of the technical profits arising in branches located in foreign jurisdictions with higher tax rates than Ireland, offset by the losses on the investment portfolio and the foreign exchange losses arising mainly in the Company's head office in Ireland.

The Company leases primarily office space under non-cancellable operating lease arrangements. The Company incurred lease expenses of €11 million (2017: €11 million).

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

General governance standards and structure

The Board structure and responsibilities are set out in its Board Charter. The Board are collectively responsible for acting in the interests of the shareholder 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 Director (the General Manager) and four Non-Executive Directors (Group "NED"s) who are employed within the Group but not by the Company. The Chairman of the Board is proposed for reappointment on an annual basis. The Chairman, in conjunction with the Company Secretary, ensures that all directors receive appropriate on-going training and are actively encouraged to further their personal development in matters relevant to the Company and its interests.

The Board has delegated some of its key functions to the Audit Committee and the Risk Committee (together referred to as "the Committees"). This enables effective management, oversight and governance while allowing the Board to carry 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 defence 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 its branches).

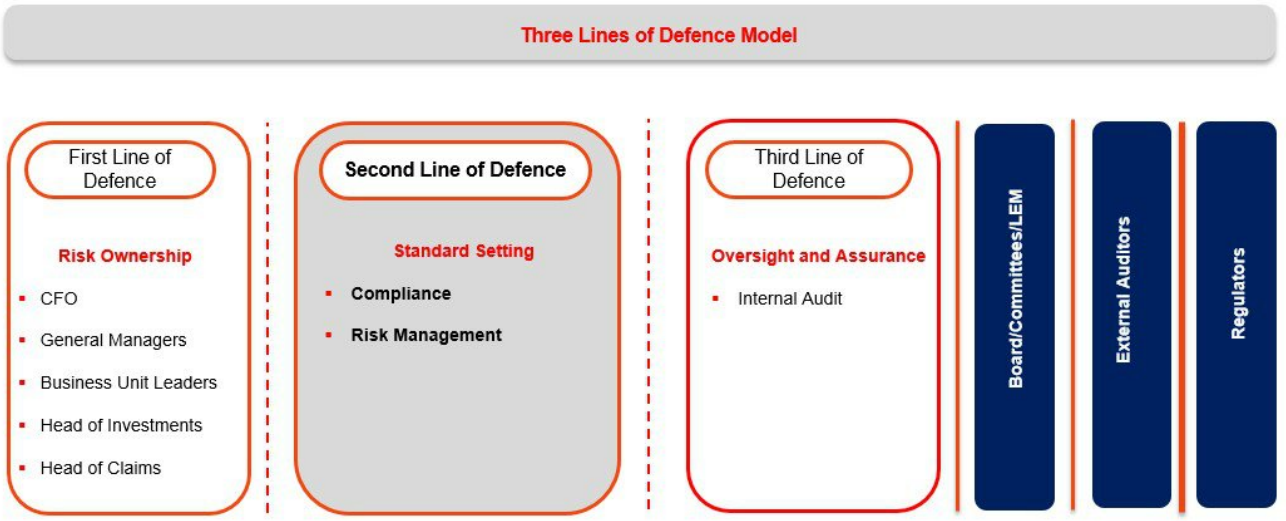
The Board sets the overall strategy of the Company in line with the strategy of the Group and risk strategy, which is reviewed annually. It also sets the Company's risk appetite and risk tolerances annually, in the light of the Company's risk strategy and overall strategy. In this context the Board seeks to ensure there are sound risk management processes to effectively identify, manage, monitor 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* in Schedule I ("Reserved Powers"). This policy is approved by the Board annually.

Authority and independence of key functions

The control functions report annually to the Board on the effectiveness of the system of governance including the internal control environment. The key control functions are defined as the Risk, Compliance and Internal Audit Functions.

The Company uses a 'three lines of defence' framework in the delineation of accountabilities for internal control.



The first line of defence is responsible for implementing internal control measures to ensure compliance with all applicable laws and regulations and the management of the associated risks.

The Company's second line of defence comprises the Compliance and Risk Functions. The second line of defence is 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;
- Providing 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 defence comprises the Internal Audit Function. The third line of defence is responsible for providing oversight and assurance to the Company.

For a detailed description of the Audit and Risk Committees responsibilities please refer to the Board Governance and Oversight section of this document.

Material Changes in the Governance of the Company in 2018

During 2018 the Company began developing an Organogram of its operating model structure which documents and sets out roles and responsibilities. The Organogram is a tool which details interactions and information distribution between business units and will also be used to identify any gaps in information transmission.

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 the PartnerRe 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 environment on behalf of the Board.

The Audit Committee has four main objectives:

- Review of the Company's financial reporting process;
- Review the integrity of the Company's financial statements;
- Review the effectiveness of the Company's internal control environment, and IT systems; and
- Review the performance of the Company's internal audit function and of the external auditors.

The Risk Committee

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

The Risk Committee has three main objectives:

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

Review of Board and Committee Roles and Responsibilities

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

Assessment of Board and Committee Performance

The Board formally reviews its overall performance and that of its individual directors, relative to the Board's objectives, on an annual basis. This includes a review of the Audit Committee and the Risk Committee in relation to their respective performances. During the first quarter of 2018 the Board and Committees carried out a detailed gap analysis of the respective Charters. A detailed management information ("MI") assessment template was also developed in the first quarter of 2018 to include each responsibility set out in the Board and Committee Charters. The findings from the gap analysis and MI assessment were agreed with the Board and Committee members and were implemented in 2018, save for two actions to be implemented in 2019.

During the second quarter of 2018, each director performed a self-assessment whereby he or she evaluated his or her performance against a range of key performance indicators. This process was strengthened during 2018

with the addition of a layer of oversight and guidance provided by the Chairperson of the Board and each of the Committees.

Compliance Reporting

The Board receives quarterly updates from the Company's Compliance Function in respect of the activity of the Compliance Function in the quarter. As part of this report, details of new regulatory and legal requirements and the forecasted impact that they will have on the Company are provided to the Board. In addition, the report provides details of any compliance monitoring activity that has taken place in the quarter concerned. 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 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 Function 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 this 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 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 regarding the preparation, presentation and filing of all requisite financial reports, including CBI reporting.

Delegation of responsibilities, reporting lines and allocation of functions

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

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

Delegation to the Audit Committee and the 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, Head of Actuarial Function ("HoAF")) report within the overall Group structure with a dotted reporting line to the Company's General Manager for regulatory purpose. In addition, the Company relies on affiliated support functions to provide a full complement of functions (e.g. an affiliated Claims Function and Investment Management Function).

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

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

All key functions such as Risk Management, Compliance, Finance, Actuarial and Internal Audit have established frameworks within which they operate. These are independent of business units and have the authority to operate effectively. The Internal Audit function is independent of the Company.

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

Board structure, composition and committees

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

The General Manager is the sole Executive Director.

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

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

The Audit Committee oversees the financial aspects of the Company, including the statutory and regulatory reporting processes. It is responsible for liaising with the external auditors and reviewing their independence and it manages and oversees the work carried out by Internal Audit on behalf of the Audit 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 and the Board 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

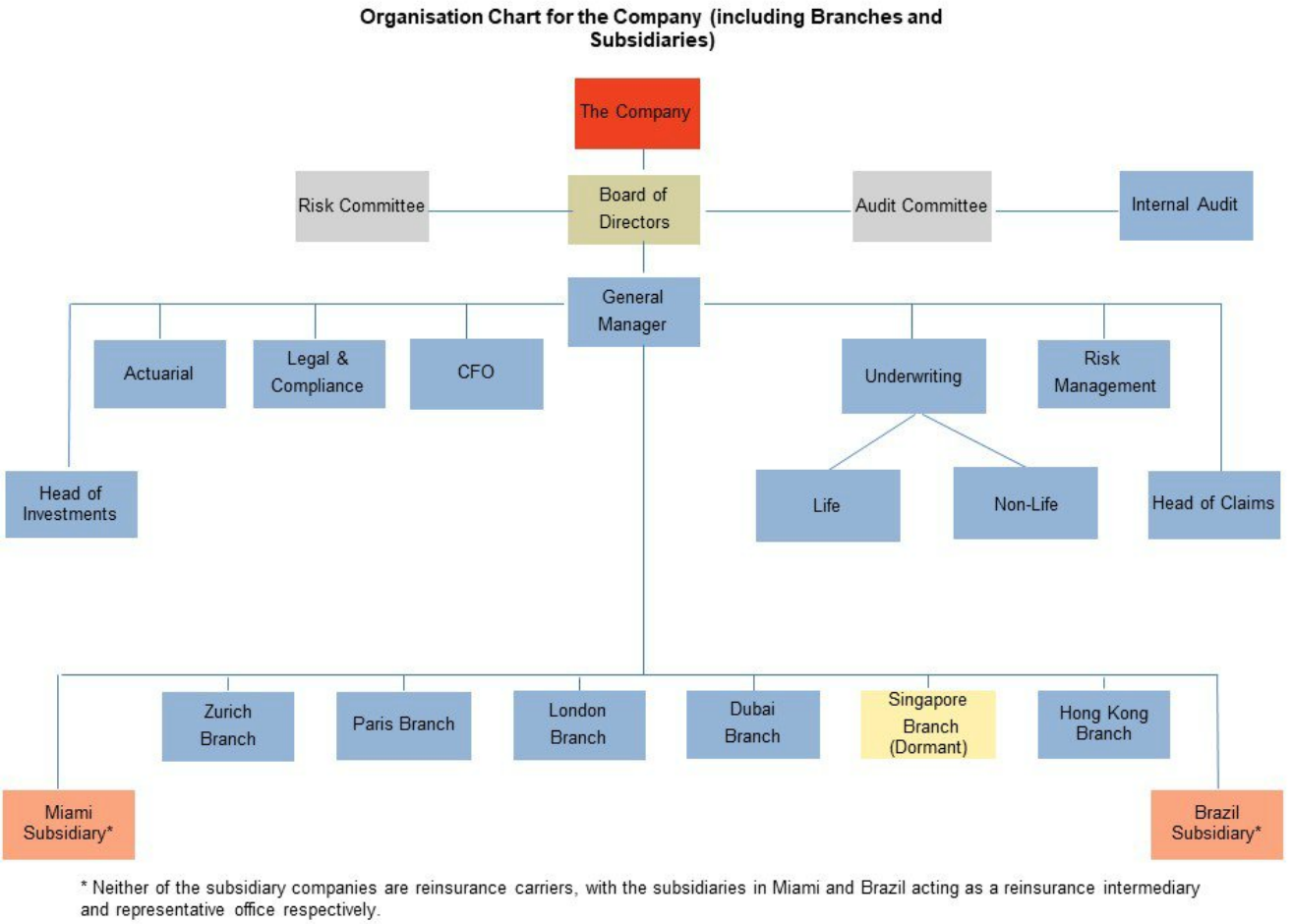
Committee packs to Board and Committee members one week in advance of meetings and maintains a formal record of Board and Committee proceedings. The minutes of each Board and Committee meeting contain sufficient detail to evidence Board attention and document the decisions (including dissenting or negative votes), discussions and points for further action.

The Board has the authority to retain external counsel, expert advice and other advisors deemed necessary for proper oversight of the Company.

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

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.



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

Remuneration policy

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

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

- Align the long-term interests of Company's participants and shareholders;

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

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

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

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

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

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

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

There were no transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the Board other than:

- Directors' fees paid to INED's;
- Intra-group transactions in the normal course of business; and
- Remuneration paid to executive and NED's.

B.2. FIT AND PROPER POLICIES AND PROCEDURES

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

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

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

The Fitness and Probity Policy is supported by detailed documented procedures. These 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 procedures 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 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 procedures the Board endorses the appointment of individuals performing PCFs within the Company and those who may have a material impact on the risk profile of the Company (being the Company's General Manager, CFO, CRO, Head of Internal Audit, Head of Compliance, HoAFs (life and non-life), Branch Managers, Head of Underwriting, Head of Investments and Head of Claims). All Board Directors (incorporating Board and Committee Chairs) are categorised as PCFs.

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

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

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

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

The assumption and management of risk are at the core of the Company's value proposition and operating principles. All business decisions entail a risk/return trade-off, and these decisions are applicable to the Company's risks. In the context of assumed business risks, this requires an accurate evaluation of risks to be assumed, and a determination of the appropriate economic returns required as fair compensation for such risks.

In addition to assuming business risks, every organisation faces numerous risks that could threaten the successful achievement of its 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 of these factors can be viewed as either strategic, financial or operational risks that are common to any industry.

Risk Management 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 its 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 Risk Management Framework there are clearly defined roles and responsibilities for the Board, the Risk Committee and the first, second and third lines of defence, 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, but are not limited to:

- 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 Defence

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 defence is responsible for working with the Risk Management Function to identify, assess, monitor and report to the Risk Committee.

Second Line of Defence

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:

- Implement 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 Defence

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 Company's internal controls and other elements of governance.

Risk Appetite Process

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

- Strategic planning and objective setting;
- Risk identification and assessment;
- Review of the RAF currently in place; and
- Review of current risk limits in the light of any evolution either through future business plans or the willingness to improve the framework.

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

Business and Risk Strategy

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

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

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

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

the Company's underwriting risks, this increases the overall diversification of the Company's total risk portfolio.

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 ("ELT") and business unit leaders. At this juncture, the General Manager has the opportunity to provide input to the Group strategic planning exercise outlining 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 be exposed to. 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.

The Company has developed business plans on a multi-year basis.

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

Risk Assessment Process for Risk Appetite Statement

When assessing the key risks to be included in the RAS the Company considers 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 the 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. These risks are grouped by categories and subcategories that are used to perform risk assessments.

Assessment and Monitoring of Emerging Risks

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 updates are shared with the Company's Management.

The committee charter objectives include:

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

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

This process feeds into the Company's risk assessment process through updating the risk universe and through the Company's CRO. Emerging risks are also in scope for the Risk Assessment quarterly review process.

The latest Risk Assessment identified the following notable Emerging Risks:

- Climate change;
- Technology;
- Cyber risk; and
- Alternative transport

B.4. INTERNAL CONTROL SYSTEM

The Company's internal control system is designed to adequately and effectively identify, manage, monitor and report on the risks the Company is or may be exposed to in order to secure compliance with applicable laws and regulations. It is also designed to detect and correct non-compliance in an efficient and effective manner.

The internal control system consists of a series of preventative and detective controls to prevent, mitigate and detect risk manifestation. The control system allows for escalation of control failures.

The Company will employ risk mitigation techniques as deemed appropriate to remove or reduce risks and remain within the stated risk appetite.

The Board ultimately oversees the internal control system. The Company's Compliance, Finance, Actuarial, Risk Management and Internal Audit functions 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 these key functions in addition to the controls in place across all other areas e.g. Underwriting, Claims and I.T.

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 the PartnerRe Group and provides the critical link between the operations within the business units and the overall PartnerRe governance framework.

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

Finance Function

The Company's Finance Function (which is led by the Company's CFO) ensures:

- the Company's annual statutory financial statements under IFRS are completed in accordance with accounting standards;
- appropriate reporting of USGAAP and IFRS financial information of the Company;
- the Company is compliant with its regulatory financial reporting obligations to the CBI;
- the Company maintains sufficient capital to meet business requests and regulatory requirements;
- maintenance of solvency calculations and oversight of prudent person investment approach;
- appropriate processes and controls are maintained; and
- in conjunction with the risk function and the LEM, efficient and effective management of the Company's capital.

Compliance Function

The Company's Compliance Function comprises the Company's Compliance Function in Dublin together with jurisdictional compliance personnel. The Head of Compliance reports quarterly to the Board and as required to the Risk and Audit Committees.

The Compliance Function is responsible for providing the Board with advice and assurance as to the effective operation of compliance processes and controls to ensure adherence with relevant laws, regulations, policies and procedures falling within the scope of the compliance risk universe. The Compliance Function is also responsible for assessing the impact of impending changes in the legal and regulatory environment within the compliance risk universe that will impact the Company and reporting this to the Board.

The Compliance Policy, together with the Compliance Business Plan, is presented by the Company's Head of Compliance to the Board annually for review and approval by the Head of Compliance. There were no significant changes to the Compliance Policy during 2018.

As a second line of defence unit, the Compliance Function is subject to regular audit reviews by Internal Audit.

Solvency II Internal Control Environment

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

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

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

- reconciling information back to source data;
- peer review of calculations;
- analytical review of results including understanding the differences to IFRS and analysis of change from the prior period; and
- review and sign-off of final QRTs.

The following central controls also apply:

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

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

B.5. INTERNAL AUDIT FUNCTION

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

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

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

The Internal audit reports functionally to the Audit Committee in order to ensure independence. Internal audit acts as the third line of defense. Internal audit closely interacts with the second line of defense (e.g. risk management and compliance) in relation to risk identification and risk assessment. Internal audit leverages the work of the second line of defence when deemed appropriate from a governance and independence point of view.

The 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.

B.6. ACTUARIAL FUNCTION

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

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

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

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

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.

The Company's outsourcing arrangements are predominately comprised of support provided via intra-group arrangements. These include support in relation to underwriting, business development and underwriting authorities, claims, regulatory legal and compliance, finance, internal audit and investments. The outsourcing of such services to intra-group affiliates falls within the scope of the Company's Outsourcing Framework. Activities provided by the Company's branch network fall outside the scope of the Company's outsourcing framework.

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 Guidelines ("the Guidelines") which establishes the Outsourcing Control Framework that sets out parameters within which the Company can enter into outsourcing arrangements. The Guidelines is approved by the Board on an annual basis.

The Group Outsourcing Guidelines defines the parameters for the Company when entering into outsourcing arrangements, imposes clearly defined roles and responsibilities and embeds ownership of outsourcing arrangements within the Company.

The Company's Outsourcing Control Framework is designed around the following key pillars;

- Due Diligence: Materiality of all functions or activities considered for outsourcing are assessed and due diligence commensurate to the risks of the outsourcing will be undertaken. Critical or important outsourcing arrangements will be subject to more detailed consideration and examination than non-critical outsourcing arrangements.
- Written agreements: all outsourcing arrangements documented by a written contract.
- Register of Outsourcings: a register of outsourcings is maintained which identifies, inter alia, the service recipient, service provider, service provider owner, description of services, whether the outsourcing is intra-group or third-party, materiality, location of service delivery, monitoring and oversight controls, confirmation that an agreement is in place, the services' commencement and termination date, due diligence undertaken and confirmation of service provider business continuity plans.
- Monitoring Oversight and Reporting: oversight controls and procedures shall be commensurate to the risks of the outsourcing in question and must be sufficient to facilitate appropriate oversight and supervision of the outsourcing by the service recipient owner, the Company's General Manager and the Company's Board. Oversight of outsourcing must also promptly identify any material changes, issues and or deficiencies.

C. RISK PROFILE

The Company monitors the risks described in its risk appetite, included in section B.3. of this report. In the following paragraphs, the Company's risks have been split accordingly between the different Solvency II categories of risk.

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. On a quarterly basis, the CRO reviews and reports the actual limits deployed against the approved limits and the compliance with the approved risk appetite to the Risk Committee.

C.1. UNDERWRITING RISK

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

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

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

C.1.1. NON-LIFE UNDERWRITING RISK

Using the Standard Formula, the SCR for non-life underwriting risk is €673 million (2017: €737 million) on a pre-diversified basis, which is 36% (2017: 39%) of the Basic Solvency Capital Requirement ("BSCR") before diversification. The SCR calculation is split between:

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

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

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

Adverse deviation of current net technical provisions	Impact on SCR non-life underwriting risk	Impact on Own Funds (before tax)*:	Impact on SCR non-life underwriting risk	Impact on Own Funds (before tax)*:
	2018	2018	2017	2017
€m's	€m's	€m's	€m's	€m's
50	+13	(58)	+14	(58)
100	+26	(116)	+28	(116)
150	+40	(174)	+42	(175)

** 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
	2018	2017
€m's	€m's	€m's
50	+7	+7
100	+13	+13
150	+20	+20

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

Natural catastrophe risk

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

In 2018, the Company has revised the limit metrics for natural catastrophe risk from the top net exposures basis to be based on annual aggregate internally modelled loss with a 100-year return period. The revised metric captures aggregated risk faced by the Company and the limit changed from €200 million to €375 million to reflect this enhanced view. The updated metric and limit were approved by the Risk Committee.

At 31 December 2018, the net of retrocession natural catastrophe approved risk limit was set at €375m and the actual exposure was €155 million (2017: €108 million) which represents a 41% deployment rate. Actual exposures deployed will vary from period to period depending on management's assessment of current market conditions, the results of the Company's exposure modelling, and other analyses.

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

Long-tail non-life reserving risk

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

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

The Company's limit for long-tail underwriting risk represents the ratio of gross premiums for casualty business compared to total non-life premiums and the preferred range is set at 25% (2017: 25%). At 31 December 2018, the ratio was 17% (2017: 15%) which represents a 68% deployment rate.

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

Credit and Surety underwriting risk

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

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

At 31 December 2018, the net of retrocession credit and surety approved risk limit was €200 million (2017: €200 million) and the actual limit deployed was €62 million (2017: €63 million) which represents a 31% deployment rate.

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

Mortgage underwriting risk

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

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

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

At 31 December 2018, the net of retrocession mortgage reinsurance approved risk limit was €250 million (2017: €250 million). The actual limit deployed was €111 million (2017: €98 million) which represents a 44% deployment rate.

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

C.1.2. LIFE UNDERWRITING RISK

The SCR for life underwriting risk is €382 million (2017: €327 million) on a pre-diversified basis, which is 21% (2017: 17%) of the BSCR before diversification. The Company monitors life underwriting risks, with a specific focus on the following risks:

Longevity risks

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

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

The longevity limit (accumulation of longevity exposure) is based on the modelled loss at the 99th percentile of longevity distribution.

At 31 December 2018, the net of retrocession longevity approved risk limit was €450 million (2017: €450 million) and the actual limit deployed was €302 million (2017: €311 million) which represents a 67% deployment rate.

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

Pandemic risks

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

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

At 31 December 2018, the net of retrocession pandemic approved risk limit was €200 million (2017: €200 million) and the actual limit deployed was €57 million (2017: €53 million) which represents a 29% deployment rate.

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

Mortality risks

Mortality risk is the risk of loss arising from higher than anticipated death rates under the insured portfolios. The Company’s mortality business includes traditional death and disability covers (with various riders), term assurance and critical illness ("TCI") and guaranteed minimum death benefit (GMDB). The GMDB reinsurance business also exposes the Company to risks related to changes in financial markets, mainly French equities.

The Company monitors the concentration of mortality and longevity risk. For the financial year 2018, gross written premiums for the mortality and longevity business were €561 million and €287 million (2017: €472 million and €252 million) respectively, of the total life gross written premiums of €848 million (2017: €724 million). In addition, the Company utilises retrocession cover to substantially mitigate these risks (as described below).

Mitigation of underwriting risk by use of retrocession

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

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

The Company further mitigates assumed underwriting risk with the purchase of internal retrocession cover from other Group companies. The reinsurance cover that the Company has in place with other Group companies as at 31 December 2018 can be summarised as follows:

- 65% quota-share with PRCL (90% for the cat business and 50% for underwriting years 2016 and prior); and
- 10% quota-share with Partner Reinsurance Asia Pte Ltd. (PRA) for business written through its Swiss and French branches, after retrocession cover from non-related parties has been taken into consideration.

The main objectives of this retrocession cover are as follow:

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

C.2. MARKET RISK

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

The SCR for market risk, using the Standard Formula, on a pre-diversified basis is €433 million (2017: €453 million), which is 24% (2017: 25%) of the BSCR before diversification. See section E.2. of this report for further details.

Investment risk

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

Interest rate risk

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

The Company invests in high quality fixed income securities and actively manages the duration of the fixed income portfolio relative to the duration of the reinsurance liabilities so that the economic value of changes in interest rates has offsetting effects on the Company's assets and liabilities. If market interest rates on fixed income securities were higher/lower by 100bps with all other variables held constant, the market value of fixed income securities would have been lower/higher by €134.3 million (2017: €132 million). This sensitivity does not take into account offsetting impact on the change in valuation of technical provisions from a change in interest rates.

Currency risk

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

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

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

Assuming all other variables are held constant, as at the reporting date, a 10% adverse movement in the value of the Euro currency against all other currencies comprising the Company's Solvency II Own Funds, would have resulted in a €69 million decrease in Solvency II Own Funds (including the effect of derivatives) (2017: €93 million decrease including the effect of derivatives).

Equity risk

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

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

Default/counterparty and credit spread risk

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

The Company controls this concentration 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 €4,822 million at 31 December 2018 (2017: €5,080 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 underwriting 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 reinsurance liabilities, and are invested primarily in investment grade fixed income securities and cash and cash equivalents. The preservation of liquidity and protection of capital are the primary investment objectives for these assets.

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

Capital funds represent shareholder capital of the Company and may be invested in a diversified portfolio with the objective of maximising investment return, subject to prudent risk constraints. Capital funds may contain

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

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

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

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

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

C.3. CREDIT RISK

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

Credit risk is referred to as counterparty default risk in the SCR calculation. The SCR for counterparty default risk, using the Standard Formula, on a pre-diversified basis is €282 million (2017: €328 million), which is 15% (2017: 17%) of the BSCR before diversification. See section E.2. of this report for further details.

The Company is uses rating information provided by AM Best to ensure a consistent view on the financial condition of external parties.

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

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

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

lower than A-, the Company generally requires the posting of collateral, including escrow funds and letters of credit, as a condition to its entering into a retrocession agreement.

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

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

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

The Company directly managed one funds held account (in relation to the AXA guaranteed reserves) with one cedant, Colisée Re. This account was settled prior to 31 December 2018 as a result of the commutation of the related business.

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

C.4. LIQUIDITY RISK

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

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

The Expected Profit Included in Future Premium ("EPIFP") for the Life business was €586 million at 31 December 2018 (2017: €545 million). The EPIFP for life business is calculated as the sum of positive best estimate liabilities. A positive best estimate liabilities corresponds to an anticipation of positive future cash flows. The EPIFP for life is calculated at treaty level meaning that there is no compensation between treaties with negative future cash flows and treaties with positive future cash flows.

The EPIFP for the non-life business was at €274 million at 31 December 2018 (2017: €262 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 2018 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 were as follows as at 31 December 2018 and 2017:

Line of business	2018 €'000	2017 €'000
Proportional motor vehicle liability reinsurance	10,312	5,108
Proportional marine, aviation and transport reinsurance	45,161	45,138
Proportional fire and other damage to property reinsurance	65,123	60,158
Proportional general liability reinsurance	13,846	14,833
Proportional credit and suretyship reinsurance	75,447	78,622
Non-proportional casualty reinsurance	426	3,892
Non-proportional marine, aviation and transport reinsurance	5,754	6,140
Non-proportional property reinsurance	51,626	45,129
Other lines of business	6,326	2,523
Total Non-Life	**274,021**	**261,543**
Life and health STL	585,977	545,370
Total	**859,998**	**806,913**

C.5. OPERATIONAL RISK

Operational 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 categorises its operational risks as follows:

- IT (including Cyber Risk)
- Business Disruption
- Process and Execution Management
- Legal/Compliance
- Outsourcing
- Fraud
- Human Resources

Processes are in place to monitor and manage these key areas as required. The Company has established an Operational risk scorecard which is provided to the Risk Committee on a quarterly basis, whereby the above categories are rated through a combination of indicators and other relevant information. Matters are escalated to the Board as required and mitigating actions are assigned to bring elevated risks back within tolerance.

As an overall summary, beyond general corporate principles for developing and maintaining the Company's operational risk management environment, its operational risk 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 through dedicated risk policies (e.g. Operational Risk Policy).

Focus on IT/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, the Group'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. 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.

The Company, through its I.T. Function, has established an effective I.T. security control environment which is annually tested by Internal Audit and independent external I.T. security experts. The Operational Risk Policy addresses crisis management and communication including cyber-attacks.

C.6. OTHER MATERIAL RISKS

Strategic & Reputational Risks

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

Strategic risks are in scope for the Company's risk assessment process and are monitored on a quarterly basis with onward reporting as needed to the Risk Committee and the Board.

Reputational risk is the risk of potential loss through deterioration of the Company's reputation or standing due to a negative perception of the undertaking's image among customers, counterparties, shareholder and supervisory authorities. Reputational impacts tend to be an outcome of other risk types materialising; therefore, managing each type of risk appropriately serves to manage reputational risk.

Emerging Risk

As described in the risk management system section of this report, an EmRC, comprised of representatives from the business and assurance functions including the Company's CRO, and was established in order to identify emerging risks and develop strategies for managing these risks. Emerging risks are also in scope for the Company's risk assessment process including quarterly review and discussion at the Risk Committee and Board meetings as required.

For cyber risk, in addition to the operational risk component, there is also an emerging risk component in that the Company may also have exposure to additional cyber risks as part of the reinsurance business classified as follows:

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

Potential Brexit Impacts

Uncertainty persists around the precise form that Brexit will ultimately take. As part of comprehensive contingency planning, the Company have considered a range of possible scenarios of Brexit and appropriate courses of action to take in various scenarios.

In the event of a "Hard Brexit" scenario, a temporary permission has been secured for the Company under the proposed U.K. Temporary Permission regime. This permission will secure the Company's access to the U.K. market throughout the term of the Temporary Permission regime (a period up to 3 years). During the term of the Temporary Permission regime the Company will develop a more informed view of the actual impact of Brexit on the U.K. reinsurance market and thereafter take steps to implement an operating model which preserves the Company's access to the U.K. market post the U.K. Temporary Permission regime. In the event of an orderly Brexit under the terms of an agreed "Withdrawal Agreement" between the U.K. and the EU, the Company's access to the U.K. market will remain intact until December 2020 pursuant to the envisaged "Transitional Period" which will form part of the negotiated terms.

Updates on Brexit developments and related contingency planning have been provided to the Company's Board throughout 2018 and will continue into 2019.

Group Risk

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

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

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 2018 and 2017:

	Section	2018 €'000	2017 €'000
Investments	D.1.	4,822,243	5,079,933
Other assets	D.3.	217,991	483,464
Total assets		**5,040,234**	**5,563,397**
Net Non-life technical provisions	D.2.1.	1,754,326	2,169,278
Net Life technical provisions	D.2.2.	420,370	351,726
Other liabilities	D.3.	968,846	1,186,568
Total liabilities		**3,143,542**	**3,707,572**
Excess of assets over liabilities		**1,896,692**	**1,855,825**

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

D.1. VALUATION OF ASSETS

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

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

Accordingly, the Company’s investment assets under Solvency II by category and by valuation classification, as at 31 December 2018 and 2017, are as follows:

	2018				2017			
	QMP	QMPS	AVM	Total	QMP	QMPS	AVM	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Government Bonds	—	1,276,995	—	**1,276,995**	—	1,356,050	—	**1,356,050**
Corporate Bonds	—	1,727,207	4,224	**1,731,431**	—	1,665,327	—	**1,665,327**
Collateralised securities	—	366,279	4,609	**370,888**	—	513,283	—	**513,283**
Total Fixed Income	**—**	**3,370,481**	**8,833**	**3,379,314**	**—**	**3,534,660**	**—**	**3,534,660**
Equity	39,680	—	113	**39,793**	33,030	—	114	**33,144**
Investment property	—	—	63,450	**63,450**	—	—	69,637	**69,637**
Collective investment undertakings	31,914	—	16,658	**48,572**	80,297	—	14,415	**94,712**
Cash and cash equivalents	206,152	—	—	**206,152**	412,951	—	—	**412,951**
Deposits to cedants	—	—	670,066	**670,066**	—	—	642,793	**642,793**
Other loans & mortgages	—	—	411,423	**411,423**	—	—	290,167	**290,167**
Property, plant & equipment held for own use	—	—	3,473	**3,473**	—	—	1,869	**1,869**
Grand Total	**277,746**	**3,370,481**	**1,174,016**	**4,822,243**	**526,278**	**3,534,660**	**1,018,995**	**5,079,933**

Fixed Income

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

- *Corporate bonds* - consist primarily of investment grade bonds issued by U.S. and non-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. Substantially all of these securities are classified as QMPS for valuation purposes under Solvency II.

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

Equities

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

Investment property

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

Collective investment undertakings

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

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

Cash and cash equivalents

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

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

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

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

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

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

Other loans and mortgages

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

The privately held corporate loans are generally priced based on the manager's or trustee's valuation.

Accordingly, the Company considers other loans and mortgages to be classified as AVM for valuation purposes under Solvency II.

Property, plant & equipment held for own use

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

Company's IFRS balance sheet and thus the same valuation is used. Property, plant and equipment for own use thus classified as AVM for valuation purposes under Solvency II.

Derivatives

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

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

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

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

Based on the above the Company's derivatives, as at 31 December 2018 and 2017, by category are valued under Solvency II as follows:

	2018			2017		
	Asset FV	Liability FV	Total	Asset FV	Liability FV	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Foreign currency forward contracts	1,688,040	1,688,858	(818)	1,834,203	1,832,217	1,986

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 2018 and 2017 are set out below:

	2018			2017		
	Solvency II Balance Sheet	IFRS Balance Sheet	Variance	Solvency II Balance Sheet	IFRS Balance Sheet	Variance
	€'000	€'000	€'000	€'000	€'000	€'000
Government bonds	1,276,995	1,276,995	—	1,356,050	1,356,050	—
Corporate bonds	1,731,431	1,731,431	—	1,665,327	1,665,327	—
Collateralised securities	370,888	370,888	—	513,283	513,283	—
Total Fixed Income	**3,379,314**	**3,379,314**	—	**3,534,660**	**3,534,660**	—
Equity	39,793	39,793	—	33,144	33,144	—
Investment property	63,450	63,450	—	69,637	69,637	—
Collective investment undertakings	48,572	48,572	—	94,712	94,712	—
Cash and cash equivalents	206,152	206,152	—	412,951	412,951	—
Deposits to cedants	670,066	623,726	46,340	642,793	589,164	53,629
Other loans & mortgages	411,423	411,423	—	290,167	290,167	—
Property, plant & equipment held for own use	3,473	3,473	—	1,869	1,869	—
Grand Total	**4,822,243**	**4,775,903**	**46,340**	**5,079,933**	**5,026,304**	**53,629**

The variance is attributable solely to deposits to cedants as a consequence of differences between the IFRS and Solvency II valuations as described above.

D.2. TECHNICAL PROVISIONS

D.2.1. VALUATION OF NON-LIFE TECHNICAL PROVISIONS

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

Non-Life Technical Provisions by Line of Business

The following table outlines the Solvency II technical provisions for Non-Life business and Health similar to non-life business by line of business as at 31 December 2018 and 2017:

2018	Claim Provision	Premium Provision	Recoverables from Reinsurance contracts	Risk Margin	Total Technical Provisions net of Recoverables
	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	150,057	3,829	97,884	7,225	63,227
Proportional marine, aviation and transport reinsurance	438,205	4,828	279,499	26,714	190,248
Proportional fire and other damage to property reinsurance	780,191	22,544	525,311	34,077	311,501
Proportional general liability reinsurance	432,308	26,994	259,208	25,946	226,040
Proportional credit and suretyship reinsurance	206,447	(11,349)	121,259	31,955	105,794
Non-proportional casualty reinsurance	1,097,343	22,553	637,483	115,997	598,410
Non-proportional marine, aviation and transport reinsurance	76,911	3,732	46,048	9,140	43,735
Non-proportional property reinsurance	286,015	(9,097)	168,121	34,661	143,458
Other lines of business	122,562	4,025	70,049	15,375	71,913
Total	**3,590,039**	**68,059**	**2,204,862**	**301,090**	**1,754,326**

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

Analysis of Change

Overall, there has been a significant decrease in net technical provisions during 2018. The main drivers for this decrease relate to the reduction in the claim provision and the risk margin, partially offset by an increase in recoverables from reinsurance contracts.

In aggregate, there was a significant reduction in the gross claims provision year on year which is the driver of the decrease in total net technical provisions. The reduction of the overall gross claims provision by €293M between the two valuations was mainly driven by the commutation of the quota share treaty held with Colisée Re and the related guaranteed reserve (referred to as the "Axa Guaranteed Reserve"). Overall, the new loss reserves coming into the claims provision for the 2018 exposure period was more than offset by the payments made during 2018. The largest impact however, comes from higher discounting impact between 31 December 2017 and 31 December 2018, which accounts for more than half of the observed downward movement. The largest impact is seen on casualty reinsurance which, being a long-tail segment, is highly sensitive to changes in the discount rates.

Several lines of business have experienced favourable prior underwriting years loss development due to a combination of favourable loss emergence, as losses reported by cedants for prior underwriting years were lower than the Company expected and an update, during 2018, of some of the Company's reserving assumptions.

For the gross claims provision, material year-on-year movements for the following lines of business are discussed below:

Non-Proportional Marine

The claims provision has experienced an overall reduction of €78m from year-end 2017. This is mainly due to the commutation of the Colisée Re treaty and favourable reported loss development on case reserves compared to year-end 2017.

Non-Proportional Casualty

The claims provision has experienced an overall reduction of €63m from year-end 2017. The main drivers of this movement are the commutation of the Colisée Re treaty, offset by an increase in the Actuarial Mid Estimate ("AME") reserve (please refer to the Comparison to IFRS reporting section below for an explanation of the AME

reserve). The discounting impact has also experienced large movements due to increases in the yield curve and lengthening of the payment pattern.

Non-Proportional Property

The claims provision has experienced an overall reduction of €59m from year-end 2017. The main drivers of this movement are the commutation of the Colisée Re treaty and favourable movement in the AME reserve, where the Company has experienced favourable actual versus expected movement on prior underwriting years and also favourable reported loss experience to date.

Proportional Marine, Aviation and Transport reinsurance

The claims provision has decreased by €56m from year-end 2017. The main drivers of this movement are favourable movement on the AME reserve.

Overall, the premium provision is stable over the year. The most noticeable movement in the year comes from an increase in the General Liability and the Proportional Credit and Suretyship line of business (where the latter is explained by a downward revision of the expected future premium related to one large U.S. mortgage treaty), offset largely by a decrease in the Fire & Other Damage to Property and the Motor Vehicle Liability line of business. The change reflects a revision in the assumptions on prepayments on the underlying mortgages and leads to a lower level of expected future profits as a result.

Due to the fact that the vast majority of reinsurance recoverables relate to the internal quota share arrangements with PRCL and PRA, these recoveries tend to move in line with the gross premium provisions. However, we do see a higher cession rate at the 2018 year end which is related to the fact that the cession to PRCL was increased to 65% for underwriting year 2017 onwards from 50% for underwriting year 2016 and prior.

The risk margin decreased as a result of the lower best estimate for Non-Proportional Casualty Reinsurance and Non-Proportional Marine Aviation and Transport Reinsurance which reduced the related SCR amount.

Best Estimate Liability

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

Claims Provision

The starting point for the calculation is the Actuarial Mid Estimate ("AME"). The AME is comprised of Case Reserves (reported by the cedant), Additional Case Reserves ("ACR") estimated by the Company on an individual loss basis, and reserves for losses Incurred but Not Reported ("IBNR"). The IBNR is determined by projecting reported claims to ultimate losses using deterministic actuarial methods like Chain Ladder, Bornhuetter-Ferguson 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.

In addition to the loss reserves described above, an allowance for Events Not in Data ("ENIDs") is considered and included in future claims before projecting into the future, since such losses are not considered under IFRS. The ENID loading has been selected after consideration of various extreme loss scenarios based on input from Risk Management and Capital Modelling, discussions with the Chief Pricing Actuary as well as looking at indications using a truncated distribution approach whereby it is assumed that the AME is the mean of a truncated rather than full distribution of outcomes. The final selected ENID uplifts for the claims provision were selected as the maximum, by Solvency II LoB, of the sum of the scenario uplifts and the results from the Distribution Free Approach.

In accordance with Solvency II technical specifications, 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 have been included. The expenses were estimated based on an analysis of the planned 2019 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 future claims payments related to the held IFRS best estimate reserves (after removal of MFU, ULAE, UPR, etc.), ENIDs and future expenses linked to non-life reinsurance obligations, were estimated by applying expected payout patterns derived from the Company's historical experience enhanced by market benchmarks, where appropriate and available.

As is normal for reinsurers with a large proportional treaty portfolio, the calculation of the best estimate of claims provisions also includes expected future cash flows from premiums already earned but not yet received which are reflected within premium receivables in the IFRS balance sheet at the valuation date, together with any associated acquisition costs and commissions payable. 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 2018.

The following table shows the different components included in the calculation of the gross premium provision as at 31 December 2018 and 2017:

2018	Undiscounted					
Line of Business	**Unearned Premium receivables net of costs**	**Future losses and expenses on UPR**	**Technical profit on additional premiums**	**Technical profit on business bound but not incepted**	**Discounting impact**	**Gross Premium Provision**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Proportional motor vehicle liability reinsurance	(30,238)	33,063	1,156	3,256	(3,408)	3,829
Proportional marine, aviation and transport reinsurance	(96,281)	109,001	632	(747)	(7,778)	4,827
Proportional fire and other damage to property reinsurance	(159,316)	196,272	470	(3,839)	(11,042)	22,545
Proportional general liability reinsurance	(34,155)	77,576	241	(4,236)	(12,433)	26,993
Proportional credit and suretyship reinsurance	(67,515)	75,044	(12,398)	(7,414)	935	(11,348)
Non-proportional casualty reinsurance	(18,509)	47,459	—	11,661	(18,057)	22,554
Non-proportional marine, aviation and transport reinsurance	(5,398)	11,097	—	(1,073)	(894)	3,732
Non-proportional property reinsurance	(22,876)	34,810	—	(18,313)	(2,718)	(9,097)
Other lines of business	(26,743)	31,506	(115)	(201)	(424)	4,023
Total	**(461,031)**	**615,828**	**(10,014)**	**(20,906)**	**(55,819)**	**68,058**

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

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

- Unearned future premium receivables net of acquisition costs and commissions payable as at the balance sheet date.
- Future losses and expenses on UPR on the IFRS balance sheet
- Additional premiums net of acquisition costs, future losses and expenses resulting from proportional reinsurance business that is not yet accounted for as written premium within the IFRS financial statements
- Premiums net of acquisition costs, future losses and expenses relating to Bound But Not Incepted (“BBNI”) contracts as at the valuation date, i.e. contracts deemed to be bound by the date of the closing, including covers beginning after the date of the closing.
- An allowance for ENIDs is also considered in the expected future losses in respect of unearned business. The approach for selecting these ENIDs is in line with the approach used for the claims provision, which is described in the previous section, and
- Future expenses were included within the premium provision based on the same approach used in the claims provisions, which is described in the previous section

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 BEL and the risk margin.

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

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

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

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

Level of uncertainty

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

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

Simplifications used in the calculation of the technical provisions

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

- reserves have been split using only seven major currencies (USD, EUR, GBP, AUD, CAD, CHF and JPY) to discount future cash flows;
- a percentage approach has been adopted to quantify reinsurance recoverables also for non-proportional treaties;
- The Company's BEL includes a provision for ENIDs which is assumed to have the same cash-flow profile of other claims for discounting purposes; and
- Future SCRs used to calculate the risk margin are projected using a carrier/pattern approach which is applied to the SCR at time 0.

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

Data limitations

While significant progress has been made during 2017 and 2018 relating to the identification and evaluation of non-life claims settled as annuities relating to the U.K. motor market, there is still insufficient data held within the Company’s claims system to allow the Actuarial Function to identify claims settled as annuities from the remainder of the European portfolio. The main exposure for the Company to this type of claim settlement is through its European non-proportional motor portfolio - mainly via France, Germany and Austria. For this year end these claims (so called annuities stemming from non-life contracts) remain part of the Non-Life technical provisions. Further progress on this issue will be addressed during 2019.

A previous analysis indicated this treatment does not have a material effect on the overall SCR of the Company. Any increase in the aggregated Life and Non-Life technical provisions as a result of reclassifying the Non-life annuity claims would be at least partially offset by the increased diversification impact due to the fact that Life and Non-life reserves are assumed to be uncorrelated within the Standard Formula.

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

Lapse Rates

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

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

Homogeneous risk groups used to calculate the technical provisions

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

The segmentation of data must balance the need for enough volume with a reasonable degree of homogeneity to develop the best view of meaningful loss development patterns for the standard actuarial methods used. The chosen segmentation also highlights areas where the Company believes 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, appropriate internal or external benchmarks to supplement the analysis in conjunction with actuarial judgment has been used.

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

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

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

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

A description of where unbundling has been used for material contracts

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

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

The Company has a number of large treaties which do require unbundling. These include a number of Lloyds Net Quota Share treaties which are recorded in the technical accounting system (SICSnt) as proportional multiline treaties. For these treaties, an appropriate allocation of the premiums and losses by Solvency II lines of business was obtained from the underwriters. In addition, there is one external retrocession treaty that covers multiple lines of business.

Reinsurance recoverables

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

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

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

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

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

Of the retroceded reserves 92% relate to intra-group quota-share agreements with two other entities of the Group. The intra-group agreements are as follows:

- A 65% quota share agreement with PRCL (90% for Catastrophe business and 50% for underwriting years 2016); and
- A 10% quota-share agreement with PRA for business written through its Swiss and French branches, after retrocession cover from non-related parties has been taken into consideration.

The Company benefits from the external Group protections purchased by the Group. The external retrocessions are mainly on a non-proportional basis and are a small part of the Company's overall retrocession program. Catastrophe business is further ceded externally on a losses occurring basis through a number of quota share agreements.

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

Due to a 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 traditional actuarial methods. The intra-group quota share reserves mirror the inward ones. For non-proportional protection the individual losses are analysed to identify the amount covered by the protection. For proportional cessions on an accident year basis we allocate the gross reserves by accident years before applying the cession rate.

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

- For ceded loss reserves the removal of Margin for Uncertainty ("MFU") and Unallocated Loss Adjustment Expenses ("ULAE") (for the intra-group quota share) is performed at the level of individual retrocession contract by currency. For the discounting adjustment the average discounting observed on gross loss reserves for each discounting currency is applied, as the information on original underwriting year is not available for the ceded loss reserves. The allocation of ceded loss reserves by line of business is based on the same proportion as the gross reserves for the internal quota shares and by line of business for the most material external contracts.

- For premium provisions the unearned reserves (Unearned Premium Reserve and Deferred Acquisition Costs) are removed and replaced by an estimation of future cash-flows linked with retrocession agreements in force or bound at year-end. The best estimates of reinsurance recoverables in respect of premium provisions are calculated by considering an estimation of future cash-flows linked with retrocession agreements in force or bound at the valuation date and with future non-proportional reinsurance on the basis that there will be exposures in the premium provision that extend beyond the one financial year retrocession programme. This was based on expected management actions to renew the non-proportional retrocession programme. The Company adopted a percentage approach to quantify the reinsurance claim recoveries expected from its reinsurers. The percentages are predefined based on the corresponding inwards assumptions (including allowance for ENIDs).

An additional adjustment is made by calculating a counterparty default adjustment for ceded loss reserves in order to take account of the possible shortfall on expected recovery from the retrocessionaires. The calculation is 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 of the different retrocessionaires.

Comparison to IFRS reporting

The IFRS BE of the Company includes the following:

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

The AME comprises the IFRS case reserves as reported by the cedant, additional case reserves estimated by the Company on an individual loss basis and reserves for losses incurred but not reported ("IBNR"). The MFU is added to the AME to set the Management Best Estimate reserves ("MBE"). The MFU is also internally referred to as the Reserve for Adverse Deviation ("RAD") or Additional IBNR.

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

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

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

2018 Line of Business	Gross IFRS Technical Reserve	Removal of UPR	Removal of MFU	ENID load	Change of Claims Expense Basis	Earned Premium Receivables	Unbundling of Guaranteed reserves and Multiline	Discounting Impact	Other	Solvency II Gross Claims Provision
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	227,879	(64,671)	(5,334)	3,542	5,668	(11,278)	—	(5,749)	—	150,057
Proportional marine, aviation and transport reinsurance	654,831	(132,586)	(11,349)	12,766	18,309	(82,239)	—	(21,527)	—	438,205
Proportional fire and other damage to property reinsurance	1,195,469	(268,921)	(26,676)	9,358	32,464	(135,867)	—	(25,636)	—	780,191
Proportional general liability reinsurance	589,239	(95,788)	(29,651)	11,645	17,988	(27,700)	—	(33,425)	—	432,308
Proportional credit and suretyship reinsurance	417,174	(155,394)	(4,417)	6,455	9,152	(61,089)	—	(5,434)	—	206,447
Non-proportional casualty reinsurance	1,290,400	(43,006)	(44,667)	72,314	54,648	(12,825)	—	(164,677)	(54,844)	1,097,343
Non-proportional marine, aviation and transport reinsurance	96,648	(13,105)	(1,696)	2,087	2,834	(6,403)	—	(3,454)	—	76,911
Non-proportional property reinsurance	372,520	(46,325)	(7,484)	3,851	11,168	(36,300)	—	(11,415)	—	286,015
Other lines of business	214,140	(69,232)	(6,366)	3,487	5,523	(14,781)	—	(10,209)	—	122,562
Total	**5,058,300**	**(889,028)**	**(137,640)**	**125,505**	**157,754**	**(388,482)**	**—**	**(281,526)**	**(54,844)**	**3,590,039**

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

*** The Unbundling of guaranteed reserves and multiline adjustment includes the effect of the AXA guaranteed reserve related to the Colisée Re quota share agreements and related business which was commuted in 2018.*

2017

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

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

D.2.2. VALUATION OF LIFE TECHNICAL PROVISIONS

Under Solvency II, the technical provisions are determined as a discounted BEL augmented by a risk margin. The Life and Health Similar to Life techniques ("SLT") BEL are calculated as the net present value of future cash flows projected using best estimate assumptions. The risk margin is a component of the technical provisions representing the cost-of-capital that would be incurred by an otherwise risk free company that takes over the liabilities of the Company. Risk-free interest rates used are those provided by EIOPA. Unadjusted risk free rates are used with no matching adjustment, volatility adjustment or transitional measures.

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

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

Best Estimate by Line of Business

The following table outlines the Solvency II technical provisions for Life business, including short-term life business and Health SLT business as at 31 December 2018 and 2017:

	2018				2017			
	Protection	Longevity	Non-Life Annuities	Total	Protection	Longevity	Non-Life Annuities	Total
	€'000	€'000	€'000	€'000	€'000	€'000		€'000
Gross best estimate liability	761,521	(109,849)	32,945	684,617	598,981	(42,132)	32,414	589,263
Reinsurance recoverable	(458,209)	49,798	(19,767)	(428,178)	(358,944)	11,901	(19,448)	(366,491)
Net best estimate liability	**303,312**	**(60,051)**	**13,178**	**256,439**	**240,037**	**(30,231)**	**12,966**	**222,772**
Risk margin	—	—	—	163,931	—	—	—	128,954
Net technical provisions				**420,370**				**351,726**

Analysis of change

Overall, there has been an increase in the net net technical provisions (excluding non-life annuities) during 2018. The main drivers for this increase relate to economic and non-economic assumption updates along with business developments partially offset by the impact of profitable new business written during 2019. The impact of these assumption updates are discussed further below.

The risk margin also increased during 2018 commensurate with the increase in the net BEL. This increase is largely due an increase in the Life SCR which combined with a decrease in Non-Life SCR mechanically leads to an increase in the allocation to Life and Health. For further detail on the increase in Life SCR refer to Section E of this report.

Relevant assumption changes

Non-economic

Overall, the impact of non-economic assumption updates during 2018 was adverse, increasing the net BEL by €9m. The main assumptions for each of the lines of business and the changes that were made during the year are the following:

- **Short-term ("ST") and long-term ("LT") business without policy data information** - The key assumption for those lines of business relates to the assumed loss ratio. For LT business this is set with reference to assumed pricing margins or based on historical loss ratios. For ST business the assumed margins in IFRS reserves is an area of expert judgment informed by past performance of the portfolio and have remained unchanged over the past year.
- **Term and Critical Illness ("TCI")** - biometric incidence rates (both base mortality or morbidity and improvement or deterioration), and the lapse rates. The best estimate assumptions are derived from investigations of observed experience. Both mortality and lapse assumptions were updated as at 31 December 2018 to reflect emerging experience. The combined overall impact of the updated base mortality (€9 million) and lapse (€3 million) assumptions is an increase in the net BEL of €12 million. In addition, the mortality improvement (MI) assumptions were updated during 2018 based on the Continuous Mortality Investigation (CMI) 2017 model with a long term mortality improvement rate of 1.0%.The impact of the updated MI rates was an increase in the net BEL of €3 million driven by U.K. business and partially offset by Irish business.
- **GMDB** - The key assumptions are investment return, investment volatility, mortality, lapses and policyholder switches. The best estimate assumptions for lapses are derived from investigations of observed experience. Mortality assumptions are derived from industry benchmarks. Economic assumptions are modelled stochastically using a set of risk-neutral economic scenarios provided by an external vendor. The valuation is performed on a market consistent basis. No changes were made to

either mortality or lapse assumptions as emerging experiences are aligned with the best estimate assumptions.

- **Longevity** - For standard annuities, the base mortality rate assumption is based on actual experience of the underlying business and is expressed as a proportion of internal benchmark rates which are derived using a combination of population data and internal company data. During 2018, the base mortality assumptions were updated to reflect positive emerging experience. The impact on the net BEL was a decrease of €21 million.

  Mortality improvement rates are derived from past population trends and projected into the future and methodologies used are in line with the CMI. Mortality improvement rates were not updated for standard annuities during 2018.

  For non-standard annuities, the experienced mortality of people known to have a medical impairment at the time of purchase varies significantly depending on the nature and degree of the impairment. Therefore, the best estimate models are based on conditions (Diabetes, Myocardial Infarction, Prostate cancer, Breast cancer, etc.) and are further subdivided by a number of risk / severity factors relevant to the condition in question. The survival models themselves are defined as additions (extra mortality) to expected mortality rates that would be suitable for an average standard annuitant (of the same age and gender) in the underlying population. The model includes a method for combining extra mortality rates for multiple conditions. During 2018, the base mortality rates were updated to reflect positive emerging experience. Mortality improvement rates were also updated to use a consistent approach as for Standard annuities. The combined impact on the net BEL was a decrease of €2 million.

- **Non-life annuities** - Annuities originating from non-life reinsurance contracts should be classified under the within Life technical provisions on the Solvency II balance sheet. Information currently recorded into the Company system does not allow the identification of all non-life annuities claims across different European Countries. As at year end 2018, the Company has been able to identify only annuities related to the U.K. Market, known as periodic payment orders ("PPOs"). A project, which involves the Company's claims department, has been set up in order to be able to assess the data limitations encountered with the non-U.K. non-life annuities.

  PPOs have been assessed on a case-by-case basis and valued on the present value of future cashflows discounted using the relevant risk-free interest rate. Cash-flows considered in the calculation of the reserves for PPOs are related to future benefit payments for cost of care and loss of earnings. Expenses have been considered not material since mainly related to administration costs and therefore not included in the calculation as at 31 December 2018. To assess future benefit payments each PPO was projected into the future taking into account future inflation costs as well as longevity assumptions and claimant's life impairment.

- **Expenses** - The expenses allocated to life are based on the 2019 planned expenses and have been provided by Finance. The allocated expenses are firstly split between longevity and protection business, and further split between short term and long term business on an equal basis. Expenses are projected forward using claims or premium volumes as drivers. The assumptions generally exclude expenses related to the acquisition of new business. Projected expenses also include an allowance for inflation. During 2019 both the base expense and inflation assumptions were recalibrated to match the 2019 planned expenses. The combined impact on the net BEL was an increase of €1 million.

- **ENIDs** - In practice, a loading on claims is used for mortality products as an allowance for binary events not included in the data (pandemic event for example). This loading was updated following the latest stochastic model runs. The impact on the net BEL was an increase of €5 million.

- **Other** - The contract boundaries applied to the GMDB and TCI portfolios was refined during 2018 to include an estimate of new business for the contractual notice period within the projection, as the Company cannot reject these premiums. The impact of this refinement was an increase in the net BEL of €12m.

Economic

Overall, the impact of economic movements during 2018 was adverse, increasing the net BEL by €15 million. This impact was largely driven by the decrease in the CAC over the year which increases the value of the investment guarantees on the GMDB portfolio.

Best estimate liability (BEL)

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

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

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

- The segments without policy data information includes both ST and LT proportional business and some ST non-proportional business. For ST business, the approach is similar to the approach used for Non-Life reserves. In this instance, the Life BEL is determined by applying an adjustment to the IFRS reserves to remove any margins included in the booked IFRS reserves. For unexpired exposures and BBNI business, premiums, claims and costs are based on the underwriting estimation used for IFRS accruals. Specific patterns derived from settlement triangles are then applied to the IFRS reserves net of margins to project cash flows. For LT business, the modelling is approached with a simplified treaty level approach. Premiums, claims and cost are based on the underwriting estimation used for IFRS accruals and actual IFRS booked reserves. Future cash flows are projected assuming an annual decrease in volume. The cash flows are projected over 10 years after the insured period end.

  A number of further adjustments are then applied to derive the final BEL, including:
  Inclusion of additional expenses to cover overheads and investment expenses
  Inclusion of an allowance for events not included in the data (ENID)
  Settlement of premiums/costs not yet paid.

Risk Margin

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

Level of Uncertainty

The Company is exposed to the risk that the technical provisions are insufficient to cover the liabilities and cost of capital in the future. The key lines of business where there is exposure to material adverse development is in respect of Longevity (both impaired annuity and mortality swap business), TCI business and GMDB business. Uncertainty also exists with respect to the projections of future expenses.

The most significant exposure for TCI business is a mortality deterioration. Lapse risk and morbidity deterioration would have a less severe but still potentially material impact on technical provisions. The mortality and morbidity assumptions for some of the TCI business are based on experience observed at the time of pricing. Actual experience might diverge from the expected basis due to heterogeneity in the underlying portfolios.

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

expected basis due to heterogeneity in the underlying portfolios. Future mortality improvements are by their nature uncertain and the Company applies expert judgement in this regard.

In relation to GMDB business, adverse lapse experience is the most significant non-economic risk.

Simplifications Used in the Calculation of Technical Provisions

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

- Data - policy-level data for certain long term mortality contracts are not available from cedants. For those contracts inferences are performed on a treaty level based on expert judgment and historic accounts. Overall assumptions are considered reasonable and alternative equally plausible assumptions would not materially impact the technical provisions given the relatively low weight of this segment.
- Modelling of long-term mortality business without policy level data - The methodology of projecting future cash flows is performed at a treaty level using treaty level assumptions. The period of projection is an area of expert judgment that is required due to a lack of information. This assumption is considered reasonable and does not materially impact the net BEL given the relatively low weight of this segment.
- The timing of cash flow settlement is difficult to model accurately as it depends on accounting lags which are volatile and can vary significantly on a treaty level and can change over time. The current approach for deriving cash flow settlement patterns based on past experience on a line of business level does not capture all features of the actual timing of cash flows currently being observed. Based on sensitivity analyses, the BEL would not be materially impacted under alternative settlement patterns within the range of observed historic volatility. Improving the booking of accounts by underwriting year for ST business would improve the ability to derive more accurate settlement patterns.
- The calculation of the risk margin requires either a recalculation of the SCR components are at each future time period or an approximation of same. For the Company, the latter approach is adopted, whereby the SCR for the individual risk modules is assumed to run-off in line with a risk driver (i.e. PV claims). The risk margin is calculated in aggregate for Life and Health SLT basis and is not allocated to each of the internal management lines of business. This approach is followed for practical reasons as it is not possible to recalculate shocks on a treaty level at future points in time due to data processing constraints. To validate this approach, a possible alternative was analysed that could arguably be considered a more accurate approximation of the full recalculation of the SCR at each future time period. Under this alternative, the applicable shocks for each of the life underwriting risks are projected forward using individual risk drivers, and the SCR would be recalculated at each future time by applying the correlation matrix specified by the SII regulation. The analysis showed that the impact on the risk margin is not material and that the current approach is slightly more prudent but significantly simpler and embedded in the SII process. For these reasons and given the uncertainty around the projection of the SCR, i.e. the alternative would still be a simplification, it was decided that the current approach is appropriate and reasonable and that it will be retained.

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

Contract boundaries

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

- For LT business in respect of treaties in run-off, only policies in-force at bordereau date are included.
- For LT treaties open to new business, no allowance is generally made for individual contracts bound at valuation date with an attaching period in the future, or so called BBNI business. An exception to this applies to TCI and GMDB business in respect of a few specific treaties that are open to new business. For these treaties an estimate of new business for the contractual notice period is included within the BEL. This new business is considered within the scope of the projection because the Company cannot reject these premiums.
- In line with contract wording, future premiums are included until the time of expiry of the underlying contracts. The standard termination clause requires both parties to reach mutual agreement in case of early termination. For TCI business, for both level and risk/YRT premium types, the premium basis is

guaranteed at original inception until the term of the underlying policy. Some TCI contracts are reviewed at 5 or 10 year intervals, however, unlike at the inception of the underlying contracts, no medical reassessment is performed.

- For GMDB business, the policyholder has the option to increase the investment as an additional premium. These flexible premiums (i.e. not contractually forecast) increase the level of financial guarantee given and as such affects the economics of the contract. Additional premiums are considered as within the contract boundaries because the Company cannot reject those premiums, nor unilaterally modify the reinsurance tariff, nor terminate the contract.
- For LT business without policy data information 10 years' worth of annually decreasing premium volume is assumed.
- For ST business, the standard duration is one year and the BBNI allowance reflects the business renewed or bound but which is not yet incepted at the valuation date.

Key options and guarantees

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

Homogeneous risk groups used to calculate the technical provisions

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

Recommendations relating to data

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

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

- For short term business, an allocation of the bookings by underwriting year is required. Today, this allocation by underwriting year is not systematically done. Adding this dimension reduces the reliance on expert judgements in respect of quantifying the implicit margins within the booked IFRS reserve and claims development pattern. This would also improve the accuracy of the analysis of change with regards to the quantification of new business impact. Significant progress was made on this project during 2018 and it is recommended that the Life Operations team continues to support the clean-up of past accounting data during 2019.
- The exposure to disability and long term care annuity has increased in recent years necessitating a database listing for individual annuity claims in payment. This tool would enable the actuarial function to perform a reserve calculation based on standard life techniques rather than the loss ratio approach. It is also recommended that the Life Operations team develops a plan in the medium term to design a policy data administration system and the related processes to administrate in-force disability annuities. The Life Operation team is currently in the process of redefining the target operating model which impacts the planned administration of the in-force disability annuities.

Economic Scenario Generator

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

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

Reinsurance recoverables

The Company has entered a quota share (65%) retrocession agreement with PRCL which covers all treaties except certain financing treaties. The share of the arrangement was increased from 50% to 65% in respect of new

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

- A 50% quota share arrangement on non-standard longevity business;
- An individual surplus program;
- A Group XL program;
- A Cat XL cover program on a per event basis; and
- A few minor specific treaties.

The recoverable amounts recognised in the Solvency II from these external retrocession arrangements are not material.

Comparison to IFRS reporting

The following table compares the net BEL, calculated on a Solvency II basis, to the net IFRS liability used in the Company's financial statements as at 31 December 2018 and 2017:

	2018					2017				
Net of retrocession	**Protection**	**Longevity**	**Non-life Annuities**	**Risk Margin**	**Total**	**Protection**	**Longevity**	**Non-life Annuities**	**Risk Margin**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
IFRS reserves	569,604	117,808	21,938	—	709,350	522,755	111,322	20,343	—	654,420
Payables / receivables/ Deposit Accounting Assets	(157,394)	(36,079)	—	—	(193,473)	(127,143)	(26,160)	(8,137)	—	(161,440)
UPR	3,164	—	—	—	3,164	3,315	—	—	—	3,315
Deferred acquisition costs	(60,201)	—	—	—	(60,201)	(62,079)	—	—	—	(62,079)
Net IFRS liability	**355,173**	**81,729**	**21,938**	**—**	**458,840**	**336,848**	**85,162**	**12,206**	**—**	**434,216**
Net BEL	**303,312**	**(60,051)**	**13,178**	**163,931**	**420,370**	**240,037**	**(30,231)**	**12,966**	**128,954**	**351,726**
Difference	**(51,861)**	**(141,780)**	**(8,760)**	**163,931**	**(38,470)**	**(96,811)**	**(115,393)**	**760**	**128,954**	**(82,490)**

** Non-life annuities were not included within the scope of the Life technical provisions for the year end 31 December 2018*

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

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

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

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

D.3. VALUATION OF OTHER ASSETS AND LIABILITIES

This section outlines the valuation basis and comparison for other assets and liabilities excluding investments and technical provisions as at 31 December 2018 and 2017:

		2018			2017		
	Note	Solvency II Balance Sheet	IFRS Balance Sheet	Variance	Solvency II Balance Sheet	IFRS Balance Sheet	Variance
		€'000	€'000	€'000	€'000	€'000	€'000
Other assets							
Receivables (trade, not insurance)	1	12,647	12,647	—	236,441	236,441	—
Insurance and intermediaries receivables	2	139,825	139,825	—	170,317	170,317	—
Reinsurance receivables	3	40,769	40,769	—	59,072	59,072	—
Deferred tax assets	5	23,768	2,374	21,394	13,663	2,335	11,328
Net derivative asset		—	—	—	1,986	1,986	—
Other assets		982	982	—	1,985	1,985	—
		217,991	**196,597**	**21,394**	**483,464**	**472,136**	**11,328**
Other liabilities							
Deposits from reinsurers	4	691,541	691,541	—	657,550	657,550	—
Payables (trade, not insurance)	1	107,316	107,316	—	363,755	363,755	—
Reinsurance payables	3	93,928	93,928	—	59,606	59,606	—
Insurance and intermediaries payables	2	60,672	60,672	—	57,799	57,799	—
Deferred tax liabilities	5	12,746	94,869	(82,123)	18,157	91,860	(73,703)
Other liabilities		1,825	1,825	—	29,701	29,701	—
Net derivative liability	D.1	818	818	—	—	—	—
		968,846	1,050,969	(82,123)	1,186,568	1,260,271	(73,703)
Total other assets and liabilities		**(750,855)**	**(854,372)**	**103,517**	**(703,104)**	**(788,135)**	**85,031**

Notes

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

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

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

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

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

   Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory

requirements on the time limits relating to the carry forward of unused tax losses or the carry forward of unused tax credits. Deferred tax assets and liabilities are not discounted. The difference between the values of the Solvency II balance sheet deferred tax assets and liabilities and the IFRS values are due to the tax impact of valuation adjustments to other assets and liabilities on the balance sheet.

The Company had unrecognised foreign tax credit carry forward of €137 million (2017: €136 million), unrecognised other tax assets related to foreign branches of €3 million (2017: €4 million) and nil unrecognised tax loss carry forward (2017: nil).

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

Nature of Capital

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

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

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

The various capital contributions from 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, which 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 Solvency II 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 Solvency II Own Funds as at 31 December 2018 and 2017:

2018	Tier 1 - unrestricted funds €'000	Tier 3 €'000	Total €'000
Ordinary share capital	245,092	—	245,092
Reconciliation reserve	698,790	—	698,790
Net deferred tax assets	—	11,022	11,022
Other Own Funds approved by the supervisory authority	941,788	—	941,788
Total Solvency II Own Funds	**1,885,670**	**11,022**	**1,896,692**

2017	Tier 1 - unrestricted funds €'000	Tier 3 €'000	Total €'000
Ordinary share capital	245,092	—	245,092
Reconciliation reserve	668,945	—	668,945
Net deferred tax assets	—	—	—
Other Own Funds approved by the supervisory authority	941,788	—	941,788
Total Solvency II Own Funds	**1,855,825**	**—**	**1,855,825**

The balance of Solvency II Own Funds of €1,897 million (2017: €1,856 million) is split between share capital, the reconciliation reserve and other Own Funds approved by the supervisory authority.

The Company's ordinary share capital is €245 million (2017: €245 million).

The reconciliation reserve is made up of IFRS retained earnings, IFRS currency translation reserve and the valuation differences between IFRS and Solvency II. The reconciliation reserve changed during the year as a result of the profit earned during the year, the foreign exchange gains recognised in the currency translation reserve and the change in Solvency II valuation differences.

The other Own Funds approved by the supervisory authority are equal to the additional paid-in capital of the Company.

The Company did not make any dividend payments to its shareholder in 2018 or 2017.

Capital Management

The Company's objectives when managing capital are:

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

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

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

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

Reconciliation of Solvency II Own Funds to IFRS Net Equity

The following table compares shareholders' equity from the Company's IFRS financial statements to the Solvency II Own Funds as at 31 December 2018 and 2017:

	2018 €'000	2017 €'000
IFRS Shareholders' Equity	**2,213,642**	**2,168,477**
Goodwill and other intangibles	(213,617)	(220,486)
Revaluation of investments	46,340	53,629
Revaluation of non-life reserves	(280,740)	(313,405)
Revaluation of life reserves	15,688	82,580
Revaluation of other assets and liabilities	115,379	85,030
Solvency II Own Funds	**1,896,692**	**1,855,825**
Change in equity	**(316,950)**	**(312,652)**

- Goodwill of €214 million (2017: €205 million) is valued at zero under Solvency II rules so reduces shareholders' equity compared to IFRS. The decrease of €16 million in Goodwill and intangible assets is primarily due to the write-off of intangible assets related to the guaranteed reserves associated with the Colisée Re as the business related to these was commuted during 2018.
- The Company values the majority of its investments at fair value in its IFRS financial statements so in most cases the IFRS value is the same at the Solvency II value. See section D.1. for further details of the valuation basis of investments.
- See section D.2.1. of this report for a detailed explanation of the differences in valuation of non-life technical provisions.
- See section D.2.2. for a detailed explanation of the differences in valuation of life technical provisions.
- The difference between other assets and liabilities primarily arises from the difference in deferred tax balances due to the tax impact of the other valuation adjustments. See section D.3. for further details of the valuation basis for other assets and liabilities. A detailed line-by-line Solvency II balance sheet is provided in the QRT number S.02.01.02 in the annex to this report.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The amount of the Company's SCR and MCR at 31 December 2018 are €1,321 million and €359 million (2017: €1,374 million and €381 million) respectively.

The table below shows the components of the SCR (using the Standard Formula) as at 31 December 2018 and 2017:

	2018 €'000	2017 €'000
Market risk	464,417	452,583
Counterparty default risk	282,223	327,637
Life underwriting risks	381,640	326,622
Health underwriting risk	69,309	67,466
Non-life underwriting risk	672,704	737,392
Sum of risk components	**1,870,293**	**1,911,700**
Diversification effects	(649,029)	(641,063)
BSCR	**1,221,264**	**1,270,637**
Adjustment for the loss absorbing effect of deferred taxes	(12,747)	(18,158)
SCR operational risk	112,824	121,310
SCR	**1,321,341**	**1,373,789**
Solvency II Own Funds	1,896,692	1,855,825
Ratio of eligible Own Funds to SCR	**144%**	**135%**

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

The Company has a ratio of Eligible Own Funds to SCR of 144% (2017: 135%), which represents an excess of Own Funds over SCR of €576 million (2017: €482 million) and an improvement in the ratio coverage when compared to 2017 of 9%. The improvement in ratio is mainly driven by a reduction in the SCR and a strengthening of Own Funds during the year. The reduction in the SCR is mainly due to the following;

- A decrease in the non-life underwriting risk charge predominately due to the reduction in reserve volume following the commutation of the Colisée Re retrocessional and related guarantee arrangements,
- A decrease in the counterparty default risk charge mainly due to a reduction in Type 2 exposures, partially offset by;
- An increase in the life underwriting risk charge predominately due to growth of the portfolio due to new business written in Longevity, an annual assumption review related to certain lines of business and the expense methodology, data and modelling improvements and economic assumption changes and
- An increase in the market risk charge mainly due to changes in the Company's currency risk exposure.

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

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

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

The table below outlines the components of the MCR as at 31 December 2018 and 2017:

	2018 €'000	2017 €'000
Linear MCR	359,074	381,006
SCR	1,321,341	1,373,789
MCR cap	594,603	618,205
MCR floor	330,335	343,447
Combined MCR	359,074	381,006
Absolute floor of the MCR	3,600	3,600
MCR	**359,074**	**381,006**

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

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

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

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

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

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

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

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

Annex I
SE.02.01.02
Balance sheet
31 December 2018
€'000

Assets		Solvency II value
		C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	23,768
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	3,473
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	5,286,354
Property (other than for own use)	R0080	63,450
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	39,794
Equities - listed	R0110	39,681
Equities - unlisted	R0120	113
Bonds	R0130	3,379,314
Government Bonds	R0140	1,276,995
Corporate Bonds	R0150	1,731,432
Structured notes	R0160	-
Collateralised securities	R0170	370,887
Collective Investments Undertakings	R0180	48,572
Derivatives	R0190	1,688,040
Deposits other than cash equivalents	R0200	67,184
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	411,423
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	411,423
Reinsurance recoverables from:	R0270	2,633,042
Non-life and health similar to non-life	R0280	2,204,863
Non-life excluding health	R0290	2,174,482
Health similar to non-life	R0300	30,382
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	428,178
Health similar to life	R0320	96,916
Life excluding health and index-linked and unit-linked	R0330	331,262
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	670,066
Insurance and intermediaries receivables	R0360	139,824
Reinsurance receivables	R0370	40,768
Receivables (trade, not insurance)	R0380	12,647
Own shares	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	138,967
Any other assets, not elsewhere shown	R0420	981
Total assets	R0500	9,361,314

Annex I
Ar SE.02.01.02
SE Balance Sheet
31 December 2018
€'000

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	3,959,187
Technical provisions – non-life (excluding health)	**R0520**	3,875,528
TP calculated as a whole	**R0530**	-
Best Estimate	**R0540**	3,587,050
Risk margin	**R0550**	288,477
Technical provisions - health (similar to non-life)	**R0560**	83,659
TP calculated as a whole	**R0570**	-
Best Estimate	**R0580**	71,048
Risk margin	**R0590**	12,611
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	848,549
Technical provisions - health (similar to life)	**R0610**	177,897
TP calculated as a whole	**R0620**	-
Best Estimate	**R0630**	161,473
Risk margin	**R0640**	16,424
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	670,652
TP calculated as a whole	**R0660**	-
Best Estimate	**R0670**	523,145
Risk margin	**R0680**	147,507
Technical provisions – index-linked and unit-linked	**R0690**	-
TP calculated as a whole	**R0700**	-
Best Estimate	**R0710**	-
Risk margin	**R0720**	-
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	-
Provisions other than technical provisions	**R0750**	-
Pension benefit obligations	**R0760**	684
Deposits from reinsurers	**R0770**	691,542
Deferred tax liabilities	**R0780**	12,747
Derivatives	**R0790**	1,688,858
Debts owed to credit institutions	**R0800**	-
Debts owed to credit institutions resident domestically	**ER0801**	
Debts owed to credit institutions resident in the euro area other than domestic	**ER0802**	
Debts owed to credit institutions resident in rest of the world	**ER0803**	
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Debts owed to non-credit institutions	**ER0811**	
Debts owed to non-credit institutions resident domestically	**ER0812**	
Debts owed to non-credit institutions resident in the euro area other than domestic	**ER0813**	
Debts owed to non-credit institutions resident in rest of the world	**ER0814**	
Other financial liabilities (debt securities issued)	**ER0815**	
Insurance & intermediaries payables	**R0820**	60,672
Reinsurance payables	**R0830**	93,928
Payables (trade, not insurance)	**R0840**	107,315
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**	1,141
Total liabilities	**R0900**	7,464,622
Excess of assets over liabilities	**R1000**	1,896,692

Annex I
S.05.01.02
Premiums, claims and expenses by line of business
31 December 2018

€'000

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	**R0110**						-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	**R0120**	-	15,009	- 392.19	91,937	86,870	260,552	503,996	164,493	245,236	-	-	-					1,368,092
Gross - Non-proportional reinsurance accepted	**R0130**													5,667	129,214	34,216	214,579	383,677
Reinsurers' share	**R0140**	-	9,928	- 265.34	67,660	63,931	198,413	366,868	111,025	180,824	-	-	-	3,834	89,237	24,426	154,500	1,270,645
Net	**R0200**	-	5,081	- 126.85	24,277	22,939	62,139	137,128	53,469	64,412	-	-	-	1,833	39,977	9,790	60,079	481,124
Premiums earned																		
Gross - Direct Business	**R0210**						-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	**R0220**	-	14,393	- 392.19	85,132	77,858	273,119	492,817	146,475	242,081	-	-	-					1,331,874
Gross - Non-proportional reinsurance accepted	**R0230**													5,236	126,206	34,905	208,929	375,276
Reinsurers' share	**R0240**	-	9,536	- 266.51	62,748	57,387	205,897	357,922	99,251	175,735	-	-	-	3,558	87,782	25,570	154,068	1,239,455
Net	**R0300**	-	4,857	- 125.68	22,383	20,471	67,222	134,896	47,224	66,346	-	-	-	1,678	38,424	9,335	54,861	467,696
Claims incurred																		
Gross - Direct Business	**R0310**						-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	**R0320**	-	6,956	-4,785	43,492	47,736	137,058	385,766	72,612	70,896	-	-	-					759,732
Gross - Non-proportional reinsurance accepted	**R0330**													1,975	95,084	-15,010	107,162	189,211
Reinsurers' share	**R0340**	-	5,108	-3,625	34,010	37,202	104,256	283,691	56,219	56,136	-	-	-	1,553	73,523	-3,421	82,934	727,586
Net	**R0400**	-	1,848	-1,161	9,482	10,534	32,803	102,075	16,393	14,760	-	-	-	422	21,561	-11,588	24,228	221,358
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**	-	2,873	230	8,409	6,855	22,396	47,564	24,203	35,466	-	-	-	456	10,689	2,537	13,965	175,644
Other expenses	**R1200**																	
Total expenses	**R1300**																	175,643,685.24

Annex I

S.05.01.02

Premiums, claims and expenses by line of business

31 December 2018

€'000

		Line of Business for: life obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**							103,065	745,055	848,120
Reinsurers' share	**R1420**							66,062	439,329	505,391
Net	**R1500**							37,003	305,726	342,729
Premiums earned										
Gross	**R1510**							103,233	745,365	848,598
Reinsurers' share	**R1520**							66,149	439,553	505,703
Net	**R1600**							37,084	305,811	342,895
Claims incurred										
Gross	**R1610**							79,045	647,114	726,160
Reinsurers' share	**R1620**							50,080	380,793	430,873
Net	**R1700**							28,965	266,321	295,287
Changes in other technical provisions										
Gross	**R1710**							-	-	-
Reinsurers' share	**R1720**							-	-	-
Net	**R1800**							-	-	-
Expenses incurred	**R1900**							9,734	51,099	60,833
Other expenses	**R2500**									
Total expenses	**R2600**									60,833

Annex I
S.05.02.01
Premiums, claims and expenses by country

31 December 2018

€'000

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
	R0010			(GB) United Kingdom	(US) United States	(DE) Germany	(CH) Switzerland	(NL) Netherlands
		C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written								
Gross - Direct Business	R0110	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0120	4,571	808,410	275,701	278,679	136,771	58,475	54,213
Gross - Non-proportional reinsurance accepted	R0130	506	242,460	92,387	39,464	46,056	55,081	8,966
Reinsurers' share	R0140	3,672	761,872	266,659	230,663	132,913	81,585	46,381
Net	R0200	1,405	288,997	101,429	87,480	49,914	31,971	16,798
Premiums earned								
Gross - Direct Business	R0210	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	15,693	776,144	261,714	235,866	135,984	61,370	65,517
Gross - Non-proportional reinsurance accepted	R0230	510	239,171	92,939	35,182	46,670	54,355	9,515
Reinsurers' share	R0240	11,421	736,444	257,702	196,590	133,039	83,166	54,525
Net	R0300	4,782	278,871	96,951	74,457	49,615	32,559	20,506
Claims incurred								
Gross - Direct Business	R0310	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	19,581	469,955	134,335	126,292	109,009	37,176	43,562
Gross - Non-proportional reinsurance accepted	R0330	-3,570	104,670	53,704	2,681	14,257	34,880	2,719
Reinsurers' share	R0340	12,539	422,391	146,073	102,643	94,101	54,064	12,970
Net	R0400	3,472	152,234	41,966	26,330	29,164	17,992	33,310
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	5,816	109,705	34,354	32,269	16,042	11,404	9,820
Other expenses	R1200							
Total expenses	R1300		109,705					

Annex I
S.05.02.01
Premiums, claims and expenses by country

31 December 2018

€'000

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400			(GB) United Kingdom	(FR) France	(AU) Australia	(BM) Bermuda	(IL) Israel
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410	61,606	677,763	323,013	94,034	93,286	53,634	52,188
Reinsurers' share	R1420	37,689	400,944	182,322	57,565	60,882	29,509	32,977
Net	R1500	23,917	276,818	140,691	36,469	32,405	24,125	19,211
Premiums earned								
Gross	R1510	61,606	677,021	322,965	94,043	92,595	53,634	52,177
Reinsurers' share	R1520	37,694	400,504	182,292	57,577	60,461	29,509	32,971
Net	R1600	23,913	276,517	140,673	36,466	32,134	24,125	19,206
Claims incurred								
Gross	R1610	56,843	617,873	310,765	70,769	88,150	51,979	39,368
Reinsurers' share	R1620	34,882	363,512	175,747	43,216	56,450	28,666	24,551
Net	R1700	21,961	254,362	135,017	27,553	31,700	23,314	14,817
Changes in other technical provisions								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
Expenses incurred	R1900	5,619	36,234	9,976	8,142	5,104	3,886	3,507
Other expenses	R2500							
Total expenses	R2600		36,234					

Annex I
S.12.01.02
Life and Health SLT Technical Provisions
31 December 2018

€'000

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance					**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Insurance with profit participation on Accepted reinsurance (Gross)	Index-linked and unit-linked insurance on Accepted reinsurance (Gross)	Other life insurance on Accepted reinsurance (Gross)	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations (Gross)			Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**																				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**																				
Technical provisions calculated as a sum of BE and RM																					
Best Estimate																					
Gross Best Estimate	**R0030**									523,145			490,200	32,945	523,145					161,473	161,473
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									331,262			311,495	19,767	331,262					96,916	96,916
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**									191,882					191,882					64,557	64,557
Risk margin	**R0100**									147,507	-	-	146,914	594	147,507					16,424	16,424
Amount of the transitional on Technical Provisions																					
Technical provisions calculated as a whole	**R0110**																				
Best Estimate	**R0120**																				
Risk margin	**R0130**																				
Technical provisions - total	**R0200**									670,652					670,652					177,897	177,897
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0210**									339,390	-	-	325,618	13,772	339,390					80,981	80,981
Best Estimate of products with a surrender option	**R0220**																				

Annex I
S.17.01.02
Non-life Technical Provisions
31 December 2018

€'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**	-	-457	-	3,829	3,648	4,828	22,544	26,994	-11,349	-	-	-	833	22,553	3,732	-9,097	68,059
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	45	- 0.01	10,096	4,984	4,733	25,325	18,726	105	-	-	-	651	18,617	2,449	-3,120	82,611
Net Best Estimate of Premium Provisions	**R0150**	-	-502	0.01	-6,267	-1,336	94	-2,781	8,268	-11,454	-	-	-	182	3,937	1,283	-5,977	-14,552
Claims provisions																		
Gross - Total	**R0160**	-	11,751	4,729	150,057	51,891	438,205	780,191	432,308	206,447	-	-	-	54,192	1,097,343	76,911	286,015	3,590,039
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	5,286	2,735	87,787	34,684	274,766	499,986	240,482	121,154	-	-	-	21,664	618,867	43,599	171,241	2,122,253
Net Best Estimate of Claims Provisions	**R0250**	-	6,464	1,994	62,269	17,208	163,439	280,205	191,826	85,292	-	-	-	32,528	478,477	33,311	114,774	1,467,787
Total Best estimate - gross	**R0260**	-	11,294	4,729	153,886	55,540	443,032	802,735	459,302	195,098	-	-	-	55,025	1,119,897	80,643	276,918	3,658,098
Total Best estimate - net	**R0270**	-	5,962	1,994	56,002	15,872	163,533	277,425	200,094	73,839	-	-	-	32,710	482,413	34,594	108,797	1,453,235
Risk margin	**R0280**	-	1,225	233	7,225	2,763	26,714	34,077	25,946	31,955	-	-	-	11,154	115,997	9,140	34,661	301,089
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**	-	12,519	4,962	161,111	58,303	469,746	836,812	485,247	227,053	-	-	-	66,179	1,235,894	89,783	311,579	3,959,187
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	5,331	2,735	97,884	39,668	279,499	525,311	259,208	121,259	-	-	-	22,315	637,483	46,048	168,121	2,204,863
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	-	7,187	2,226	63,227	18,636	190,247	311,502	226,040	105,794	-	-	-	43,864	598,410	43,734	143,457	1,754,323

Annex I
S.19.01.21
Non-life Insurance Claims Information
31 December 2018
€'000

Accident year / Underwriting year	Z0020	2

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											49,432
N-9	R0160	94,847	793,100	250,912	161,972	103,865	61,282	43,924	20,689	14,795	12,970	
N-8	R0170	45,870	391,103	281,764	155,194	95,774	66,766	36,650	25,524	49,455		
N-7	R0180	27,974	318,462	205,610	137,035	67,979	52,683	33,394	20,264			
N-6	R0190	56,063	324,969	198,885	98,623	56,585	41,502	23,585				
N-5	R0200	41,102	322,957	216,872	139,410	62,355	59,679					
N-4	R0210	34,104	353,632	206,375	181,669	63,692						
N-3	R0220	37,399	373,253	289,138	140,716							
N-2	R0230	13,986	343,616	204,614								
N-1	R0240	40,346	346,474									
N	R0250	23,209										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	49,432	
N-9	R0160	12,970	1,558,356,929
N-8	R0170	49,455	1,148,100,670
N-7	R0180	20,264	863,399,115
N-6	R0190	23,585	800,212,191
N-5	R0200	59,679	842,374,579
N-4	R0210	63,692	839,472,379
N-3	R0220	140,716	840,506,354
N-2	R0230	204,614	562,216,122
N-1	R0240	346,474	386,819,720
N	R0250	23,209	23,209,407
Total	R0260	**994,091,818**	7,864,667,465

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

		0	1	2	3	4	5	6	7	8	9	10
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											799,622
N-9	R0160								140,927	124,913	114,046	
N-8	R0170							218,893	185,282	143,102		
N-7	R0180						202,638	166,327	168,227			
N-6	R0190					235,304	185,806	153,468				
N-5	R0200				355,216	302,104	248,904					
N-4	R0210			501,218	374,438	309,985						
N-3	R0220		694,917	498,766	376,820							
N-2	R0230	518,279	607,950	479,879								
N-1	R0240	511,668	636,297									
N	R0250	441,214										

		Year end (discounted data)
		C0360
Prior	R0100	742,050
N-9	R0160	105,180
N-8	R0170	129,915
N-7	R0180	159,278
N-6	R0190	143,109
N-5	R0200	230,510
N-4	R0210	280,587
N-3	R0220	347,584
N-2	R0230	439,622
N-1	R0240	594,991
N	R0250	417,214
Total	R0260	3,590,039

Annex I
S.23.01.01
Own funds
31 December 2018
€'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	245,092	245,092			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	698,791	698,791			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	11,022				11,022
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	941,788	941,788			
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	1,896,692	1,885,670			11,022
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,896,692	1,885,670			11,022
Total available own funds to meet the MCR	R0510	1,885,670	1,885,670			
Total eligible own funds to meet the SCR	R0540	1,896,692	1,885,670			11,022
Total eligible own funds to meet the MCR	R0550	1,885,670	1,885,670			
SCR	R0580	1,321,341				
MCR	R0600	359,074				
Ratio of Eligible own funds to SCR	R0620	144%				
Ratio of Eligible own funds to MCR	R0640	525%				

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	1,896,692
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	1,197,901
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	698,791
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	585,977
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	274,021
Total EPIFP	R0790	859,998

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

31 December 2018

€'000

Article 112? (Y/N)	**Z0010**	(2) Regular reporting

Basic Solvency Capital Requirement

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	**C0040**	**C0050**
Market risk	**R0010**	464,417	464,417	-
Counterparty default risk	**R0020**	282,223	282,223	-
Life underwriting risk	**R0030**	381,640	381,640	-
Health underwriting risk	**R0040**	69,309	69,309	-
Non-life underwriting risk	**R0050**	672,704	672,704	-
Diversification	**R0060**	-649,029	-649,029	
Intangible asset risk	**R0070**	-	-	
Basic Solvency Capital Requirement	**R0100**	1,221,264	1,221,264	

Calculation of Solvency Capital Requirement		**C0100**
Adjustment due to RFF/MAP nSCR aggregation	**R0120**	-
Operational risk	**R0130**	112,824
Loss-absorbing capacity of technical provisions	**R0140**	-
Loss-absorbing capacity of deferred taxes	**R0150**	-12,747
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	-
Solvency Capital Requirement excluding capital add-on	**R0200**	1,321,341
Capital add-on already set	**R0210**	-
Solvency capital requirement	**R0220**	1,321,341
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	-
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	-
Total amount of Notional Solvency Capital Requirement for ring fenced funds	**R0420**	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	-
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	-
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	**R0450**	(4) No adjustment
Net future discretionary benefits	**R0460**	-

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
31 December 2018

€'000

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	261,488

		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	5,962	5,081
Workers' compensation insurance and proportional reinsurance	R0040	1,994	-
Motor vehicle liability insurance and proportional reinsurance	R0050	56,002	24,277
Other motor insurance and proportional reinsurance	R0060	15,872	22,939
Marine, aviation and transport insurance and proportional reinsurance	R0070	163,533	62,139
Fire and other damage to property insurance and proportional reinsurance	R0080	277,425	137,128
General liability insurance and proportional reinsurance	R0090	200,094	53,469
Credit and suretyship insurance and proportional reinsurance	R0100	73,839	64,412
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	32,710	1,833
Non-proportional casualty reinsurance	R0150	482,413	39,977
Non-proportional marine, aviation and transport reinsurance	R0160	34,594	9,790
Non-proportional property reinsurance	R0170	108,797	60,079

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	97,586

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	-	
Obligations with profit participation - future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	-	
Other life (re)insurance and health (re)insurance obligations	R0240	256,439	
Total capital at risk for all life (re)insurance obligations	R0250		131,715,387

Overall MCR calculation		C0070
Linear MCR	R0300	359,074
SCR	R0310	1,321,341
MCR cap	R0320	594,603
MCR floor	R0330	330,335
Combined MCR	R0340	359,074
Absolute floor of the MCR	R0350	3,600
Minimum Capital Requirement	R0400	359,074

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

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