



CNP SANTANDER INSURANCE

Insuring all our futures

Solvency and Financial Condition Report

CNP Santander Insurance Europe DAC

FOR THE YEAR ENDING

31st December 2019

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INTRODUCTION

This is the fourth *Solvency and Financial Condition Report* (“**SFCR**”) undertaken by **CNP Santander Insurance Europe DAC**, referred to hereafter as “**the Company**”. The report is intended to provide essential information about the solvency and financial position of the Company as at 31st December 2019, including information on the governance of the Company and the management and mitigation of associated risks over the reporting period.

As at 31st December 2019, the Company is rated *medium-low* under the Probability Risk and Impact System (“**PRISM**”) risk rating of the Central Bank of Ireland (“**CBI**”).

Regulatory background

This report is required by the regulatory regime for European (re)insurance companies, known as Solvency II Directive (“**the Directive**”), and is prepared in accordance with all of the requirements of the Delegated Regulations and the European Insurance and Occupational Pensions Authority (“**EIOPA**”) Guidelines. Article 51 of the Directive 2009/138/EC sets out the requirement for undertakings to publicly disclose a “*report on their solvency and financial condition*” on an annual basis - the Solvency and Financial Condition Report.

Submission and Disclosure

This report is disclosed to the public in accordance with Article 301 of the Delegated Regulation which sets out the requirements regarding the publication of the SFCR. Accordingly, the Company will publish a copy of the latest report on its corporate website (www.cnpsantander.com) not later than the 7th April 2020 and will keep the SFCRs publicly available to any party who requests them for up to 5 years following the disclosure date. A copy of the SFCR will also be submitted to the CBI within the timeline specified above.

Structure of the report

This document is prepared in accordance with the proposed structure of the SFCR as outlined in Annex XX of the Delegated Regulation. This document is structured as follows:

- *Section A* provides details on the business of the Company and an assessment of the Company’s performance over the reporting period;
- *Section B* provides a description of the system of governance of the Company;
- *Section C* provides details on the risk profile of the Company and the management of risk exposures;
- *Section D* describes the valuation of the assets and liabilities of the Company for solvency purposes;
- *Section E* provides details on the calculation of capital requirements, and outlines the Company’s approach to capital management; and
- *Appendix A* contains the required Quantitative Reporting Templates (“**QRTs**”) for the Year End 2019 for information purposes.

EXECUTIVE SUMMARY

A. *Business and performance*

CNP Santander Insurance Europe DAC is an international insurance company that designs and manages insurance products in 11 European countries. The Company underwrites non-life insurance policies designed to meet the needs of Santander's customers by protecting them and their families in unexpected and difficult times. More specifically they are aimed at preventing financial loss arising typically from disability and unemployment, and in the case of Guaranteed Asset Protection and Extended Warranty, to prevent financial loss arising through unexpected events connected with the running of their financed goods.

Gross Written Premium ("**GWP**") in 2019 amounted to €290m (2017: €286m) with Germany representing the biggest market (> 60%). Insurance result - calculated as *net earned risk premium net of incurred claims* - in 2019 amounted to €44m (2018: €43m). The Net Investment Return in 2019 amounted to €2m (2018: €1m) while General Expenses were €8m (2018: €8m).

B. *System of Governance*

The Company's system of governance is tailored to the nature, scale and complexity of the Company and has been implemented in accordance with the Corporate Governance Requirements, the CBI guidelines on Systems of Governance and the Pillar II requirements of the Solvency II Directive. The Executive Committee of the Company and its Board consider the System of Governance effectively provides for the sound and prudent management of the business and is adequate in respect of the operations, risk profile and PRISM risk rating of the Company.

The Board of Directors retains primary responsibility for business decisions and corporate governance within the Company at all times. The Board has established two delegated committees: the Risk Committee and the Audit Committee. However, the Board retains oversight of each of the committees and each committee has a documented Terms of Reference which evidences the functions delegated to them. Also, the Board has delegated certain matters to the Chief Executive Officer ("**CEO**") under the Board Terms of Reference and Matters Reserved for the Board's Remit. An Executive Committee was established which is an internal functional committee used to assist the CEO in the execution of the strategy as determined by the Board and to discuss matters of significance to the Company. As at December 31st 2019, the Board is comprised of 9 members, 2 of which are Independent Non-Executive Directors.

As at 31st December 2019, the Executive Committee is comprised of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Information Officer, Chief Risk Officer, Head of Legal, Head of Compliance, Chief Actuary and the Branch Manager.

In relation to the governance structure of the Company, two changes occurred during 2019: split of the Legal & Compliance Function into two separate functions respectively headed now by the Head of Legal and Head of Compliance, both reporting to the CEO, and split of the IT & Operations Function into two separate functions respectively headed now by the Chief Information Officer, reporting to the CEO, and by the Head of Operations, reporting to the CFO.

The key functions are fully implemented and integrated within the Company's internal governance structure which operates at three levels of increasing independence according to the *three lines of defence model*.

C. Risk profile

As at 31st December 2018, the Company is rated *medium-low* under the PRISM risk rating of the CBI. Section C of the report mainly details the measures, exposures, and mitigating actions for each of the following categories of risk: Underwriting Risk, Market Risk, Credit Risk, Liquidity Risk, and Operational Risk. There was no material change in the risk profile of the Company over the reporting period.

Since 31 December 2019, the COVID-19 pandemic has spread across the world, representing a material event for the Company – a more detailed analysis can be found in Section C.7.

D. Valuation for solvency purpose

There are no differences between the Solvency II valuation basis and that used for International Financial Reporting Standards (“IFRS”) with exception of the Reinsurance Assets.

The technical provisions under Solvency II equal the sum of the *Best Estimate Liability* (“BEL”) and the *Risk Margin* (“RM”). The BEL is the expected present value of the probability-weighted average of future cash-flows, using the relevant risk-free interest rate term structure. The BEL contains two components:

- A claims reserve based on the accounting provisions established for claims *In Course of Payment* (“ICOP”), claims *Incurred But Not Reported* (“IBNR”) and claims *Reported But Not Settled* (“RBNS”). This is referred to as the “BEL - claims reserves” in this report; and
- An amount for future claims outgo, which is represented by the Unearned Premium Reserve (“UPR”) on the Financial Statements. This is referred to as the “BEL – future cashflows” in this report.

The *RM* is the cost of holding sufficient capital to back the Solvency Capital Requirement (“SCR”) over the lifetime of the obligations. The cost of capital rate is set in the Solvency II Delegated Regulations to be 6% - above risk free. The cashflows are discounted using the relevant risk-free rates for each currency to obtain the BEL. As at 31st December 2019, the Technical Provisions amounted to €243m (2018: €210m), of which €225m of BEL and €18m of Risk Margin.

As is permitted, the Company has chosen not to apply any adjustment to the risk free rates for either the Matching Adjustment or Volatility Adjustment. The Company has also chosen not to make use of any of the Solvency II transitional arrangements permitted in respect of risk-free rates or technical provisions. Any changes to this approach in the future would require the approval of the CBI.

E. Capital management

The main objective of the Company in relation to Capital Management is to ensure that capital is kept adequate at all times in order to, maintain the financial stability of the Company through a sound and effective allocation of capital along the business; sustain the execution of the Company’s business plan; protect the best interest of the policyholders; and comply at all times with the regulatory requirements, as set by the CBI and EIOPA respectively at local and European level. This is achieved through a prudent management of the own funds on a continuous basis.

Quality of own funds is continuously monitored to ensure that sufficient eligible own funds are maintained at all times to cover the Solvency Capital Requirement and Minimum Capital Requirement (“MCR”). The Company reviews the level and eligibility of own funds at least on quarterly basis, as part of the Quantitative Reporting Templates production.

Own Funds are projected at least on an annual basis as part of the Own Risk and Solvency Assessment (“**ORSA**”) process, according to the Company business plan projections, with the aim to assess the capital requirements in the medium to long term and identify any capital management action, where required. The projections are updated quarterly as actual capital requirements are calculated every quarter. These projections provide a forward-looking perspective on the Company’s risk profile, solvency needs and level of own funds required over the business plan horizon. The results of projections made in the ORSA will be used by the Company to develop the medium-term capital management plan and define the *Target Solvency Cover* (defined as an internal prudential margin in excess of the SCR), to ensure the capital requirements are met and are aligned to with the underlying risk of the Company.

Capital Management is embedded in the ORSA annual strategic planning process and leads to the production of a medium-term capital management plan, which is revised each year by the Board.

Own Funds amounted to €250m in 2019 (2018: €219m), of which 98% are Tier 1.

The Company has used the Standard Formula for the calculation of the SCR. The SCR for the Company on 31st December 2019 is €155m (2018: €147m). The MCR for the Company on 31st December 2019 is €45m (2018: €41m).

As at 31st December 2019, the SCR coverage ratio is 161% (2018: 149%) and the MCR coverage ratio is 561% (2018: 520%).

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

Name and Legal form

CNP Santander Insurance Europe DAC is a private company limited by shares registered under Part 16 of the Companies Act, 2014 and incorporated in Ireland since 24th August 2010.

The Company was authorised by the CBI to underwrite insurance business - *classes 1, 2, 16 and 18* - on 10th June 2011 and commenced insurance operations on 24th October 2011.

The Company's operating and registered address is: *2nd Floor, Three Park Place, Hatch Street Upper, Dublin 2, Ireland*

The Company's registered number is: 488062.

The Legal Identifier Code of the Company is: 6354001NC5BJ3Z7GSG05.

Supervisory authority

As an insurance undertaking, the Company is regulated by the Central Bank of Ireland.

Company Institution Code is: C85775.

CBI registered address is: *Central Bank of Ireland, PO Box 559, New Wapping Street, North Wall Quay, Dublin 1, Ireland.*

External Auditor

PricewaterhouseCoopers ("**PwC**"), Chartered Accountants and Registered Auditors.

Registered Office: *One Spencer Dock, North Wall Quay, Dublin 1, Ireland.*

Firm Registration Number: AI223671

Shareholders structure

CNP Santander Insurance Europe DAC is part of a joint venture. The current shareholder structure is as follows:

Shareholder structure	
51% Ordinary Shares CNP ASSURANCES S.A.	49% Ordinary Shares BANCO SANTANDER, S.A.

The Company was fully owned by Santander Insurance Holding, S.L. until 16th December 2014, when Santander Insurance Holding, S.L. sold 51% of its shareholding capital to one of the largest insurance companies in France, CNP Assurances S.A., one of the largest insurance companies in France, as part of a long-term strategic partnership creating a powerful alliance of distribution and insurance expertise across Europe. As part of the joint venture, the Company has changed its name from *Santander Insurance Life Limited* to *CNP Santander Insurance Life DAC*, in accordance with the rebranding strategy and in compliance with the Companies Act, 2014.

On 28th December 2016, Banco Santander, S.A. acquired 49% of the shares of the Company as a result of a merger by absorption resulting in Santander Insurance Holding, S.L.'s dissolution by operation of law.

If part of a group, details of the position within the legal structure of the group

As a result of the joint venture transaction on 16th December 2014, the Company is classified a subsidiary of CNP Assurances S.A. as part of its Group companies. Under the terms of the agreement, Santander Consumer will distribute, on an exclusive basis and within certain European territories, a range of insurance products to be underwritten by the Company.

Holding company and holder of qualifying holdings

The majority direct shareholder of the Company is CNP Assurances S.A..

- Registered Office: *CNP Assurances S.A., 4 place Raoul Dautry, 75716 Paris Cedex 15, France*

The shareholders of CNP Assurances S.A. are as follows:

- *Caisse des Dépôts et Consignations (41%);*
- *Sopassure (36%);*
- *The French State (1%); and*
- *Individual and Institutional Investors (22%).*

The other direct shareholder of the Company is Banco Santander, S.A.

Voting rights

As at 31st December 2019, the shareholders of the Company collectively hold 53,000,000 ordinary shares €1 each. Voting rights of the shareholders are as follows:

Shareholder	Voting rights %	Number of Shares
CNP Assurances S.A.	51%	27,030,000
Banco Santander, S.A.	49%	25,970,000

Material line of Business and geographical areas

CNP Santander Insurance Europe DAC is an international insurance company that designs and manages insurance products in 11 European countries through an exclusive distribution agreement with Santander Consumer Finance, a division of Banco Santander, which is a specialist and leading provider of consumer finance in Europe.

The Company underwrites non-life insurance policies designed to meet the needs of Santander's customers by protecting them and their families in unexpected and difficult times. More specifically they are aimed at preventing financial loss arising typically from disability and unemployment, and in the case of Guaranteed Asset Protection and Extended Warranty, to prevent financial loss arising through unexpected events connected with the running of their financed goods.

These products are typically packaged as credit or income protection and distributed either at the time a credit facility is agreed or soon afterwards via point of sales, telemarketing and digital channels.

Significant business or external events over the reporting period

In July 2019, the Company has outsourced the administration of policies and claims related to new assistance products launched in Poland to a European insurer and Third Party Administrator specialised in assistance covers.

In August 2019, the Company has outsourced the Internal Audit Function to a professional consulting firm, including the role of Head of Internal Audit (PCF-13). The Head of Internal Audit has direct reporting line to the Board Audit Committee.

In August 2019, the Company changed Third Party Administrator in Belgium and the Netherlands.

Since 31 December 2019, the COVID-19 pandemic has spread across the world, representing a material event for the Company – a more detailed analysis can be found in Section C.7.

A.2 UNDERWRITING PERFORMANCE

Underwriting performance by material line of business and geographical area

Overall the Company performed well from an underwriting perspective over 2019. One of the key performance indicators is sales volumes. Gross Written Premium in 2019 amounted to €289m (2018: €286m); net of cancellations and Insurance Premium Tax, where applicable. The breakdown by country is shown below:

Gross Written Premiums* (by geographical area)	Breakdown %	2019 €M	2018 €M	Movement €M
Payment & stand-alone protection Products				
Germany	44.3%	128.1	119.4	8.7
Poland	14.5%	42.0	49.4	-7.4
Spain	0.4%	1.1	1.4	-0.3
Italy	6.4%	18.6	17.6	0.9
Nordics - Norway, Denmark, Sweden, Finland	7.3%	21.0	16.9	4.1
Austria	5.7%	16.4	20.6	-4.3
Belgium	0.4%	1.2	1.3	-0.1
GAP	19.9%	57.6	55.9	1.7
Germany	19.3%	55.9	53.9	2.0
Spain	0.6%	1.8	2.0	-0.3
Other	1.0%	2.9	3.3	-0.5
TOTAL	100%	288.9	286.0	2.9

*Note: Gross written premiums are stated net of cancellations and Insurance Premium Tax where applicable

The overall gross written premium has increased compared with 2018, mainly as a result of higher sales volumes in Germany and the Nordics. The increase is offset in part by lower premiums written in both Poland and Austria in 2019.

Underwriting performance compared to prior year as per financial statements

The underwriting performance is reflected by the *Insurance Result*, which is calculated as *net earned risk premium net of incurred claims*. The Insurance Result, including a comparison with prior year, is shown below by country:

Insurance Result (by geographical area)	2019 €M	2018 €M	Movement €M
Payment & Stand Alone Protection Products			
Germany	18.4	17.3	1.1
Poland	5.6	1.2	4.4
Spain	0.6	0.9	-0.3
Italy	0.6	1.0	-0.4
Nordics - Norway, Denmark, Sweden, Finland	0.6	4.3	-3.7
Austria	1.7	0.6	1.1
Belgium	-0.4	0.0	-0.3
GAP	16.4	17.3	-0.9
Germany	15.1	16.0	-0.9
Spain	1.3	1.3	0.0
Other	0.1	-0.1	0.2
TOTAL	43.6	42.5	1.1

The overall underwriting result has improved as more business has been written and profits have emerged. Germany accounts for over 77% of the overall underwriting performance.

A.3 INVESTMENT PERFORMANCE

Investment performance compared to prior year as per financial statements

The Investment Risk Management Policy, as approved by the Board of Directors, is to hold sufficient assets of appropriate quality, term and liquidity to enable the company to meet its liabilities as they become due. The Company investments are predominantly in Fixed Income assets.

The figures of the investment performance for 2019 and 2018, as reported in the Company's Financial Statements, are as follows:

Investment Return	2019 (€/000)	2018 (€/000)
Net Investment Return	2,000	1,379

The Net Investment Return, which consists of interest income on the Company's investment portfolio, has increased in line with the underlying expansions of the business.

The following investment return was recorded in the 2019 Company's Profit and Loss account:

- *Portfolio Accounting Yield 0.36% (2018: 0.38%)*

The return on investments has increased compared to the prior year due primarily to the growth of the business written in Polish Zloty upon which a higher rate of return on investment in PLN is obtained.

Overall, the Company's risk appetite for investments is low, assets are highly rated and average asset duration is less than 2 years matching the short-term nature of the Company's products.

Investment and expenses by asset class

The following investment income was recorded in the Company's *Statement of Comprehensive Income*:

Net Investment Income by asset class	2019 (€/000)	2018 (€/000)
Net Interest Income from Fixed Income investments	1,880	1,280
Net Income from other sources	120	99

Investment income comprises dividends and interest earned net of amortised premium; Income is recognised in the *Statement of Comprehensive Income* in the period in which it arises; Interest is accounted for on a time proportion basis and premium on acquisition of fixed income assets is amortised to the profit and loss on a straight line basis.

Assets are classified as 'Available for Sale' and changes in market value are recorded in equity in accordance with International Financial Reporting Standards.

The Company strategy is to hold assets until their maturity unless circumstances prevail that require a disposal.

Gains and losses recognised directly in equity

The following *movements* in investment gains / losses were recorded in the Company's *Statement of Financial Position*:

Gains and losses recognised directly in equity	2019 (€/000)	2018 (€/000)
Gain / (Loss) on Fixed Income Assets	2,866	(1,901)
Gain / (Loss) on Mutual Funds	2,214	(1,563)
Total unrealised gain / (loss)*	5,080	(3,464)

*Note: unrealised gains or losses represent the difference between the carrying value at the year end and the amortised cost, less the reversal of previously recognised unrealised gains and losses in respect of disposals.

Investment in securitisation

There are no investments in securitisation.

A.4 PERFORMANCE OF OTHER ACTIVITIES

Description of other material income

There is no other material income to report.

Description of other material expenses

Other Expenses	2019 (€/000)	2018 (€/000)
a. Administration expenses	8,350	8,047
b. Foreign exchange (gain)/loss	(46)	32

- a. Administration expenses are comprised of expenses recharged from the service company CNP Santander Insurance Service Ireland Limited and directly attributable costs. The allocations basis for expenses is the insurance result of the Company and its sister company CNP Santander Insurance Life DAC. In line with the growth in the business, the administration expenses have increased year-on-year.
- b. Exchange rate differences on monetary items are recognised in the profit and loss in the period in which they arise. The Company has operations in Poland, Norway, Denmark and Sweden that give rise to foreign exchange gains and losses.

A.5 ANY OTHER INFORMATION

The Company has met all the regulatory requirements during the financial year 2019. The 2019 Financial Statements of the Company have been prepared in accordance with IFRS and IFRS Interpretations Committee interpretations as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

There is no additional material information relating to business or performance.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

Structure of administration, management or supervisory bodies (Board and relevant committees) including description of main roles and responsibilities and description of segregation of responsibilities and committees

The Board of Directors retains primary responsibility for business decisions and corporate governance within the Company at all times. The Board has ultimate responsibility for:

- The effective, prudent and ethical oversight of the Company;
- Setting the business strategy and objectives of the Company;
- The management and control of the Company's operations;
- Ensuring the Company satisfies all regulatory and statutory requirements relating to their operations;
- Ensuring the effectiveness of the Company's risk management system, setting the Company's risk appetite and overall risk tolerance limits as well as approving the main risk management strategies and policies;
- Setting and overseeing:
 - The amount and type of capital of the Company and the level of own funds adequate to cover the risks faced by the Company, including the identification of capital management actions over the course of the business plan where required;
 - A robust and transparent organisational structure;
 - A remuneration framework that is in line with the risk strategies of the Company and doesn't promote excessive risk taking; and
 - An adequate and effective control framework that includes risk management, compliance, actuarial and internal audit functions as well as an appropriate financial reporting and accounting framework.

The Company is subject to the Corporate Governance Requirements for Insurance Undertakings 2015, as issued by the Central Bank of Ireland, under which the Board may delegate authority to sub-committees or management to act on behalf of the Board in respect of certain matters. In this regard, the Board has established two delegated committees: Risk Committee and Audit Committee. However, the Board retains oversight of each of the Committees and each Committee has a documented Terms of Reference which evidences the functions delegated to them.

The *Risk Committee* holds responsibility for oversight and advice to the Board on the current risk exposures of the Company and related risk strategy, taking account of the Board's overall risk appetite, the current financial position of the institution and, drawing on the work of the Audit Committee and the external auditor, the capacity of the Company to manage and control risks within the agreed strategy. The Risk Committee oversees the Risk Management Function, which is managed on a day to day basis by the Chief Risk Officer.

The *Audit Committee* holds responsibility for: monitoring the effectiveness and adequacy of the Company's internal control and internal audit; liaising with the external auditor particularly in relation to their audit findings; reviewing the integrity of the Company's financial statements and ensuring that they give a "true and fair view" of the financial status of the Company; reviewing any financial announcements and reports and recommending to the Board whether to approve the Company's annual accounts; and assessing auditor independence and the effectiveness of the audit process.

Further responsibilities of the Risk Committee and Audit Committee are specified in the Terms of Reference for each Committee as approved by the Board and reviewed at least on an annual basis. As at December 31st 2019, the Board is comprised of 9 members, 2 of which are Independent Non-Executive Directors. For reference, below is the Board and sub-committee structure list at year end 2019:

Board and sub-committees memberships structure				
Committee	Executive Director	Non-Executive Director	INED	Total
Board of Directors	1 member	6 members*	2 members	9
Risk Committee	1 member	2 members	2 members*	5
Audit Committee	n/a	1 member	2 members*	3

*Includes Chairman

The Board has delegated certain matters to the Chief Executive Officer under the Board Terms of Reference and Matters Reserved for the Board's Remit. An Executive Committee was established which is an internal functional committee used to assist the CEO in the execution of the strategy as determined by the Board and to discuss matters of significance to the Company. The Terms of Reference of the Executive Committee specify the matters which are reviewed and discussed by it.

As at 31st December 2019, the Executive Committee is comprised of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Information Officer, Chief Risk Officer, Head of Legal, Head of Compliance, Chief Actuary and the Branch Manager.

There are also various functional internal committees established by the CEO within the Company which are not delegated Committees of the Board. The functional committees assist the CEO and senior management in ensuring effective governance, monitoring and oversight of the business in line with the Company's objectives and strategy.

Information explaining how risk management, internal audit, compliance and actuarial functions are implemented and integrated into the organisational structure and decision-making processes of the undertaking.

The Company has established the four key functions required under Solvency II and under the Corporate Governance Requirements for Insurance Undertakings 2015. As at 31st December 2019, the positions of the key function holders are as follows:

- **Actuarial (PCF-48):** Head of Actuarial Function ("HoAF") -; Reports to CEO
- **Internal Audit (PCF-13):** Head of Internal Audit - *Outsourced*; Reports to Audit Committee
- **Risk (PCF-14):** Chief Risk Officer; Reports to CEO
- **Compliance (PCF-12):** Head of Compliance; Reports to CEO

The CEO is the individual responsible for the performance of the afore mentioned outsourced relationship within the Companies.

These functions are responsible for providing oversight of the business and for providing independent assurance to the Board and its sub-committees in relation to the Company's control framework. Please see sections B.3, B.4, B.5 and B.6

for further details on how the key functions are integrated into the Company's structure and decision-making process of the Company.

The key functions are fully implemented and integrated within the Company's internal governance structure, which operates at three levels of increasing independence, and can be described through the *three lines of defence model*, as per the following illustration:



The key function holders must comply with the "Fitness and Probity" regime of the CBI, where required. Further details are explained in section B.2.

Adequacy of the system of governance for the undertaking's risk profile

The Board is responsible for oversight of the System of Governance and considers it to be effectively providing for the sound and prudent management of the business and adequate in respect of the operations, risk profile and PRISM risk rating of the Company. The Board has satisfied itself as to the appropriateness of all policies and that all key functions such as Risk Management, Internal Audit, Compliance and Actuarial maintain their independent roles and have adequate resources and authority to operate effectively.

The Company is subject to the Corporate Governance Requirements for Insurance Undertakings 2015 but does not fall in scope for the additional requirements for major institutions due to its medium low PRISM rating as at December 2019. The Company has complied with all the corporate governance requirements during the year 2019, including continuous compliance with the Pillar 2 requirements of the Solvency II Directive.

The System of Governance is subject to regular internal review, the scope and frequency of which is determined by the Board. Any findings and conclusions of these reviews are reported to the Board.

Material changes in the governance structure since last reporting period

The Legal & Compliance Function has been split into two separate functions respectively headed now by the Head of Legal and Head of Compliance, both reporting to the CEO.

The IT & Operations Function has been split into two separate function respectively headed now by the Chief Information Officer, reporting to the CEO, and by the Head of Operations, reporting to the CFO.

In June 2019, the Company has outsourced on a temporary basis the role of Head of Actuarial Function (PCF-48) to a senior Actuary from an actuarial consulting firm, reporting directly to the CEO of the Company.

Information on remuneration policy and practices including: Principles of remuneration policy including any fixed or variable proportions; Information on performance criteria on which entitlements to share options or variable remuneration is based; Description of the main characteristics of any supplementary pension or early retirement scheme.

The Company has an approved Remuneration Policy in place which includes the relevant principles regarding how members of staff are remunerated.

The package includes fixed and variable remuneration, and currently includes fringe benefits such as company pension scheme, death in service benefit, medical insurance and permanent health insurance. The local package does not apply to seconded employees and expatriates who will have their own arrangements as negotiated separately with their main employer.

Eligibility to participate in the variable remuneration scheme depends on the individual's job and responsibilities. Variable remuneration is decided separately for each eligible employee and rewards employees based on individual performance and the performance of the Company in relation to a set of objectives. It contributes to the process of rolling down strategic objectives and helps management to motivate and reward the best talents. Also, a specific scheme has been established for "material risk takers" in line with the new remuneration rules contained in Solvency II.

Variable remuneration is paid annually, except for the variable remuneration earned by material risk takers, the payment of which is deferred in accordance with Solvency II. Solvency II stipulates that a substantial portion of the variable remuneration paid to material risk takers should contain a flexible, deferred and modular component that provides scope for "a downwards adjustment for exposure to current and future risks, taking into account the company's risk profile and cost of capital", in order to be aligned with the Company's strategy and with the principles of sound and effective risk management.

Material risk takers are considered to include the persons who effectively run the business, the heads of the four key support and control functions (*internal audit, actuarial, compliance and risk management*) and all other categories of staff whose professional activities have a material impact on the Company's risk profile. Within the Company, the following persons qualify as material risk takers: the CEO, the Deputy CEO and the key function holders (Head of Internal Audit, the Chief Risk Officer, Head of Compliance, and the Head of Actuarial Function).

Information about material transactions during the reporting period with shareholders, with persons who exercise a significant influence, and with members of the administrative, management and supervisory bodies.

There were no material transactions over the reporting period. Material transactions with members of the *administrative, management and supervisory bodies* are only related to the Directors' emoluments as reported in the Financial Statements of the Company.

B.2 FIT AND PROPER REQUIREMENTS

Description of specific (minimum) requirements with regards to skills, knowledge and expertise applicable to persons in key functions.

The Company has a Fitness and Probity Policy which sets out the principles by which CNP Santander Insurance Life DAC shall ensure that individuals who effectively run the Company or have other key functions, known as Pre-Approved Control Functions ("PCFs") and Controlled Functions ("CFs"), are fit and proper in order to manage the duties and responsibilities related to their key roles appointments. The Company, as a regulated financial service provider, is obliged, pursuant to Section 21 of the Central Bank Reform Act 2010, to satisfy itself on reasonable grounds that an individual performing or proposed to be appointed to any of the CF roles is compliant with the Standards. According to the Fitness and Probity Standards (Code issued under *Section 50 of the Central Bank Reform Act, 2010*), the Company must ensure that all persons who hold or are to hold the position of PCF or CF fulfil the following requirements:

- their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit);
- they are of good repute and integrity (proper); and
- they are financially sound.

Each proposed individual is required to certify that they are aware of the Fitness and Probity Standards and agree to abide by those Standards. They are also required to certify that they are not aware of any issues that may put their fitness or probity in doubt.

Where one of the Key Functions is outsourced, the Company must appoint an individual from within the Company to be responsible for that outsourced function. This designated individual must:

- already be performing a PCF role;
- not be the holder of another key function;
- not be an independent non-executive director; and
- must possess sufficient knowledge and experience regarding the outsourced function to be able to provide adequate oversight and challenge the results of the service provider.

Description of process for assessing fitness and propriety of persons in key functions

The Company must carry out the due diligence, set out in the Company's Fitness and Probity Procedure, on individuals in PCF or CF positions prior to their appointment and through continuous periodic assessment to ensure compliance with the Fitness and Probity Standards. In relation to proposed individuals to be appointed to a PCF or CF position the following is obtained as part of the due diligence carried out on them:

- Copy of identification documents (e.g. passport);

- Evidence of their professional qualifications, education and continuous professional development, where applicable;
- Copy of their curriculum vitae;
- Interview notes and the individual's application (where applicable) for the position;
- References;
- Record of previous experience, knowledge and expertise gained both within Ireland and outside the State; and
- Searches carried out against the individual (judgment, bankruptcy and directorships searches via an external provider, searches against regulatory websites to check if the individual has not been sanctioned or worked for a company which has been sanctioned by a supervisory authority).

The Fitness & Probity Policy specifies that individuals proposed for PCF positions must receive the approval from the CBI prior to individual commencing performance of the PCF role within the Company.

Upon satisfactory completion of due diligence for an individual proposed to a PCF role, the individual must populate the Individual Questionnaire for submission to the CBI for approval. Any offers of employment issued to the individuals proposed for the performance of a PCF role will be issued subject to the following qualification: "This shall not be taken to be an offer for the purposes of Section 23 of the Central Bank Reform Act 2010 unless and until approval is granted by the Central Bank of Ireland".

Reviews of CF and PCF roles are completed at least on an annual basis by the Compliance Function. The CF and PCF must certify to the Company that there is no change in circumstances which would result in non-compliance with the Standards and agree to continue to abide by those Standards. The Compliance Functions reviews the information and documentation provided as part of the Company's Fitness and Probity Procedure and carries out searches against the individuals or outsourced party identified as PCF and CF holders to verify responses provided. The Compliance Function report the outcomes of the annual review to the Board.

In accordance with the Regulations and CBI's Guidelines, the Company shall notify the CBI immediately if:

- a person ceases to perform a PCF role; or
- a person who performs a PCF role has been replaced because the person no longer complies with any standard of fitness and probity in a code issued by the CBI.

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

Description of the company's risk management system comprising strategies, processes and reporting procedures, and how it can effectively identify, measure, monitor, manage and report the risks

The Company's Risk Management Framework defines the way in which the various components and activities associated with risk management interact across the business ensuring effectiveness in the identification, reporting and continuous monitoring of risks. This framework aims to ensure the business strategy is executed within the defined risk appetite and tolerance levels, according to the risk strategy as documented within the Risk Appetite Statement of the Company.

The Risk Management Framework shall include at least the following elements:

- The strategic decisions and policies on risk management;
- The definition of the Risk appetite and overall risk tolerance limits;

- The integration of Risk Management in the decision-making processes; and
- The identification, assessment, management, monitoring and reporting of risks to enhance the soundness of risk management within the organisation and ensuring financial stability through effective mitigation of the main risks.

The main activities of the Risk Management Framework can be illustrated as follows:

Component	Activity	Minimum frequency
<i>Risk Identification</i>	Universe of Inherent and Residual Risks / Top Risks	Annually
<i>Risk Strategy / Risk Appetite</i>	Risk Appetite Statement	Annually
<i>Risk Management Policies</i>	Documented risk management policies	Annually
<i>Risk Governance</i>	Executive Committee Board Risk Committee Executive Risk Forum Executive Risk, Actuarial & Finance Forum Group Risk Technical Committee	Monthly Quarterly Quarterly Quarterly Annually
<i>Risk Controlling</i>	Key Control Testing Business Process Reviews Data Quality Report	Ongoing Annually Annually
<i>Risk Monitoring</i>	Key Risk Indicators, Top Residual Risks Risk Incident Log, Internal Control Deficiencies	Monthly Ongoing
<i>Risk Reporting</i>	Risk Reporting Group Risk Reporting Solvency II: ORSA, SFCR, RSR	Quarterly Annually
<i>Risk Culture review</i>	Risk Culture Assessment	Annually

Risks are monitored on a regular basis through the Risk Dashboard. The Company has adopted the macro classification of 'PRISM Risks' of the CBI, as recommended to insurance and reinsurance undertakings. These risks are monitored on a regular basis together with the 'Top Risks' and are classified by the following categories of risk: Claims & Reserving, Pricing & Underwriting, Capital, Counterparty, Investment, Operational, Conduct, Strategic, Governance, and Environmental.

For each category of risk, qualitative and quantitative Key Risk Indicators are identified which are monitored to ensure that risks exposures fall within the risk appetite of the Company. Key risk indicators are reviewed by the Board and

developed on an ongoing basis to ensure alignment with the evolution of the business strategy and any changes to the Company's risk profile, risk appetite and policies. Any risk exposure outside tolerance levels of the Risk Appetite Statement is escalated to the Board for review and the implementation of a potential remedial action plan is considered, where required; *material deviation* from tolerance levels shall be reported to the Central Bank of Ireland according to the Corporate Governance Requirements. The Risk Management Function reports the status of the Company's risks which have the highest exposure, monitors the effectiveness of related controls and tracks the corresponding action plans on a regular basis, as part of the Risk Dashboard. Also, the Risk Management Function is responsible for monitoring and reporting of frauds and risk incidents within the business.

The Risk Management Function performs risk reporting to the Board/Risk Committee and Group Risk Division on a quarterly basis, to the Executive Committee on a monthly basis. Also, it reports to the Group Risk Technical Committee on an annual basis. Roles and responsibilities are clearly defined within the Company's Risk Management Policies with the aim of ensuring the alignment of policies with the overall business processes and strategy of the Company.

As at 31st December 2019 and in accordance with the Pillar II of the Solvency II Directive, the Company has risk management policies in place in the following areas: Underwriting, Reserving, Reinsurance, Capital Management, Investment, Asset Liability Matching and Liquidity, Valuation of Asset and Liability, Operational Risk, Outsourcing, Business Continuity, Reporting and Public Disclosure, ORSA, Risk Management, Data Quality, Internal Control, Internal Audit, Compliance, Remuneration, Fit & Proper.

A description of how the RMS including the risk management function are implemented and integrated into the organisational structure and decision-making processes

The CRO is a member of the Executive Committee and reports directly to the CEO and Risk Committee. The Board has primary responsibility for determining the Company's risk appetite in alignment with the business strategy.

The Risk Management function interacts with other functions as a 'Key Function' - according to the *Solvency II Directive* - and as a '*second line of defence*' - according to the *three lines of defence* model - with the purpose of carrying out its role of providing assurance to the business and, in a broader level, to the stakeholders, enhancing and supporting the decision-making process of the Company at the same time.

The role of the Risk Management Function is to assist the Board and management in the effective operation of the Risk Management Framework. This involves monitoring both the Risk Management Framework and the general risk profile of the Company as a whole. Other tasks of the Risk Management Function are identifying and assessing emerging risks, reporting on risk exposures, and advising in relation to strategic matters. In fulfilling its role, the Risk Management Function works closely in co-operation with the other *key functions* and operates independently from the operational areas of the business.

The link between business strategy and risk management can be illustrated through the Risk Management Framework of the Company as follows:



The responsible persons and specific committees (if any), their roles, position and scope of responsibilities

The governance of risk management and the integration within the decision-making process of the Company is facilitated by the establishment of the following committees.

Board Risk Committee: The Risk Committee holds responsibility for oversight and advice to the Board on the current risk exposures of the Company and future risk strategy. The role of the Risk Committee is to advise the Board on risk appetite and tolerance for future strategy, taking account of the Board's overall risk appetite, the current financial position of the institution and, drawing on the work of the Audit Committee and the external auditor, the capacity of the Company to manage and control risks within the agreed strategy. The Risk Committee oversees the Risk Management Function, which is managed on a day to day basis by the CRO.

Further responsibilities of the Risk Committee are specified in the Terms of Reference for each Committee as approved by the Board and reviewed at least on an annual basis. The Risk Committee is held on a quarterly basis or ad-hoc in case of significant risk events.

Executive Risk Forum: This Forum is an internal functional committee of the Company which is held on a quarterly basis with the purpose of providing assurance within the business and in particular assisting the CEO, Executive Committee, Risk Committee and ultimately the Board in taking decisions with regard to the risks faced by the Company. Further responsibilities of the Risk Forum are specified in the Terms of Reference as approved by the CEO. The forum is chaired by the CRO.

Executive Risk, Actuarial and Finance Forum: This Forum is a functional committee of the Company and is a joint meeting between the CRO, the Head of Actuarial Function and the CFO, with participants from the Risk, Actuarial and Finance departments. The main purpose of the “RAFF” is to facilitate the governance required under Solvency II between the Risk, Actuarial and Finance functions. The “RAFF” intends also to enhance the decision-making process between those functions and facilitate business decisions having considered the regulatory and capital requirements. Further responsibilities of the RAFF are specified in the Terms of Reference as approved by the CRO and Head of Actuarial Function.

Description of ORSA process, including how it is integrated into the organisational structure and decision-making processes

The ORSA report provides the Company’s own view of its risks and capital needs and must contain at least an assessment on the link between the ORSA and the strategy of the entity, the business development and the capital management plan. The processes used are developed with appropriate and adequate techniques, are proportionate to the nature, scale and complexity of the risks inherent in the business and are tailored to fit into the Company’s organisational structure and risk management system.

The Board uses the ORSA process in order to gain a comprehensive picture of the risks the Company is exposed to or could face in the future and to understand how these risks could translate into capital needs or alternatively require mitigation actions.

The ORSA is an integral part of the business strategy and is considered on an ongoing basis in the strategic decisions of the Company, especially in relation to the capital management of the Company. The Board has the ultimate responsibility for agreeing the ORSA shocks and has the ultimate responsibility for determining the Target Solvency Cover of the Company and the capital management plan in the short and long horizons, according to the key output of the ORSA process.

The risk management function has the role of overseeing and ensuring the implementation of the ORSA process by the senior management. This includes:

- Ensuring that a document outlining the processes and procedures to be followed in order to conduct the ORSA is maintained and is reviewed at least annually by the Risk Committee;
- Communicating the results and conclusions of the ORSA process to all relevant staff, once the Board has approved the process and the results;
- Coordinating the production of the ORSA reports; and
- Informing the internal audit, compliance and actuarial functions and executive management of any facts arising from the ORSA process or otherwise, relevant for the performance of their duties.

The Actuarial Function will contribute to the effective implementation of the ORSA, in particular with regards to the risk modelling underlying the calculation of the capital requirements as well as inputting into the stress and scenario testing. As required under CBI Guidelines, the Head of Actuarial Function will provide an Actuarial Opinion to the Board on the ORSA report.

The Risk Management Function is responsible for co-ordination of the annual ORSA process and for supporting the Board in the elaboration and approval of the document, with regards to stress testing in the forward-looking assessment of capital requirements. The Board has the ultimate responsibility to drive the ORSA process ensuring alignment with the

risk profile, appetite and strategy. The governance and responsibilities around the ORSA can be found in the ORSA Policy of the Company.

Explain how often the ORSA is reviewed and approved by the board

The Board considers it sufficient to perform the ORSA process on an annual basis given the nature, scale and complexity of the business. However, it is possible that an ORSA might also be required outside the regular timescales in case of specific events as set out in the circumstances below:

- There is a significant change to the Company's business plan in terms of the type of business to be written, the volumes to be written, the risks assumed, or the capital requirements associated with new business;
- There is a significant reduction in the Company's own funds, such that the conclusions of the previous ORSA might no longer be relevant;
- The CBI or the Board request the Company to undertake an ORSA;
- The Company plans to launch into a new market or launch materially different products that would necessitate a submission to the CBI as a material change of business plan;
- There is an ad-hoc request by CNP Assurances S.A., the Group;
- There is a significant change in the market, regulation or, broadly, in the external environment which may lead to additional risk scenarios; or
- The Board and the Executive Management recognise the need for a partial update to improve the adequacy/completeness of data/processes.

Where the above situations arise, the CEO, supported by the CRO and the Chief Actuary/HoAF, will discuss and make a recommendation to the Board of Directors on how to proceed. The timing of changes, as well as their materiality, will be taken into consideration.

Explain how own solvency needs are determined given the risk profile and how the capital management activities and RMS interact

The evolution of the Company's risk profile and the ability to stay within the defined risk tolerances impact upon the overall solvency needs and capital management of the Company. The results of the ORSA process feed into the review of the "Target Solvency Cover" of the Company, as documented within the ORSA Report and the Risk Appetite Statement of the Company.

The annual identification and assessment of risks is a key activity of the ORSA process for the definition of stress tests and impact analysis. In this regard, the Group ORSA process requires the Company to define its own set of assumptions in relation to stress tests and financial projections according to the risk profile of the Company.

The results of projections made in the ORSA will be used by the Company to develop the medium-term capital management plan and define an additional threshold or tolerance level, internally named "Target Solvency Cover", for the Solvency II coverage ratio, with the aim of ensuring the capital requirements are met and aligned with the underlying risk of the Company. The Board and executive management are aware that any material changes to the business or deviations from the current Business Plan could lead to a reduction to solvency cover/ratio, in which situation the ORSA figures should be revisited to investigate the impact of such a change on the solvency and capital position of the Companies.

The ORSA process shall demonstrate continuous compliance with the Target Solvency Cover, including recommendations for management actions in order to meet the target during the execution of the Company Business Plan. The Target Solvency Cover is determined by the Board and documented within the Risk Appetite Statement of the Company.

In case of breach or potential breach of the Target Solvency Cover, the Board will review the capital management plan according to the regulatory requirements, after consultation with the Group and subject to the opinion of the HoAF.

Description of how existing committees interact with the AMSB to ensure the AMSB meets its responsibilities regarding the internal model

The Company does not use an Internal Model.

Any material changes to the internal model governance during the reporting period

The Company does not use an Internal Model.

A description of the validation process (used to monitor the performance and on-going appropriateness of the internal model)

The Company does not use an Internal Model.

B.4 INTERNAL CONTROL SYSTEM

A description of the internal control system; and how it has been implemented

The Company defines *Internal Control* as a process of business control and management implemented on an on-going basis by the entity's Board of Directors, senior management and other personnel. The Company's system of internal control operates within a framework comprising of internal delegations of authority and fundamental principles as set out in documents such as company policies and the Code of Conduct. The Internal Control function oversees the management and assessment of risks, and existence and operating effectiveness of controls. Roles and responsibilities of Internal Control include:

- Supporting all business areas in creating, documenting and reviewing processes and identifying risks and controls;
- Creating and implementing residual risk action plans, if any, and monitoring the progress of these;
- Testing all key controls throughout the year to ensure operating effectiveness;
- Managing and co-ordinating the reviews and onsite testing for all third-party administrators ("TPAs") and intermediary entities in each country;
- Providing training to all new joiners of the Company to ensure each employee is aware of their responsibilities;
- Working closely with internal and external audit, where applicable; and
- Ensuring accurate and regular reporting to the Executive Committee, Audit Committee and Group Operational Risk & Internal Control Department.

Internal control consists of five interrelated components:

1. An organisational structure with a clear definition of responsibilities, adequate resources and skills, information systems, operating procedures and methods, tools and appropriate practices;

2. In-house distribution of relevant and reliable information, the awareness of which enables everyone to exercise their responsibilities;
3. A risk management process to identify, analyse and address the main risks with regards to the Company's objectives;
4. Control activities that are proportionate to the risk inherent in each process and designed to ensure that the necessary measures are taken to manage risks that are likely to affect the Company in reaching its objectives; and
5. On-going monitoring of the internal control processes and key controls.

The controls are performed at three levels within the Company:

1. First-tier controls which must be set up by all operational or functional departments to manage the risks associated with their activities;
2. Second-tier controls performed by the *second lines of defence* of the Company ; and
3. Third tier of periodic control which is provided by Internal Audit.

Description of how the compliance function was implemented

The Compliance Function interacts with other functions, being a *second line of defence* of the Company, and contributes to reinforcing the risk control framework of the Company. The function is responsible for the management, monitoring and reporting of compliance risks to which the Company is exposed.

The function is led by the Head of Compliance who is a member of the Executive Committee and reports directly to the CEO and Chairperson of the Board Risk Committee.

The Board is ultimately responsible for compliance by the Company with its legal and regulatory obligations and for creating the compliance culture within the Company. The Compliance Function carries out the following activities:

- Promotes and embeds within the Company a culture of compliance consistent with the principles of the Code of Conduct
- Establishing written guidance to staff on the appropriate implementation of compliance laws, rules and standards through policies and procedures and other documents such as compliance processes, internal codes of conduct and practice guidelines
- Monitoring of regulatory provisions, guidance issued by regulatory and supervisory authorities in order to assess the impact of these on the Company
- Identifying, documenting and assessing compliance risks associated with the business activities of the Company
- Ensuring ongoing compliance with regulatory requirements through ongoing risk-based monitoring and compliance reviews
- Annual training and awareness for directors, management and staff on compliance matters
- Attendance at regular functional committees within the Company and advising senior management and the Board on compliance with laws, regulations, standards, including upcoming regulatory developments
- Overseeing the resolution of identified compliance issues and reporting on the investigation and remediation of issues to management and the Board.
- Liaising with external bodies including regulatory authorities, insurance associations and external experts

- Reporting to the Board and its committees on compliance related matters;

In order to ensure the appropriate flow of communication and awareness of all stakeholders, the Company established a Regulatory and Compliance Committee which is chaired by the Head of Compliance and sits on a quarterly basis. The function the committee is to assist the CEO and the Executive Committee in the effective management and oversight of legal and compliance risks faced by the Company. The responsibilities of the Regulatory and Compliance Committee are set out in the Terms of Reference.

B.5 INTERNAL AUDIT FUNCTION

A description of the Internal Audit Function and how it has been implemented

The Internal Audit Function operates in accordance with the Standards for Professional Practice of Internal Auditing as adopted by the institute of Internal Auditors in the UK and Ireland and other relevant codes of conduct and is independent from the operational functions.

As a *third line of defence* and as an independent, objective assurance and consulting activity, the Internal Audit Function assists the Company in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Internal Audit Function implements and maintains an audit plan setting out the audit work to be undertaken in the upcoming years, taking into account all activities and the complete system of governance. The Function takes a risk-based approach in deciding its priorities. Internal audit can conduct missions on, but is not limited to, the following:

- The safety of operations, the quality and effectiveness of internal controls, compliance with procedures, laws and regulations in force (operational risk, compliance);
- The efficiency of organisations, processes, projects and information systems in place (performance);
- The alignment of resources and control methods implemented to achieve the objectives of the Company (strategy, governance, management of technical and financial risks);
- The processes and activities shared with our partners or joint ventures (joint missions);
- Monitoring corrective plans following an internal audit or a recommendation by the CBI; and
- Review of prudential models and ORSA device qualitatively.

All internal audit reports and updates are presented to the Audit Committee of the Company in a separate Internal Audit update, on a quarterly basis. The CEO receives the internal audit report as and when the final reports are issued. The update includes:

- The audits performed during the year and any deficiencies found;
- The status of the audit plan;
- The main findings and key recommendations; and
- The status of previous recommendations on all internal audits performed.

Description of how its independence and objectivity is maintained

The Internal Audit Function, via the Head of Internal Audit, reports directly to the Chairman of the Audit Committee of the Company for functional purposes. This reporting arrangement protects both the authority and the independence of the

Internal Audit Function allowing the Head of Internal Audit direct and unrestricted access to senior management and the Board.

The Board member ultimately responsible for Internal Audit within the Company is an Independent Non-Executive Director - member of the Board and chair of the Audit Committee - and is subject to the Fitness & Probity regime of the CBI.

B.6 ACTUARIAL FUNCTION

A description of the actuarial function; and how it has been implemented.

The Actuarial Function is implemented according to the regulatory requirements of Solvency II. The Actuarial Function for 2019 was mostly held in-house with the exception of the Pre-Approved Controlled Function (PCF-48) role of Head of Actuarial Function – HoAF - which is temporarily outsourced to a senior Actuary from an actuarial consulting company as at 31st December 2019. As HoAF, the individual is subject to the Fitness & Probity regime of the CBI, is part of the second line of defence, reports to the CEO and shall maintain its role of independence and assurance within the Company.

The actuarial department in the Company is responsible for the day to day actuarial activities within the Company. With this regard, both the Head of Reserving and Capital and the Head of Pricing within the Company assume responsibilities for the first line of defence, they also help ensuring that the specific aspects of the HoAF role remain independent. The HoAF has overall responsibility for the tasks of the Actuarial Function and hence overall responsibility for the reliability and adequacy of the technical provisions.

The key activities of the Actuarial Function include:

- Co-ordination and calculation of Technical Provisions;
- Ensuring the appropriateness of the assumptions, methodologies and models underlying the calculation of the Technical Provisions;
- Assess sufficiency and quality of data used in the calculation of technical provisions;
- Monitoring actual versus expected experience;
- Informing the Board of the reliability and adequacy of the calculation of technical provisions.

Some of the key deliverables of the Actuarial Function are listed below: production of quarterly and annual QRTs; definition of stress test as part of the ORSA; production of sensitivities; review of Solvency II Reserving Risk Management Policy; review of Solvency II related processes. The Reserving and Capital team within the Actuarial Department is responsible for the production and review of the aforementioned items. A Technical Committee assists the CEO and Executive Committee in managing effectively the oversight of reserving, claims and capital risks as well as experience monitoring.

In relation to underwriting, the Head of Pricing, is responsible for all product pricing and checks in order to be compliant with the business' underwriting standards. The HoAF provides an opinion on the Underwriting Risk Management Policy of the Company including pricing. A Product Committee assists the CEO and Executive Committee in managing effectively the oversight of pricing and underwriting risks.

B.7 OUTSOURCING

Description of outsourcing policy, including details of critical or important functions or activities that have been outsourced and jurisdiction of the service provider.

The Company has an Outsourcing Risk Management Policy in place which sets out the framework followed by the Company when entering a new outsourced relationship and for continuous monitoring of existing providers.

The outsourcing framework is developed according to the risk profile of the Company; the Solvency II Directive requirements; and, the CBI guidelines and requirements.

The key aspects covered by the policy include the following:

- the criteria for determining the criticality of functions and activities within the Company;
- the process for engaging new outsourcers, including all the steps required before the signing of the agreement (assessment of provider criticality; due diligence reviews; notification of material outsourcing to the regulator);
- the details to be included in the written agreement with the service provider
- the criteria for managing intra and sub-outsourcing;
- the framework for the monitoring and management of existing outsourced services.

The Company carries out a comprehensive risk-based due diligence reviews before entering outsourcing arrangements and during the outsourced relationship with the frequency depending from the *criticality* of the service provided. The due diligence review is carried out with the aim to provide comfort that the service provider is financially sound and has all the necessary controls, processes and measures in place to provide the required service as set out under the agreement.

Material outsourcing arrangements are notified to the CBI at least six weeks before the outsourcing is due to come into effect, in accordance with the “Notification Process for (Re)Insurance Undertakings when Outsourcing Critical or Important Functions or Activities under Solvency II” guideline. As a minimum the following information is included: description of the scope and rationale for the outsourcing; the service provider’s name and contact details; and, additional information as set out in the guidelines, in case of outsourcing of a key function. The Company’s Policy sets the criteria for determining the criticality of a function or activity. “Critical” activities are those deemed essential for the activity of the Company having regard to the fact that the Company could not deliver its service to its customers without these functions or activities. This definition is in line with Article 49 of the Solvency II Directive. The following activities have been identified as critical within the Company:

CRITICAL FUNCTIONS OR ACTIVITIES
Product design and pricing
TPA activities (claims handling, complaints handling, cancellation, policy administration)
Reserving process, including calculation of technical provisions
Information Technology Services which are required to enable the critical business services defined in the Business Continuity Plan document
Solvency II returns, including ORSA, SFCR and RSR production

Provision of storage of large quantities of sensitive and personal data as defined in the Company's Data Protection Policy
Investment and Asset management
Accounting
Tax and Banking services
Provision of on-going Risk Management, Compliance, Actuarial or Internal Audit services, all defined as Key Functions as defined under the Solvency II framework
Other activities required to ensure compliance with the applicable regulatory obligations (e.g. AML)
Ad-hoc or one-off activities considered important for the execution of activities strictly related the business strategy of the Company or deemed essential for the performance of one of the activities listed within this table.

The list of the critical functions or activities outsourced as at Year End 2019 is as follows:

Service	Operating country	Jurisdiction	Intra group
Investment Portfolio Management Services	Head office	Spain	Yes
End user computing services	Head office	United Kingdom	Yes
End user computing services	Head office	United Kingdom	Yes
Insurance systems and IT hosting services	Head office	Spain	Yes
Internal Audit Function	Head Office	Ireland	No
Head of Actuarial Function role*	Head Office	Ireland	No
Claims handling and insurance services	Italy	Italy	No
Claims handling and insurance services	Italy	Italy France	No
Claims handling and insurance services	Germany	Germany	No
Claims handling and insurance services	Germany	Germany Spain France	No
Claims handling and insurance services	Germany	Germany	No
Claims handling and insurance services	Spain	Spain France	No

Claims handling and insurance services	Nordics countries (Sweden, Denmark, Norway, Finland)	Ireland / Nordics	No
Claims handling and insurance services	Belgium	The Netherlands	No
Claims handling and insurance services	Poland	Poland	No
Claims handling and insurance services	Poland	Poland	No
Claims handling and insurance service (<i>assistance covers</i>)	Poland	Poland	No
Claims handling and insurance services	Austria	Germany Spain	No
Financial Sanction Screening	Italy	Italy	Yes
Financial Sanction Screening	Germany	Germany	Yes
Financial Sanction Screening	Spain	Spain	Yes
Financial Sanction Screening	Sweden	Sweden	Yes
Financial Sanction Screening	Norway	Norway	Yes
Financial Sanction Screening	Denmark	Denmark	Yes
Financial Sanction Screening	Finland	Finland	Yes
Financial Sanction Screening	Belgium	The Netherlands	Yes
Financial Sanction Screening	Poland	Poland	Yes
Financial Sanction Screening	Austria	Austria	Yes

* Outsourced on a temporary basis

B.8 ASSESSMENT OF GOVERNANCE AND ANY OTHER DISCLOSURE

Assessment of the adequacy of the system of governance to the nature, scale and complexity of the risks inherent in the business

The Company's system of governance is tailored to the nature, scale and complexity of the Company and has been implemented in accordance with the Corporate Governance Requirements, the CBI guidelines on Systems of Governance and the Pillar II requirements of the Solvency II Directive. The Executive Committee of the Company and its Board consider the System of Governance effectively provides for the sound and prudent management of the business and is adequate in respect of the operations, risk profile and PRISM risk rating of the Company.

Any other information for disclosure relevant to systems of governance

There is no additional information to be disclosed in relation to the system of governance.

C. RISK PROFILE

C.1 UNDERWRITING RISK

Description of measures used to assess risks, including any material changes over the year

The main measures to assess underwriting risks are described below:

- *Risk Universe Review*: the Company conducts, at least on an annual basis, a risk identification and mapping exercise, where it attaches impact and likelihood scores to underwriting risks impacting the business. This exercise is carried out by management at a departmental/functional level, with consideration also given to strategic or cross-functional risks.
- *Monthly Management Reporting*:
 - Measures of premium volumes (including new business and cancellations) at a product grouping and country level; and
 - Claims Loss ratios at a product grouping and country level.
- *ORSA process*: the ORSA process itself is also considered as a measure to assess the Underwriting Risk that the Company is exposed to and determine the level of Own Funds that are necessary to ensure that the solvency needs are met at all times.

No material changes were made to the measures used to assess underwriting risk over the year.

Description of material risks, including any material changes over the year

The material underwriting risks for the Company are reflected in the standard formula of the SCR. For the Company these are: the lapse, catastrophe and non-life premium and reserve risk resulting from unemployment and GAP business and the morbidity; disability; expense and lapse risks arising from business classified as Health business.

The values of each of the *Non-Life Underwriting Risk* sub-modules of the SCR as at 31st December 2019, including a comparison with these values as at 31st December 2018, are as follows:

SCR Non-Life Underwriting Risk sub-module	2019 €M	2018 €M	Movement €M
Lapse	23.7	22.8	0.8
Catastrophe	55.4	45.2	10.2
Non-Life Premium Reserve	129.9	128.9	1.0
Diversification Benefit	-53.7	-48.3	-5.4
Total	155.2	148.6	6.6

The *Non-Life Underwriting* risk charge is the highest component of the Company's SCR. This is mainly due to both the premium and reserve and catastrophe stresses applied to the unemployment and GAP covers.

The main increase in non-Life underwriting risk over the year was driven by an increase in the catastrophe risk charge. The catastrophe risk charge is dependent on premiums earned which have increased over the year.

A similar increase was not observed in the *non-life premium and reserve risk charge* due to offsetting impacts of diversification and a revised budget.

The values of each of the Health Underwriting Risk sub-module of the SCR as at 31st December 2019, including a comparison with these values as at 31st December 2018, are as follows:

SCR Health Underwriting Risk sub-module	2019 €M	2018 €M	Movement €M
Mortality	0.1	0.1	0.0
Longevity	0.1	0.1	0.0
Disability	23.9	22.9	0.9
Lapse	16.7	12.4	4.3
Expense	0.7	0.4	0.3
Catastrophe	5.4	4.8	0.6
Diversification Benefit	-15.4	-12.8	-2.7
Total	31.5	28.0	3.5

The Health Underwriting Risk has increased over the reporting period in line with the increase the Best Estimate Liabilities due to the growth of the business. The main increase was observed in the lapse risk charge which is dependent on *Unearned Premiums Reserve* net of *Deferred Acquisition Cost* reserve, which has increased over the year.

Another insurance risk for the Company is unexpected changes to the underlying mix of the customer profile. The Company continuously monitors lapses, average age mix, gender profile and average exposures to ensure stability within these metrics.

Description of the material risk concentrations

The concentration of risks are as follows:

- Exposure of policies in a specific market. This is mitigated through the geographical diversification of the business as per business strategy; and
- Exposure to individual policies. This is mitigated by the definition of limit per single policy as defined in the Company's Risk Appetite Statement and Underwriting Risk Management Policy.

Description of the method for mitigating risk and the process for monitoring effectiveness of these strategies

The main methods for mitigating underwriting risks are described below:

- *Geographical diversification*: through writing business in several countries the Company's underwriting risks are well diversified. The geographical diversification of the business mitigates the risk of high concentration of underwriting risk in a specific market;
- *Reinsurance*: reinsurance may be used as a mitigation technique for underwriting risks. When launching new types of products, the Company might enter into commercial arrangements such as reinsurance or other partnership arrangements when this would result in a cautious approach to gaining expertise in new types of products and/or improve the overall time to market and product offer of the Company.;

- *Limits per individual policy:* the Underwriting Risk Management Policy and the Risk Appetite Statement define the limits on the insured amounts and related benefit;
- *Experience analysis:* trends in claims and cancellations are monitored and reviewed on a regular basis. This represents the base for future assumptions used for pricing;
- *Reserve adequacy:* the adequacy of reserves is monitored and reviewed on a monthly basis. This aims to ensure accuracy and appropriateness of the earning and reserving rules;
- *Product launch procedures and processes:* detailed processes must be followed internally by the Company to ensure certain criteria are taken into account before launching a new or materially amended product in accordance with the internal processes. The requirements of the Underwriting Risk Management Policy and Risk Appetite Statement of the Company are also taken into consideration. All aspects are considered when setting the assumptions and the terms and the conditions of the product. Sensitivity analysis and profit testing are carried out accordingly. The Company ensures that customer documentation is unambiguous and fully enforceable. This is achieved through a sound governance process and multiple reviews of the documentation;
- *Product monitoring review:* A review of product performance, including underwriting, is carried out for each material new or materially amended product 12 months after the launch. Actions are identified and reviewed by the Product Committee before escalation to the Executive Committee and Board for review and approval if required as per Underwriting Risk Management Policy;
- *Rules of delegation:* The Underwriting Risk Management Policy specifies the level of delegated authority assigned to the Company as well as the circumstances in which items are escalated to the Group, CNP Assurance S.A.;
- *Waiting period, exclusions and eligibility checks:* waiting periods and exclusions are allowed by the Underwriting Risk Management Policy and considered as a method of underwriting risk mitigation when included in the Terms and Conditions of the products. Also, eligibility checks are carried out when selling the product to ensure associated covers are suitable; and
- *Compliance with local regulation:* when launching a product in a jurisdiction, the Company engages with local law firms in order to identify the local requirements to be applied and ensure customer's documentation is aligned to the local legal and regulatory requirements.

Underwriting risks and effectiveness of mitigating actions are monitored through the following committees within the Company: *Board Risk Committee, Executive Committee, Technical Committee, Product Committee and Risk, Actuarial and Finance Forum*. Regulatory changes impacting underwriting are reviewed and monitored at the *Regulatory and Compliance Committee* and *Product Committee* as appropriate.

The CRO, the Chief Actuary and the Head of Actuarial Function, have responsibility to ensure that the Company considers all aspects of Underwriting Risk as it conducts business and that the Company's products remain within its risk appetite.

Description of assumptions, methodology and results of stress-testing and sensitivity analysis for each material risk

The Company uses stress testing and/or sensitivity analyses in order to investigate the potential development of its solvency needs and how it might meet its capital requirements in various scenarios. As part of the yearly ORSA process, the following underwriting risks were stressed simultaneously:

- Unemployment;

- Mass Lapse;
- Disability; and
- Sales volume

These underwriting risks were assessed alongside others in this scenario to give a combined stressed view of the Economic Balance Sheet.

Any other disclosure

There is no additional information to be disclosed in relation to underwriting risks.

C.2 MARKET RISK

Description of measures used to assess risks, including any material changes over the year

The main measures to assess market risks are described below:

- **Asset Liability Matching:** the aim of the ALM methodology chosen by the Company is to achieve a satisfactory degree of “immunisation”, i.e. a state where projected liability cash flows are broadly matched by corresponding asset cash flows. This is achieved through duration matching for each different currency. The ALM methodology also includes measures for currency exposure and massive surrender risk;
- **Risk Universe review:** market risks are assessed as part of the annual review of the Risk Universe where associated risks are identified and measured through an assessment of impact and likelihood; and
- **ORSA process:** In addition to the market shocks prescribed by the Standard Formula, the ORSA process includes additional market shocks to asset values, including interest rate shock, equity shock, and spread shock. These are in addition to, not as replacements for, the Standard Formula shocks.

No material changes were made to the measures used to assess market risk over the year.

Description of material risks, including any material changes over the year

The material risks identified by the Company are described as follows:

Interest Rate Risk: Interest rate risk arises where, due to a sudden increase in interest rates, the fall in the value of assets is not offset by a corresponding decrease in the value of liabilities, or vice versa. Due to the Company’s policy of holding financial assets until their maturity interest rate risk is somewhat mitigated and the risk confined to a scenario of interest rate increases combined with a sudden mass lapse or other sudden cash outflow.

Currency Risk: the Company operates in five currencies: Euro; Polish Zloty; Norwegian Krone; Danish Krone; and Swedish Krona. The risk to the Company arises when an over or under exposure exists (assets versus liabilities) in a foreign currency relative to the Euro which may lead to a significant foreign exchange gain or loss.

Equity Risk: the Company holds a limited amount of mutual funds of equities and as such is exposed to fluctuations in the market value of equities.

Spread risk: the risk arises from the concentration of investments made by the Company in corporate bonds.

The Company is also exposed on a limited basis to *concentration risk*.

The market risks for the Company are captured within the standard formula of the SCR. The value of each Market SCR sub-module as at Year End 2019, including a comparison with Year End 2018, is as follows:

Market SCR sub-modules	2019 Market Risk SCR €M	2018 Market Risk SCR €M
Interest	5.4	6.1
Equity	5.5	3.7
Property	0.0	0.0
Spread	10.4	10.1
Currency	4.0	1.0
Concentration	1.3	1.5
Diversification Benefit	(8.9)	(7.5)
Total	17.7	14.9

The Market Risk has increased over the reporting period. The main increase was observed in the currency risk charge, mainly driven by the growth of business in Poland.

Currency risk charge has increased by €3M from €1M at Year End 2018 to €4M at Year End 2019. This movement is driven by an increase in net asset values for each of Poland, Norway and Sweden.

The capital charge for the *spread risk* sub-module reflects the credit risk of issuers.

Description of the method for mitigating risk and the process for monitoring effectiveness of these strategies

The main methods for mitigating risks arising from fluctuation of the market are described below:

- *Diversification strategies*: the Company's Investment Risk Management Policy requires assets to be invested within prescribed asset norm limits by asset type, credit rating, and issuer. This ensures that the Company's assets are sufficiently diversified so as to mitigate the risks borne from concentration and counterparty exposure;
- *Duration matching*: the Company aims to limit exposure to interest rate risk by ensuring that the sensitivity of asset to a change in interest rate is close to that of liabilities. As part of the ALM Risk Management Policy, the Company has a requirement for assets and liabilities to be closely matched in terms of duration within an agreed range;
- *Monitoring of currency exposure*: net exposure in currencies other than Euro must not exceed a max threshold as set out in the Risk Appetite Statement of the Company. The majority of assets and liabilities of the business are expected to be denominated in Euros;
- *Positive cash-flow*: the Company has no appetite for any failure to meet its cash flow requirements nor for negative gaps on cumulative cash flows. The Company, therefore, aims to reduce the gap between the cash flow profile of assets and that of liabilities. Cumulative cash flows are monitored on an ongoing basis to ensure there is a continuous positive surplus; and

- *Liquidity and massive surrenders shocks:* the Company ensures adequate liquidity on an ongoing basis by measuring short term assets against liabilities with stresses applied to lapse rates for all liabilities with duration less than 1 year. Capital losses in scenario of massive surrender will be low due to holding sufficient liquid assets.

The exposure to market risk is monitored and reviewed on a monthly basis at the Investment Committee and reported to the Executive Committee and Risk Committee of the Company respectively on a monthly and quarterly basis. The Risk Function monitor the exposure to market risk through ad-hoc Key Risk Indicators which set the limits according to the Risk Appetite Statement of the Company.

Description of how assets have been invested in accordance with the 'prudent person principle' (references to Investment Policy and Investment Committee)

Assets are invested in accordance with the *prudent person principle* as prescribed by the Investment and ALM Risk Management policies, which are reviewed and approved by the Board at least on an annual basis.

Investments decisions are reviewed at the Investment Committee which is held at least on a monthly basis. The Committee ensures that Investments are made in accordance with the Investment and ALM risk management policies, Risk Appetite Statement and capital constraints under Solvency II.

The *prudent person principle* is therefore applied as follows:

- Individual assets: with respect to the whole portfolio, the Company shall only invest in assets where associated risks can be properly identified, measures, monitored, managed and reported, taking into account the assessments of the overall solvency needs; and
- Investment strategies: the assets held to cover the technical provisions shall be invested in a manner appropriate to the nature and duration of the insurance liabilities, taking into accounts the best interests of all policyholders.

Description of the material risk concentrations

The largest portion of the asset portfolio consists of fixed income securities, namely corporate and government bonds. The Company ensures that risks associated with these assets are mitigated through appropriate diversification by adhering to the Investment Risk Management Policy and Asset Norms of the Company. Market risk concentrations exposure are mitigated by ensuring that investments are done in accordance with the limits for rating categories and asset types.

Description of assumptions, methodology and results of stress-testing and sensitivity analysis for each material risk

The Company uses stress testing and/or sensitivity analyses in order to investigate the potential development of its solvency needs and how it might meet its capital requirements in various scenarios. As part of the ORSA process, the following market shocks were applied to assets simultaneously:

- Interest rate;
- Currency rates;
- Equity; and
- Spread.

Under this scenario, market as well as underwriting shocks are combined together to give a combined stressed view of the Economic Balance Sheet. Within a separate scenario, the ORSA exercise also assessed the company's exposure to foreign exchange rate shocks; non-euro currencies positions were also stressed by applying a defined shock to the forex rates.

Any other disclosure

There are no additional information to be disclosed in relation to market risk.

C.3 CREDIT RISK

Description of measures used to assess risks, including any material changes over the year

The main measures to assess credit risks are described below:

- *Credit rating*: Long term credit ratings issued by the three main rating agencies, where available, are used to assess the credit risk of the fixed income financial assets;
- *Issuer Economic Outlook*: investment advisors assess the economic and financial outlook of the issuers in support of the investment decisions; and
- *Risk Universe review*: credit risk is assessed as part of the annual review of the Risk Universe where associated risks are identified and measured through an assessment of impact and likelihood.

No material changes were made to the measures used to assess credit risk over the year.

Description of material risks, including any material changes over the year

The material risks identified by the Company are described as follows:

Counterparty Default Risk: the Company is exposed to default risk by having funds held by counterparties such as bond issuers, reinsurance partners, operational banks, or mutual fund issuers.

Downgrade risk: the company is exposed to risk of downgrade on any of its assets and counterparties. Such a downgrade could cause the company to be in breach of its own investment guidelines and in extreme cases require the immediate liquidation of a position, possibly at a loss. A ratings downgrade could also have a significant impact on the Market SCR calculated.

Description of how assets have been invested in accordance with the 'prudent person principle' (References to Investment Policy and Investment Committee)

See section C.2.

Description of the material risk concentrations

Exposure to individual issuers can result in material counterparty risk concentration. The Company ensures that counterparty credit risk is mitigated through appropriate diversification in investments by adhering to the Investment Risk Management Policy and Asset Norms which requires assets to be invested within defined limits by asset types, credit ratings and individual issuers. This ensures that the Company invests in high quality assets and issuers, which are analysed and recommended by the Company's Asset Manager and investment advisor of the Company.

Description of the method for mitigating risk and the process for monitoring effectiveness of these strategies

The main methods for mitigating counterparty credit risks are described below:

- *Diversification*: the Company's Investment Risk Management Policy requires assets to be invested within prescribed Asset Norm limits by asset types and credit ratings. This ensures that the Company's assets are sufficiently diversified so as to mitigate the risks borne from concentrated counterparty exposure;
- *Minimum acceptable credit rating*: The Company's investment policy prohibits investment in assets lower than investment grade;
- *Reinsurance Risk Management Policy*: the Policy sets the limits in relation to reinsurance counterparties; and
- *Financial Due Diligence*: detailed financial Due Diligence reviews are undertaken before entering into service agreement with third parties providers, according to the Outsourcing Risk Management Policy of the Company.

The Company performs an analysis on a monthly basis on the concentration by issuer and rating in order to comply with the limits established in the Asset Norms. The Company has experienced no issue with credit default to date and limits are monitored on an ongoing basis. The counterparty risk exposure is monitored and reviewed on a monthly basis at the Investment Committee and reported to the Executive Committee and Risk Committee of the Company respectively on a monthly and quarterly basis. The Risk Function monitor the exposure to credit risk through ad-hoc Key Risk Indicators which are set in accordance with the Asset Norms and the Risk Appetite Statement of the Company.

Description of assumptions, methodology and results of stress-testing and sensitivity analysis for each material risk

In addition to monitoring risk limits in the current business environment the Company also performs an assessment of risks under stressed criteria within the ORSA process. The Company uses stress testing and/or sensitivity analyses in order to investigate the potential development of its solvency needs and how it might meet its capital requirements in various scenarios. In general, as a result of a deterioration in the credit quality of one or more issuers, the market value of bond portfolios declines resulting in a decrease of own funds and SCR coverage. With regards to credit risk, the Company performed a stress-test as part of the ORSA process via an increase to fixed-income spreads.

Any other disclosure

There are no additional information to be disclosed in relation to credit risk.

C.4 LIQUIDITY RISK

Description of measures used to assess risks, including any material changes over the year

The main measure to assess liquidity risks within the Company are described below:

- *Liquidity Coverage Ratio ("LCR")*

Liquidity measure (*market value of liquid assets / stressed liability cash-flows*) aimed at ensuring that the Company's financial portfolios have enough liquid assets to pay cash-flows to policyholders in a stressed scenario. Liquid assets include all operational cash accounts and all deposit accounts; all bonds (government and corporate) with residual maturity less than one year; all other government bonds rated A, AA or AAA. The LCR shall be higher than 125% for each currency. This is in line with the liquidity standards of CNP Assurances S.A. and reflected in the Company's Risk Appetite

Statement. A liquidity indicator has been established as part of the ALM Risk Management Policy and process whereby liquid assets are measured against stressed cash flows in each currency.

- *Asset Liabilities Management*, as described in the section C.2.

There are no changes to note over the reporting period.

Description of material risks, including any material changes over the year

The main Company's liquidity risks are as follows:

- There is a sudden, significant rise in benefits to be paid out (i.e. a wave of surrenders) and the Company is not able to make the payment when due; and
- The Company is unable to dispose of financial assets at the right price in a short period of time or is not able to access other liquid funds at an appropriate cost.

In this regard, the Company must constantly maintain sufficient liquidity to face its liabilities. There are no changes to note over the reporting period.

Description of how assets have been invested in accordance with the 'prudent person principle' (References to Investment Policy and Investment Committee)

See section C.2.

Description of the material risk concentrations

There are no material risk concentrations in relation to liquidity risk. The Company's exposure to liquidity risk is considered to be low since it maintains a high level of liquid assets to meet its liabilities. The overall LCR indicator was tracked within the threshold over the reporting period.

Description of the method for mitigating risk and the process for monitoring effectiveness of these strategies

The main methods for mitigating liquidity risks are described below:

- *Investments in liquid assets*: Investments are made only in liquid assets with high trade volumes on regulated markets, according to the Investment and ALM risk management policies. There are no investments in illiquid assets such as private equity or real estate.
- *Investment in high credit quality*: Investment are only made in assets with a high credit rating quality (minimum BBB rated);

Additional methods for mitigating liquidity risks are described in Sections C.2. The exposure to liquidity risk is monitored and reviewed on a monthly basis at the Investment Committee and reported to the Executive Committee and Risk Committee of the Company respectively on a monthly and quarterly basis.

Description of assumptions, methodology and results of stress-testing and sensitivity analysis for each material risk

The following stresses to liquidity are performed at least on a quarterly basis:

- *LCR*: this methodology, as described above, applies a stress to the liabilities for each currency. Liabilities include all technical reserves and stressed cash flows are calculated as $3 * \text{cancellation rate (Premium reserves)} + \text{increasing claims reserves by 20\%}$. No stress applied is to other liabilities; and
- *Massive surrenders combined with an increase in interest rates*: measure the capital losses that would be realised in a massive surrender scenario. Assets are stressed by applying a sudden 3% increase in interest rates to all liquid assets. Liabilities are stressed by applying a sudden lapse rate of 40% to all liabilities with duration less than 1 year. Capital losses in a scenario of massive surrender would be low for the Company due to holding sufficient liquid assets.

Results are monitored on a continuous basis and any shortfall in liquidity must be addressed timely by the senior management with proper escalation to the Board, where required. No stresses were applied as part of the ORSA process as liquidity is not considered a material risk within the Company.

Any other disclosure

There is no additional information to be disclosed in relation to liquidity risk.

C.5 OPERATIONAL RISK

Description of measures used to assess risks, including any material changes over the year

Operational risks are assessed according to the potential impact and probability of the event concerned. These impact assessments are made against financial, operational and reputational criteria. Operational risks are reviewed on a periodic basis by the Risk Committee, Executive Committee and the Board of Directors.

The following measures are used to assess operational risks:

- *Risk Universe review*: operational risks to which the Company is exposed are identified at least on an annual basis, or ad-hoc where required by changes in the business and risk profile, through an operational risk identification and mapping exercise, internally referred to as the “Risk Universe” exercise, which is carried out by the Risk Function in conjunction with the relevant business owners and is reviewed by the Board. Inherent risks are assessed in respect of the likelihood of a given risk event occurring and the potential financial impact in the case that the defined risk events were to materialise. A comprehensive alignment of controls to the risks identified in the risk assessment is then performed in order to determine the residual risk universe. Corresponding remedial action plans are subsequently identified and tracked for each of the risks with the highest residual exposure (“Top Residual Risks”);
- *Group Operational Risk Review e*: an annual review is performed on the evolution of the operational risk profile of the Company, according to CNP Risk Department’s methodology. The contribution made by the Company to this exercise enables CNP Risk to determine the overall operational risk profile.
- *Business processes reviews*: the Company’s Internal Control system provides a comprehensive framework which helps to measure and mitigate the operational risks faced by the Company. The Company’s Internal Control team has in place a suite of Key Controls which are tested on a regular basis throughout the year and are reviewed at least on an annual basis;

- *ORSA process*: Results from both the *Risk Universe* and the *Group Operational Risk Review* are used as input in the selection of the Operational Risk shock for the annual ORSA process;
- *Solvency Capital Requirement*: the SCR standard formula includes an assessment and quantification of the operational risk exposure;
- *Risk Incident Log*: it is a tool owned by the Risk Function with the aim of assessing, overseeing, tracking and addressing any risk incidents in the business. Fraud incidents are also reported, tracked and monitored. A specific reporting procedure is in place and is circulated on a monthly basis to all employees of the Company to ensure risk incidents are reported timely. The status of remedial actions in relation to reported risk incidents are then monitored continuously; and
- *Ad-hoc assessment*: operational risks are also assessed on an ad-hoc basis through questionnaires, briefings and risk analysis carried out in conjunction with the relevant business owners.

There were no material changes in measures to assess risks over the reporting period.

Description of material risks, including any material changes over the year

Operational risk arises as a result of inadequate or failed internal processes, people or systems, or from external events. Operational risks are identified at least on an annual basis as part of the Risk Universe review and are closely monitored throughout the year and exposure tolerance levels are captured in the Risk Appetite of the Company.

According to the Risk Universe of the Company, the material operational risks identified over the reporting period are:

Risk Type	Inherent Risk Universe	Changes in exposure compared to prior period
Outsourcing Risk	- High reliance on critical IT service providers - Permanent interruption of TPA activities	- Likelihood ↑ - No
Data complexity	- Data errors, including TPA administration errors - GDPR breach - Cyber incident	- No - No - No
IT Risk	- IT infrastructure/service failure	- Likelihood ↑
Customer relationship	- Cost arising from unenforceable policy wordings / errors in T&Cs, including potential related cost of legal disputes/litigations	- Impact ↑-

There were no material changes in Operational Risk over the reporting period.

In addition, the Company has also established a *customer experience* department with the aim to identify new opportunities across the customer journey and improve the overall relationship.

Description of material risk concentrations.

There were no material operational risk concentrations over the reporting period.

Any material future risk concentrations anticipated, and how these risk concentrations will be managed

There are no material future risk concentrations anticipated.

Description of risk mitigation techniques, and process for monitoring the continued effectiveness of these strategies

Exposures of all material operational risks are tracked within the Risk Dashboard. Risk appetite and tolerance levels are set out in the Risk Appetite Statement of the Company. The main risk mitigation techniques in place to mitigate operational risks are:

- *Monitoring of Service Level Agreements*: mitigates the risk of inadequate outsourcing services. Performance and quality of the service provided by external vendors and outsourcers are monitored and reviewed on a regular basis through dedicated reporting and governance meetings;
- *Onsite Visits*: under the service agreement, the Company has the right to visit the external vendor or outsourcer for audit, control testing and due diligence purpose. Visits are performed on a regular basis depending from the criticality of the service provided;
- *Quarterly Key Control Testing*: mitigates the risk of losses arising from the failure or inadequacy of business processes. Action plans are implemented to rectify any control weaknesses and, once a plan has been established, the key control is tested over an agreed period to ensure the weakness has been addressed;
- *Regular Due Diligence reviews*: mitigate the risk of inadequate outsourcing services or failure of external providers. Reviews are carried out during the provision of the services to ensure there were no significant changes within the outsourcer or in relation to the nature of the service; to review the provider's financial stability;
- *TPA Reversibility Plan*: mitigates the risk of discontinuity and defines the actions to be taken in each territory on the short, medium and long term in the event of immediate unavailability of TPA to deliver the service required under the Service Agreement. Performed and finalised for each TPA in 2018 and updated annually;
- *Annual Company's mandatory training*: data privacy and security training mitigates the risk of cyber and data breaches;
- *Group Fraud/Crime Insurance Cover*: mitigates the impact arising from internal / external fraud;
- The Company has an *anti-bribery and corruption framework* in place;
- *Group Cyber Insurance Cover*: mitigates the impact arising from a cyber-attack;
- *Annual testing of Business Continuity Plan*: mitigates the risk of business interruption. It is tested on an annual basis. There is also insurance cover in place in the event of business interruption or damage to either property or computer equipment;
- *Annual or ad-hoc ORSA process*: mitigates the risk of a shortfall in capital arising from operational risks.
- *Data Quality Framework*: Solvency II regulations place a great deal of importance in the adequacy and accuracy of the information used for all regulatory and internal calculations and reporting. Data quality requires implementing processes, procedures and instructions for the management of information and to ensure appropriateness, completeness, accuracy and timeliness of data. Checks and controls are in place in order to validate the data related to the policies underwritten from the originator through to the final stages where the Regulatory Capital is calculated. The framework is continuously improved with the purpose of identifying and addressing any shortcomings and with the aim also of improving the homogeneity of the data checks across the entire Data Life Cycle; and

- IT & Cybersecurity Strategy:** The security of IT services is a key priority for the Company. The Company, through its IT risk management strategy, take the technological and governance steps necessary to limit the risk of cyber-attack and to limit the potential impact of any prospective cyber-attack. The Company has cyber security preventative measures in place and will continue to advance IT security practices and maintain alignment with evolving industry norms. Securing sensitive and business critical data is an ongoing critical function and technical security precautions are taken to minimise the possibility of a malicious attack. The IT department will implement all feasible measures to ensure the security of Company data, including keeping abreast of the latest cybersecurity techniques and services, and engaging with best-in-class vendors to make sure that the risks to the Company's systems and data are mitigated as fully as possible.

Description of assumptions, methodology and results of stress-testing and sensitivity analysis for each material risk

The Company uses stress testing in order to investigate the potential development of its solvency needs and how it might meet its capital requirements in various scenarios as part of the ORSA process.

The approach taken into account for the Operational Risk shock scenario is fully aligned with Group guidelines.

The scenario selected in 2019 was in line with the risk profile of the Company and it is represented below:

Scenario Type	Description	Scenario Name
VaR 90%	A major operational loss which could occur once in every 10 years.	Unexpected revision of TPA arrangement
Maximum Possible Loss	An event corresponding to a Maximum Possible Loss	Permanent interruption of TPA activities

As illustrated above, the Company performed this exercise with a *VaR* at 90% and *Maximum Possible Loss*. The associated causes and context of each scenario were described precisely. Both scenarios were then analysed in workshops in order to determine the induced consequences and to quantify financial losses that would result, according to expert's judgment, should either event materialise at any point in time. Therefore, the total amount of extra capital required for this Operational Risk scenario was added to a combined ORSA shock scenario. Lastly, related action plans were also identified for each scenario, should either event materialise at any point in time.

Any other disclosure

There is no additional information to disclose.

C.6 OTHER MATERIAL RISK

Overview of the use of special purpose vehicles, disclosing at least information on whether the Special Purpose Vehicle ("SPV") is authorised under Solvency II, what risks are transferred to it and how the fully funded principle is assessed on an on-going basis

The Company does not make use of a Special Purpose Vehicle.

Other material risks

The additional following risks were identified as part of the risk universe of the Company and were continuously monitored over the reporting period:

- ***Strategic Risk:*** Changes in consumer behaviour, regulation and/or the evolution of commercial arrangements, in addition to the entrance of new types of business models into the insurance landscape, could potentially impact the sales performance of the Company. Furthermore, there is a potential risk that the high effort required for the achievement of key projects may delay the execution of the business strategy in the short term. Therefore, the business must always ensure that, in developing new lines of business (e.g. country launches, product launches, broadening of distribution channels), that sufficient resources are allocated to ensure successful implementation while minimising the risk of delay. The Company engages with external parties for advice and support where required. All significant projects are monitored on a continuous basis through working groups and steering committees in place, with proper escalation to the Board of Directors where required, to ensure the proper execution of the business plan and achievement of the business strategy; and
- ***Environmental Risk:*** This refers mainly to global economic conditions and developments that could negatively affect the execution of the Company's business plan, and also to sector specific developments, as *legal and regulatory changes*. The preferred strategy to mitigate the negative consequences of these events is by continuous monitoring of the surrounding economic and sectorial conditions in all the territories where the Company operates in order to anticipate and mitigate those hazards. The macroeconomic outlook for each country is monitored on a continuous basis with particular attention to the unemployment trends and consumer confidence. Any potential exposure to losses must be escalated to the Board for discussion and mitigation plans must be put in place.

A risk assessment has been previously carried out in relation to the exit of the United Kingdom from Europe (known as "Brexit"), possible changes in the legislation following that event, and the exposure of the Company to this risk has been assessed as low and remained unchanged over the reporting period.

C.7 ANY OTHER INFORMATION

Since 31 December 2019, the COVID-19 pandemic has spread across the world, representing a material, non-adjusting subsequent event for the Company. There is likely to be a material reduction in the Company's new business volumes and an increase in claims incurred during the year-ending 2020.

In this context, it should be noted that all the figures presented in this report were as at 31st December 2019, therefore before the emergence of the pandemic. Given the current uncertainty, the full impact cannot be estimated as at the date of this report.

The Company's financial, solvency and liquidity positions, underpinned by an effective and prudent risk management approach, are of sufficient robustness, quality and strength to ensure the Company remains profitable and continues as a going concern. The company is well capitalised and is comfortably ahead of the regulatory capital threshold and is expected to remain well above this threshold following the emergence of COVID-19 as a pandemic. The Company will continue to monitor the unfolding situation and factor the impacts of the pandemic into future projections.

In relation to operational risk, the Company activated its Business Continuity Plan early in March 2020 at all levels within the Company, allowing all employees to work in remote mode and enabling them to use the core IT systems. The same level of business continuity is in place within the Company's third-party administrators and is closely monitored by the relevant business owners within the Company.

D. VALUATION FOR SOLVENCY PURPOSE

D.1 ASSETS

Value of assets for each material class, as well as a description of the basis, methods and assumptions used for valuation

The following financial assets are held at fair value at 31st December 2019:

Balance Sheet Items	2019	2018
Assets	€/000	€/000
Cash and Cash equivalents	69,487	68,169
Bonds: Government Bonds, Corporate Bonds, Structured Notes	415,358	351,740
Collective Investment Undertakings	14,214	11,476
Insurance and intermediaries receivables	13,352	12,059
Reinsurance receivables	770	452
Receivables (trade, not insurance)	330	77
Health similar to life (Reinsurance Asset)	5,286	7,286
Non-Life excluding health (Reinsurance Asset)	2,324	3,906
Any other assets, not elsewhere shown	2,474	1,715
Total Assets	523,595	456,880

Cash and cash equivalents: Cash and cash equivalents (i.e. cash deposits) are valued at nominal value. Balance has increased year on year in line with the growth of the insurance portfolio.

Bonds and Collective Investment Undertakings: this item includes *fixed income securities* and *mutual funds* held by the Company, traded in active liquid markets and are valued at fair value based on their available market price. A quoted price is readily available and is provided by the Company's Asset Manager. Investments have increased year on year in line with the growth of the insurance portfolio.

Insurance and intermediaries' receivables, reinsurance receivables, receivables (trade, not insurance) and any other assets, not elsewhere shown are included at nominal value. Balances at year end are dependent on timing of receipts and payments.

Reinsurance Assets (Health similar to life and Non-Life excluding health): this information is provided in section D.2.

For each material class, a quantitative and qualitative explanation of any material differences with the valuation basis, method and assumptions used for the financial statements

There are no differences between the Solvency II valuation basis and IFRS valuation, with exception of the Reinsurance Assets which is detailed in section D.2.

D.2 TECHNICAL PROVISIONS

The technical provisions equal the sum of the Best Estimate Liability ("BEL") and the Risk Margin ("RM"). The BEL is the expected present value of the probability-weighted average of future cash-flows, using the relevant risk-free interest rate term structure. The BEL contains two components:

- A claims reserve based on the accounting provisions established for claims *In Course of Payment*, claims *Reported But Not Settled* and claims *Incurred But Not Reported*. This is referred to as the "*BEL - claims reserves*" for Solvency II reporting purposes; and
- A premium reserve in respect of future unearned exposure. The premium reserve is represented by the Unearned Premium Reserve on the Financial Statements. This is referred to as the "*BEL – future cashflows*" for Solvency II reporting purpose.

The RM is the cost of holding sufficient capital to back the SCR over the lifetime of the obligations. The cost of capital rate is set in the Solvency II Delegated Regulations to be 6% - above the risk-free rate. Technical provisions are calculated gross of amounts recoverable from reinsurance contracts. The *reinsurance recoverable* has been considered separately below and is calculated as the present value of the probability-weighted average of future reinsurance cashflows.

Best Estimate Liabilities – Claims Reserves

The claims reserves for Year End 2019 are slightly different to those established on the Financial Statements. Some of the elements of prudence within the Financial Statements assumptions for the claims reserves have been removed for the purposes of Solvency II reporting. The following are the components of the claims reserves under Solvency II:

- **IBNR:** The IBNR reserve is held in respect of claims from past periods of cover which are estimated to be still unreported. The calculation incorporates estimates of ultimate claims likely to emerge from each past month of cover (i.e. earned premium multiplied by loss ratio) as well as estimates of typical delays in the reporting of claims.
- **RBNS:** The RBNS represents the liabilities related to existing claims which have been reported but payment has neither been settled nor held in ICOP. For example, there may be claims pending decision, perhaps where a piece of documentary evidence (e.g. proof of unemployment) has not yet been received. The RBNS is calculated as the claim amounts payable multiplied by an acceptance rate assumption.
- **ICOP:** The ICOP reserve represents the liability to make further monthly benefit payments on claims which have already been reported and accepted.

Best Estimate Liabilities – Future Cashflows

The BEL – Future Cashflows is produced using a cashflow model created using an actuarial modelling tool which was developed in 2015 and updated for new products as launched. Future cashflows for the in-force business as at 31st December 2019 are projected at an individual coverage level. The cashflows are projected on a monthly basis and all cashflows are projected to the end of the appropriate policy term.

The projected future cashflows include:

- Income:
 - Regular premium receipts.

- Outgo:
 - Claims payments, including expected levels of surrender (cancellation);
 - Commission payments;
 - Expenses (maintenance costs only); and
 - Third Party Administrator fees (including claims handling fees).

The cashflows are discounted using the relevant risk-free rates for each currency to obtain the BEL.

As is permitted, the Company has chosen not to apply any adjustment to the risk-free rates for either the Matching Adjustment or Volatility Adjustment. The Company has also chosen not to make use of any of the Solvency II transitional arrangements permitted in respect of risk-free rates or technical provisions. Any changes to this approach in the future would require the approval of the CBI.

The commission outflows are not a policyholder liability and therefore represent accounting provisions of the Company. We include the commissions within our actuarial models to allow us to reduce premiums accordingly when performing BEL calculations.

Given the nature of the business, and in particular the lack of investment guarantees a deterministic approach has been taken in calculating the BEL - i.e. using a single yield curve and claims modelled based on claim rates without stochastic variation.

Risk Margin

The *Risk Margin* is calculated as the cost of holding certain defined components of the SCR (defined as the SCR of the reference undertaking) over the lifetime of the obligations. As required by the Delegated Regulations, the projected SCR is calculated on the assumption that assets are selected in such a way that they minimise the SCR for market risk. The risks included in the projected SCR underlying the RM therefore relate to underwriting risk, operational risk and counterparty risk only. There is no projected capital in respect of market risk, as the market risk associated with the assets held can be fully hedged. The SCR of the 'reference undertaking' is also adjusted to exclude the adjustment for loss-absorbing capacity of deferred tax as required by the Delegated Regulations.

Guideline 62 of the *EIOPA Level 3 Guidance* on the valuation of technical provisions sets out the hierarchy of simplifications that are allowed. The approach adopted by the Company is equivalent to *Method 3* of the hierarchy which is to:

"Approximate the discounted sum of all future Solvency Capital Requirements in a single step without approximating the Solvency Capital Requirements for each future year separately as referred in Article 58 (b) of the Implementing Measures, inter alia by using the modified duration of the insurance liabilities as a proportionality factor"

The approach is to apply a factor to the SCR of the reference undertaking at the valuation date. The factor is based on the duration of the business written, and so would be higher if the duration were longer etc. This methodology is also the one chosen by CNP Santander's majority shareholder CNP Assurances S.A.

Amount of technical provisions

The table below shows the components of the technical provisions at Year End 2019 and Year End 2018 calculated on a Solvency II basis:

Technical Provisions	2019 €M	2018 €M	Movement €M
BEL - Claims Reserves	43.5	38.3	5.2
BEL - Future Cashflows	181.1	154.5	26.6
BEL - Total	224.6	192.8	31.8
Risk Margin	17.9	17.3	0.6
Total Technical Provisions	242.5	210.1	32.4

Reinsurance Asset

The following table shows the Reinsurance Asset as at Year End 2019 and Year End 2018:

Reinsurance Asset	2019 €M	2018 €M	Movement €M
Reinsurance Asset	5.2	7.8	-2.6
Reinsurance Adjustment	0.0	0.0	0.0
Claims Reserve Share	2.4	3.4	-1.0
Adjusted Reinsurance Asset	7.6	11.2	-3.6

Above figures represent value of future cashflows from the reinsurance arrangements in place.

The *Reinsurance Asset* above has been calculated using the same cashflow model and on the same basis as the technical provisions (gross of reinsurance).

The *Reinsurance Adjustment* allows for the probability of default of the reinsurers.

The *Claims Reserve Share* represents the appropriate level of the quota share reinsurance in place.

It is worth noting that the reinsurance asset is very small in comparison to the BEL, taking into consideration that almost all reinsurance treaties are in run off.

Uncertainty & Sensitivities

There is some uncertainty associated with the amount of the technical provisions due to the reliance on assumptions underlying the calculations. The sensitivity of the Company's Solvency II balance sheets to a range of future scenarios is explored in detail as part of the annual ORSA process.

The Company's technical provisions are most sensitive to changes in claim rates (non-life and disability) and lapses, particularly a large number of instantaneous lapses. The technical provisions as a whole are relatively insensitive to changes in expenses and expense inflation.

Assumptions

Several economic and demographic assumptions are used for the valuation of technical provisions of the Company. The key assumptions for the Company are the claims incidence rates. These directly affect the projected claims. In some territories, the Company has only been selling business for a relatively short period, so there is relatively little experience data available from the Company's own book. However, it is felt that the assumptions have been set appropriately given this constraint, using data available from previous insurers and market data. The other assumptions that influence the results of the Technical Provisions, but to a lesser extent are:

- *Expenses* - Projected expenses are a component of the BEL. These are calculated at a per policy level using the budgeted maintenance expenses for 2020 and estimated December 2019 policies inforce;
- *Surrender/cancellation rates* - These assumptions reflect policy holder behaviour. These rates impact the projected number of policies in force and hence the claims arising in the future (and the amounts paid on cancellation). The assumptions for surrenders/lapses were calculated based on data received from the TPAs that administer the business; and
- *Interest rates* - These rates influence the BEL as projected cashflows are discounted back to the valuation date. There is no scope for the Company to set these rates as they are prescribed by EIOPA for each valuation date; the risk-free rates set by EIOPA by currency are used without any adjustments.

Changes since last reporting period

While some claims, expenses, lapse rates and economic assumptions were revised based on emerging experience, no material changes were made to the assumptions since year end 2018.

D.3 OTHER LIABILITIES

Value of other liabilities for each material class as well as a description of the basis, methods and assumptions used for their valuation

The value of Other Liabilities as at 31st December 2019, including a comparison with the previous reporting year, is as follows:

Other Liabilities	2019 (€/000)	2018 (€/000)
Deferred tax liabilities	5,218	5,448
Insurance & intermediaries payables	17,630	10,908
Payables (trade, not insurance)	7,642	10,988
Subordinated liabilities	54,000	54,000
Any other liabilities not elsewhere shown	0	0

There were no material changes to note over the reporting period.

A quantitative and qualitative explanation of any material differences with the valuation basis, method and assumptions used for financial statements purposes

No adjustment is required to these valuations for solvency purposes as the amounts held under IFRS valuation principles are deemed to be approximations of fair value. Deferred tax on the Company's AFS reserve is carried at the same value under IFRS and Solvency II. The Solvency II deferred tax liability also includes the impact of the change from IFRS equity to Solvency II own funds that is reconciled in section E.1.

D.4 ALTERNATIVE METHODS FOR VALUATION

No alternative methods were used in the valuation of the assets and liabilities.

D.5 ANY OTHER INFORMATION

There is no additional information to be disclosed in relation to the valuation of assets and liabilities.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

Information on the objectives, policies, and processes for managing own funds including the planning horizon used and any material changes

The main objective of the Company's Capital Management Policy is to ensure that capital is kept adequate at all times, in order to:

- Maintain the financial stability of the Company through a sound and effective allocation of capital along the business;
- Sustain the execution of the Company's business plan;
- Protect the best interest of the policyholders; and
- Comply at all times with the regulatory requirements, as set by the CBI and EIOPA respectively at local and European level.

The Company's requirements regarding the management of own funds are:

- Ensuring that own fund items, both at issue and subsequently, meet the requirements of Solvency II regime and are classified correctly;
- Monitoring the issuance of own fund items according to the medium-term capital management plan; and
- Ensuring that the terms and conditions of any own fund items are clear and unambiguous in relation to the criteria of the applicable capital regime.

This is achieved through a prudent management of the own funds on a continuous basis. Quality of own funds is continuously monitored to ensure that sufficient eligible own funds are maintained at all times to cover the Solvency Capital Requirement and Minimum Capital Requirement. The Company reviews the level and eligibility of own funds at least on quarterly basis, as part of the Quantitative Reporting Templates production.

Own Funds are projected at least on an annual basis as part of the ORSA process, according to the Company business plan projections, with the aim to assess the capital requirements in the medium to long term and identify any capital management action, where required. The projections are updated quarterly as actual capital requirements are calculated every quarter. These projections provide a forward-looking perspective on the Company's risk profile, solvency needs and level of own funds required over the business plan horizon. The results of projections made in the ORSA will be used by the Company to develop the medium-term capital management plan and define the Target Solvency Cover (defined as an internal prudential margin in excess of the SCR), to ensure the capital requirements are met and are aligned to with the underlying risk of the Company. In case of breach or potential breach of the target solvency cover, the Board will review the capital management plan according to the regulatory requirements.

Capital Management is embedded in the ORSA annual strategic planning process and leads to the production of a medium-term capital management plan, which is revised each year by the Board. In case the Company requires an injection of capital, the below processes will be followed:

- Additional own funds to meet any increased capital requirement may take the form of an inter-company subordinated debt loan where possible, accordingly to the local regulation. Where it is not possible for

regulatory/capital constraints, additional own funds may take the form of either ordinary share capital or a capital contribution, according to the Group's procedure.

- According to Article 138 of the Solvency II Directive, when there is a breach of the Solvency Capital Requirement, or when a breach is likely to occur in the next three months, a recovery program must be approved by the Board of Directors and presented to the CBI. The recovery program aims (i) to restore the level of eligible own funds equal to the SCR and/or (ii) to reduce the risk profile to ensure compliance of the SCR.

For each tier, information on the structure, amount and quality of own funds and an analysis of significant movements over the year

Own Funds are broken down as follows:

Own Funds	2019 (€/000)	2018 (€/000)
Ordinary Share Capital – Tier 1	53,000	53,000
Reconciliation Reserve – Tier 1	143,374	112,430
Subordinated Debt – Tier 1 Restricted	49,093	41,358
Subordinated Debt – Tier 2	4,907	12,642
Total Own Funds	250,374	219,430

The Ordinary Share Capital remained the same over the reporting period while movements in Reconciliation Reserve are explained below. The Subordinated Debt relates to loan provided by the sister company CNP Santander Insurance Life DAC to CNP Santander Insurance Europe DAC.

Quantitative and qualitative analysis of differences between equity in the financial statements and basic own funds

The financial statements are prepared under International Financial Reporting Standards whereas the Solvency II balance sheet and own funds are prepared in accordance with the Solvency II Directive and associated regulations and guidance.

Reconciliation of Own Funds	2019 (€/000)	2018 (€/000)
Equity per Financial Statements	218,292	180,779
Removal of IFRS Technical Provisions	271,552	243,088
Addition of BEL, Risk Margin, Reinsurance Asset and Provisions other than Technical Provisions	(234,887)	(198,914)
Deferred Tax Impact of above adjustments @ 12.5%	(4,583)	(5,523)
Total Own Funds	250,374	219,430

Own Funds have increased over the reporting period in line with the growth of the portfolio and are expected to grow in line with the business plan projections over the next 5 years.

Explanation of the key elements of the reconciliation reserve

The reconciliation reserve is made up of the following components:

Reconciliation Reserves	2019 (€/000)	2018 (€/000)
Retained Earnings plus AFS Reserve per Financial Statements	111,292	73,779
Removal of IFRS Technical Provisions	271,552	243,088
Addition of BEL, Risk Margin, Reinsurance Asset and Provisions other than Technical Provisions	(234,887)	(198,914)
Deferred Tax Impact of above adjustments @ 12.5%	(4,583)	(5,523)
Reconciliation Reserve	143,374	112,430

The Company's portfolio has continued to grow over the reporting period. The increase in Reconciliation Reserve versus prior year is due to the Company continuing to grow and write new business.

E.2 SOLVENCY CAPITAL REQUIREMENT & MINIMUM CAPITAL REQUIREMENT

Amount of SCR and MCR at Year-End

The Company has used the Standard Formula for the calculation of the SCR.

The aggregate SCR for the Company on 31st December 2019 is €155M, resulting in a SCR coverage ratio of 161%.

The aggregate MCR for the Company on 31st December 2019 is €45M, resulting in a MCR coverage ratio of 561%.

Amount of SCR split by risk modules

Solvency Capital Requirement (SCR) (by risk modules)	2019 €M	2018 €M
Life Underwriting	0.0	0.0
Non-Life Underwriting	155.2	148.6
Health Underwriting	31.5	28.0
Market Risk	17.7	14.9
Counterparty Default Risk	5.9	5.6
Intangibles	0.0	0.0
BSCR Diversification Benefit	-42.6	-37.8
BSCR	167.8	159.3
Operational Risk	9.7	8.7
Tax Adjustment	-22.2	-21.0
TOTAL SCR	155.3	147.0
Minimum Capital Requirement (MCR)	2019 €M	2018 €M
TOTAL MCR	44.6	41.3

Qualitative information on the results of SCR and MCR calculation, including reasons for material movement over the year

- The Non-Life Underwriting risk charge is the highest component of the Company's SCR. This is mainly due to both the premium and reserve and catastrophe stresses applied to the unemployment and GAP covers.
 - The main increase in non-Life underwriting risk over the year was driven by an increase in the catastrophe risk charge. The catastrophe risk charge is dependent on premiums earned which have increased over the year.
 - A similar increase was not observed in the non-life premium and reserve risk charge due to offsetting impacts of diversification and a revised budget.
- The *health underwriting* capital is the second largest component of the SCR under Solvency II. This is mainly due to the *disability/morbidity* stresses and, to a lesser extent, *lapse* stresses. This has increased from Year End 2018 due to the increase in the BEL driven by the growth in business over the year;
- *Market, Counterparty and Operational risk* are relatively small for the Company when compared to the overall SCR charge.

Information on the inputs used to calculate the MCR

The table below shows the inputs used in the calculation of the MCR as at 31st December 2019, including a comparison with the previous reporting year:

Inputs used to calculate the MCR	2019 €M	2018 €M
AMCR - <i>Absolute Floor of the MCR</i> *	3.7	3.7
Linear MCR	44.6	41.3
SCR	155.3	147.0
Combined MCR	44.6	41.3
Minimum Capital Requirement	44.6	41.3

* Note the Absolute Floor of the Minimum Capital Requirement ("AMCR") is prescribed by EIOPA.

The *MCR* has increased due to an increase in the "Linear MCR". The Linear MCR for this company is driven mainly by non-life technical provisions and non-life premiums written in the past 12 months. The non-life TPs have increased over the last 12 months while non-life written premiums have decreased. There was also an increase in life TPs and capital at risk which also contribute to the Linear MCR.

Information on whether, and for which modules, the company is using simplified calculations and/or company specific parameters

The Company has not used *simplified calculations* or *undertaking specific parameters* in the calculation of the SCR.

Amount of any capital add-ons

There is no requirement for any capital add-ons.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SCR

This section is not applicable to the Company.

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

This section is not applicable to the Company.

E.5 NON COMPLIANCE WITH THE MCR & NON COMPLIANCE WITH THE SCR

The Company has complied with the SCR and MCR during the reporting period.

E.6 ANY OTHER INFORMATION

There is no additional information to be disclosed with regards to Capital Management.

APPENDIX A – QUANTITATIVE REPORTING TEMPLATES

This Annex publicly discloses the following quantitative reporting templates in respect of the year ended 31st December 2019:

QRT	Description
S.02.01.01	Balance Sheet
S.05.01.01	Premiums, Claims and Expenses by line of business
S.05.02.01	Premiums, Claims and Expenses by Country
S.12.01.01	Life and Health SLT Technical Provisions
S.17.01.01	Non-Life Technical Provisions
S.19.01.01	Non-Life Insurance Claims
S.23.01.01	Own Funds
S.25.01.01	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity

S.02.01.01
Balance sheet

		Solvency II value
		C0010
Assets		
R0010	Goodwill	0.00
R0020	Deferred acquisition costs	0.00
R0030	Intangible assets	0.00
R0040	Deferred tax assets	0.00
R0050	Pension benefit surplus	0.00
R0060	Property, plant & equipment held for own use	0.00
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	429,571,973.66
R0080	Property (other than for own use)	0.00
R0090	Holdings in related undertakings, including participations	0.00
R0100	Equities	0.00
R0110	Equities – listed	0.00
R0120	Equities – unlisted	0.00
R0130	Bonds	415,357,526.88
R0140	Government Bonds	77,999,500.91
R0150	Corporate Bonds	335,509,278.36
R0160	Structured notes	1,848,747.61
R0170	Collateralised securities	0.00
R0180	Collective Investments Undertakings	14,214,446.78
R0190	Derivatives	0.00
R0200	Deposits other than cash equivalents	0.00
R0210	Other investments	0.00
R0220	Assets held for index-linked and unit-linked contracts	0.00
R0230	Loans and mortgages	0.00
R0240	Loans on policies	0.00
R0250	Loans and mortgages to individuals	0.00
R0260	Other loans and mortgages	0.00
R0270	Reinsurance recoverables from:	7,608,419.25
R0280	Non-life and health similar to non-life	2,323,914.80
R0290	Non-life excluding health	2,323,914.80
R0300	Health similar to non-life	0.00
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	5,284,504.45
R0320	Health similar to life	5,284,504.45
R0330	Life excluding health and index-linked and unit-linked	0.00
R0340	Life index-linked and unit-linked	0.00
R0350	Deposits to cedants	0.00
R0360	Insurance and intermediaries receivables	13,352,100.45
R0370	Reinsurance receivables	770,037.00
R0380	Receivables (trade, not insurance)	330,475.65
R0390	Own shares (held directly)	0.00
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00
R0410	Cash and cash equivalents	69,486,671.80
R0420	Any other assets, not elsewhere shown	2,473,880.27
R0500	Total assets	523,593,558.08

		Solvency II value
		C0010
R0510	Technical provisions – non-life	120,350,018.20
R0520	Technical provisions – non-life (excluding health)	120,350,018.20
R0530	Technical provisions calculated as a whole	0.00
R0540	Best Estimate	105,507,505.86
R0550	Risk margin	14,842,512.34
R0560	Technical provisions - health (similar to non-life)	0.00
R0570	Technical provisions calculated as a whole	0.00
R0580	Best Estimate	0.00
R0590	Risk margin	0.00
R0600	Technical provisions - life (excluding index-linked and unit-linked)	122,145,292.84
R0610	Technical provisions - health (similar to life)	122,145,292.84
R0620	Technical provisions calculated as a whole	0.00
R0630	Best Estimate	119,136,236.53
R0640	Risk margin	3,009,056.31
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0.00
R0660	Technical provisions calculated as a whole	0.00
R0670	Best Estimate	0.00
R0680	Risk margin	0.00
R0690	Technical provisions – index-linked and unit-linked	0.00
R0700	Technical provisions calculated as a whole	0.00
R0710	Best Estimate	0.00
R0720	Risk margin	0.00
R0730	Other Technical Provisions	0.00
R0740	Contingent liabilities	0.00
R0750	Provisions other than technical provisions	0.00
R0760	Pension benefit obligations	0.00
R0770	Deposits from reinsurers	0.00
R0780	Deferred tax liabilities	5,218,149.89
R0790	Derivatives	0.00
R0800	Debts owed to credit institutions	0.00
R0810	Financial liabilities other than debts owed to credit institutions	0.02
R0820	Insurance & intermediaries payables	17,630,431.20
R0830	Reinsurance payables	233,556.62
R0840	Payables (trade, not insurance)	7,642,441.20
R0850	Subordinated liabilities	54,000,000.00
R0860	Subordinated liabilities not in Basic Own Funds	0.00
R0870	Subordinated liabilities in Basic Own Funds	54,000,000.00
R0880	Any other liabilities, not elsewhere shown	0.00
R0900	Total liabilities	327,219,889.95
R1000	Excess of assets over liabilities	196,373,668.13

S.05.01.01

Premiums, claims and expenses by line of business

Non-Life & Accepted non-proportional reinsurance

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	Total
		Miscellaneous financial loss	
		C0120	C0200
Premiums written			
R0110	Gross - Direct Business	137,046,090.62	137,046,090.62
R0120	Gross - Proportional reinsurance accepted	4,519,998.19	4,519,998.19
R0130	Gross - Non-proportional reinsurance accepted		
R0140	Reinsurers' share	32,435.63	32,435.63
R0200	Net	141,533,653.18	141,533,653.18
Premiums earned			
R0210	Gross - Direct Business	122,794,523.65	122,794,523.65
R0220	Gross - Proportional reinsurance accepted	9,651,344.90	9,651,344.90
R0230	Gross - Non-proportional reinsurance accepted		
R0240	Reinsurers' share	6,885,257.30	6,885,257.30
R0300	Net	125,560,611.25	125,560,611.25
Claims incurred			
R0310	Gross - Direct Business	13,823,337.74	13,823,337.74
R0320	Gross - Proportional reinsurance accepted	676,839.02	676,839.02
R0330	Gross - Non-proportional reinsurance accepted		
R0340	Reinsurers' share	155,879.73	155,879.73
R0400	Net	14,344,297.03	14,344,297.03
Changes in other technical provisions			
R0410	Gross - Direct Business		-
R0420	Gross - Proportional reinsurance accepted		
R0430	Gross - Non-proportional reinsurance accepted		
R0440	Reinsurers' share		
R0500	Net		-
R0550	Expenses incurred	92,288,308.06	92,288,308.06
Administrative expenses			
R0610	Gross - Direct Business		
R0620	Gross - Proportional reinsurance accepted		
R0630	Gross - Non-proportional reinsurance accepted		
R0640	Reinsurers' share		
R0700	Net		
Investment management expenses			
R0710	Gross - Direct Business	94,060.74	94,060.74
R0720	Gross - Proportional reinsurance accepted	5,889.17	5,889.17
R0730	Gross - Non-proportional reinsurance accepted		
R0740	Reinsurers' share		
R0800	Net	99,949.91	99,949.91
Claims management expenses			
R0810	Gross - Direct Business	2,215,980.49	2,215,980.49
R0820	Gross - Proportional reinsurance accepted	-	-
R0830	Gross - Non-proportional reinsurance accepted		
R0840	Reinsurers' share		
R0900	Net	2,215,980.49	2,215,980.49
Acquisition expenses			
R0910	Gross - Direct Business	86,222,817.73	86,222,817.73
R0920	Gross - Proportional reinsurance accepted	5,391,182.12	5,391,182.12
R0930	Gross - Non-proportional reinsurance accepted		
R0940	Reinsurers' share	5,586,623.13	5,586,623.13
R1000	Net	86,027,376.72	86,027,376.72
Overhead expenses			
R1010	Gross - Direct Business	3,712,556.60	3,712,556.60
R1020	Gross - Proportional reinsurance accepted	232,444.34	232,444.34

R1030	Gross - Non-proportional reinsurance accepted
R1040	Reinsurers' share
R1100	Net
R1200	Other expenses
R1300	Total expenses

3,945,000.94	3,945,000.94
	92,288,308.06

Life

	Premiums written
R1410	Gross
R1420	Reinsurers' share
R1500	Net
	Premiums earned
R1510	Gross
R1520	Reinsurers' share
R1600	Net
	Claims incurred
R1610	Gross
R1620	Reinsurers' share
R1700	Net
	Changes in other technical provisions
R1710	Gross
R1720	Reinsurers' share
R1800	Net
R1900	Expenses incurred
	Administrative expenses
R1910	Gross
R1920	Reinsurers' share
R2000	Net
	Investment management expenses
R2010	Gross
R2020	Reinsurers' share
R2100	Net
	Claims management expenses
R2110	Gross
R2120	Reinsurers' share
R2200	Net
	Acquisition expenses
R2210	Gross
R2220	Reinsurers' share
R2300	Net
	Overhead expenses
R2310	Gross
R2320	Reinsurers' share
R2400	Net
R2500	Other expenses
R2600	Total expenses

Line of Business for: life insurance obligations	Life reinsurance obligations	Total
Health insurance	Health reinsurance	
C0210	C0270	C0300
147,675,984.19	-378,353.95	47,297,630.24
3,300,269.55	-	3,300,269.55
144,375,714.64	-378,353.95	143,997,360.69
139,581,032.63	3,040,238.71	42,621,271.34
8,983,816.86	-	8,983,816.86
130,597,215.77	3,040,238.71	33,637,454.48
18,699,479.11	700,368.32	19,399,847.43
210,865.84	-	210,865.84
18,488,613.27	700,368.32	19,188,981.59
-	-	-
-	-	-
-	-	-
95,778,307.39	2,313,414.33	98,091,721.72
103,959.19	2,420.12	106,379.31
		-
103,959.19	2,420.12	106,379.31
2,449,178.60	-	2,449,178.60
		-
2,449,178.60	-	2,449,178.60
95,296,453.02	2,215,472.66	97,511,925.68
6,174,529.93		6,174,529.93
89,121,923.09	2,215,472.66	91,337,395.75
4,103,246.50	95,521.55	4,198,768.06
		-
4,103,246.50	95,521.55	4,198,768.06
		98,091,721.72

S.05.02.01

Premiums, claims and expenses by country

Top 5 countries (by amount of gross premiums written) – Non-life obligations

	Germany	Poland	Austria	Italy	Sweden
	C0090	C0090	C0090	C0090	C0090
Premiums written					
R0110 Gross - Direct Business	83,799,227	19,419,982.86	12,981,472	9,234,463	1,791,456
R0120 Gross - Proportional reinsurance accepted	3,792,330		-2,126,816		
R0130 Gross - Non-proportional reinsurance accepted					
R0140 Reinsurers' share	-189,035	387,880.85	-	-201,588	-111,343
R0200 Net	87,780,591.29	19,032,102.01	10,854,655.70	9,436,050.18	1,902,798.70
Premiums earned					
R0210 Gross - Direct Business	86,128,285	9,644,994.09	4,041,205	7,426,170	4,454,227
R0220 Gross - Proportional reinsurance accepted	4,049,026		3,349,161		
R0230 Gross - Non-proportional reinsurance accepted					
R0240 Reinsurers' share	4,520,298	350,350.25	-	976,418	470,224
R0300 Net	85,657,012.16	9,294,643.84	7,390,365.74	6,449,751.87	3,984,002.98
Claims incurred					
R0310 Gross - Direct Business	7,523,681	962,845	375,626	1,154,341	2,087,925
R0320 Gross - Proportional reinsurance accepted	223,910		452,929		
R0330 Gross - Non-proportional reinsurance accepted					
R0340 Reinsurers' share	-173,226	93,215	-	48,300	141,832
R0400 Net	7,920,817.73	869,630.48	828,554.91	1,106,040.13	1,946,092.44
Changes in other technical provisions					
R0410 Gross - Direct Business	-				
R0420 Gross - Proportional reinsurance accepted					
R0430 Gross - Non-proportional reinsurance accepted					
R0440 Reinsurers' share					
R0500 Net	-				
R0550 Expenses incurred	65,075,136	6,954,307	4,572,761	5,008,836	4,667,236
R1200 Other expenses					
R1300 Total expenses	65,075,136	6,954,307	4,572,761	5,008,836	4,667,236

Top 5 countries (by amount of gross premiums written) - Life obligations

	Germany	Poland	Austria	Italy	Sweden
	C0230	C0230	C0230	C0230	C0230
Premiums written					
R1410 Gross	9,231,073.85	2,562,771.04	5,510,223.95	9,354,302.75	4,598,318.87
R1420 Reinsurers' share	-141,192.34	3,637,461.73	-	-174,368.35	-285,795.95
R1500 Net	99,372,266.18	18,925,309.31	5,510,223.95	9,528,671.11	4,884,114.82
Premiums earned					
R1510 Gross	98,628,602.39	15,281,170.39	3,752,939.82	7,875,884.54	11,433,136.07
R1520 Reinsurers' share	3,376,263.42	3,285,507.97	-	844,578.31	1,206,973.95
R1600 Net	95,252,338.97	11,995,662.42	3,752,939.82	7,031,306.23	10,226,162.12
Claims incurred					
R1610 Gross	10,409,332.09	1,302,486.22	976,801.35	1,561,530.72	2,824,434.04

R1620	Reinsurers' share	-234,330.76	126,096.17	-	65,338.22	191,863.27
R1700	Net	10,643,662.85	1,176,390.04	976,801.35	1,496,192.50	2,632,570.78
	Changes in other technical provisions					
R1710	Gross					
R1720	Reinsurers' share					
R1800	Net	-	-	-	-	-
R1900	Expenses incurred	69,764,750.76	7,666,449.99	3,341,203.47	5,531,539.65	5,154,723.41
R2500	Other expenses					
R2600	Total expenses					

S.12.01.01

Life and Health SLT Technical Provisions

		Health insurance (direct business)		Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		Contracts	without options and guarantees		
		C0160	C0170	C0200	C0210
R0010	Technical provisions calculated as a whole	-		-	-
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-		-	-
	Technical provisions calculated as a sum of BE and RM				
	Best Estimate				
R0030	Gross Best Estimate		117,038,381.56	2,097,854.97	119,136,236.53
R0040	Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		5,285,852.28	-	5,285,852.28
R0050	Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses		5,285,852.28	-	5,285,852.28
R0060	Recoverables from SPV before adjustment for expected losses		-	-	-
R0070	Recoverables from Finite Re before adjustment for expected losses		-	-	-
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		5,284,504.45	-	5,284,504.45
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		111,753,877.11	2,097,854.97	113,851,732.08
R0100	Risk Margin	2,942,691.72		66,364.60	3,009,056.31
	Amount of the transitional on Technical Provisions				
R0110	Technical Provisions calculated as a whole	-		-	-
R0120	Best estimate		-	-	-
R0130	Risk margin	-		-	-
R0200	Technical provisions – total	119,981,073.28		2,164,219.56	122,145,292.84

R0210	Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	114,696,568.83		2,164,219.56	116,860,788.39
R0220	Best Estimate of products with a surrender option	95,760,641.44			95,760,641.44
	Gross BE for Cash flow				
	Cash out-flows				
R0230	Future guaranteed and discretionary benefits	92,055,830.95		2,071,662	94,127,492.92
R0240	Future guaranteed benefits				
R0250	Future discretionary benefits				
R0260	Future expenses and other cash out-flows	28,226,249.07		26,222	28,252,471.21
	Cash in-flows				
R0270	Future premiums	3,243,698.46	-	29	3,243,727.60
R0280	Other cash in-flows	-		-	-
R0290	Percentage of gross Best Estimate calculated using approximations	0%		91%	
R0300	Surrender value	249,568,939.38		199,019.61	249,767,958.99
R0310	Best estimate subject to transitional of the interest rate	-		-	-
R0320	Technical provisions without transitional on interest rate	119,981,073.28		2,164,219.56	122,145,292.84
R0330	Best estimate subject to volatility adjustment	-		-	-
R0340	Technical provisions without volatility adjustment and without others transitional measures	119,981,073.28		2,164,219.56	122,145,292.84
R0350	Best estimate subject to matching adjustment	-		-	-
R0360	Technical provisions without matching adjustment and without all the others	119,981,073.28		2,164,219.56	122,145,292.84

S.17.01.01

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance	Total Non-Life obligation
		Miscellaneous financial loss	
		C0130	C0180
R0010	Technical provisions calculated as a whole	-	-
R0020	Direct business	-	-
R0030	Accepted proportional reinsurance business	-	-
R0040	Accepted non-proportional reinsurance		-
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	Gross – Total	84,042,185.18	84,042,185.18
R0070	Gross - direct business	81,312,732.35	81,312,732.35
R0080	Gross - accepted proportional reinsurance business	2,729,452.84	2,729,452.84
R0090	Gross - accepted non-proportional reinsurance business		-
R0100	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	1,317,975.03	1,317,975.03
R0110	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	1,317,975.03	1,317,975.03
R0120	Recoverables from SPV before adjustment for expected losses	-	-
R0130	Recoverables from Finite Reinsurance before adjustment for expected losses	-	-
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	1,317,372.17	1,317,372.17
R0150	Net Best Estimate of Premium Provisions	82,724,813.01	82,724,813.01
	Claims provisions		
R0160	Gross - Total	21,465,320.67	21,465,320.67
R0170	Gross - direct business	20,289,765.69	20,289,765.69
R0180	Gross - accepted proportional reinsurance business	1,175,554.98	1,175,554.98
R0190	Gross - accepted non-proportional reinsurance business		-
R0200	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	1,006,542.63	1,006,542.63
R0210	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	1,006,542.63	1,006,542.63
R0220	Recoverables from SPV before adjustment for expected losses	-	-
R0230	Recoverables from Finite Reinsurance before adjustment for expected losses	-	-
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	1,006,542.63	1,006,542.63
R0250	Net Best Estimate of Claims Provisions	20,458,778.04	20,458,778.04

R0260	Total Best estimate - gross	105,507,505.86	105,507,505.86
R0270	Total Best estimate - net	103,183,591.05	103,183,591.05
R0280	Risk margin	14,842,512.34	14,842,512.34
	Amount of the transitional on Technical Provisions		
R0290	TP as a whole	-	-
R0300	Best estimate	-	-
R0310	Risk margin	-	-
	Technical provisions - total		
R0320	Technical provisions - total	120,350,018.20	120,350,018.20
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	2,323,914.80	2,323,914.80
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re-total	118,026,103.40	118,026,103.40
	Line of Business: further segmentation (Homogeneous Risk Groups)		
R0350	Premium provisions - Total number of homogeneous risk groups	12	
R0360	Claims provisions - Total number of homogeneous risk groups	12	
	Cash-flows of the Best estimate of Premium Provisions (Gross)		
	Cash out-flows		
R0370	Future benefits and claims	64,977,216	64,977,216.23
R0380	Future expenses and other cash-out flows	21,748,531	21,748,531.03
	Cash in-flows		
R0390	Future premiums	2,683,562.07	2,683,562.07
R0400	Other cash-in flows (incl. Recoverable from salvages and subrogations)	-	-
	Cash-flows of the Best estimate of Claims Provisions (Gross)		
	Cash out-flows		
R0410	Future benefits and claims	21,465,320.67	21,465,320.67
R0420	Future expenses and other cash-out flows	-	-
	Cash in-flows		
R0430	Future premiums	-	-
R0440	Other cash-in flows (incl. Recoverable from salvages and subrogations)	-	-
R0450	Percentage of gross Best Estimate calculated using approximations	4%	4%
R0460	Best estimate subject to transitional of the interest rate	-	-
R0470	Technical provisions without transitional on interest rate	120,350,018.20	120,350,018.20
R0480	Best estimate subject to volatility adjustment	-	-
R0490	Technical provisions without volatility adjustment and without others transitional measures	120,350,018.20	120,350,018.20

S.19.01.01

Non-life insurance claims

Z0010	Line of business	1
Z0020	Accident year / Underwriting year	Total
Z0030	Currency	2
Z0040	Currency conversion	0

	Gross Claims Paid (non-cumulative)													
	(absolute amount)													
	C0010C0020C0030C0040C0050C0060C0070C0080C0090C0100C0110C0170C0180													
	Year	Development year												
	0	1	2	3	4	5	6	7	8	9	10&+	In Current year	Sum of years (cumulative)	
R0100	Prior										0.00	0.00	0.00	
R0160	N-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		-	-	
R0170	N-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			-	-	
R0180	N-7	249,698.45	700,007.25	98,158.23	5,541.84	0.00	0.00	0.00	0.00			-	1,053,405.77	
R0190	N-6	843,219.24	1,190,832.08	126,144.04	13,452.57	4,580.50	0.00	0.00				-	2,178,228.43	
R0200	N-5	1,237,315.59	1,692,647.00	203,161.57	8,680.33	1,594.74	0.00					-	3,143,399.23	
R0210	N-4	1,726,080.09	2,187,326.90	233,487.97	28,077.70	0.00						-	4,174,972.66	
R0220	N-3	2,356,516.14	2,187,326.90	233,487.97	24,195.72							24,195.72	6,087,035.36	
R0230	N-2	3,524,863.08	4,549,790.03	306,542.74								306,542.74	8,381,195.85	
R0240	N-1	5,125,050.20	3,957,899.54									3,957,899.54	9,082,949.74	
R0250	N	6,307,971.26										6,307,971.26	6,307,971.26	
R0260												Total	10,596,609.26	40,409,158.30

Gross undiscounted Best Estimate Claims Provisions – Development

Year

(absolute amount)

C0200 C0210 C0220 C0230 C0240 C0250 C0260 C0270 C0280 C0290 C0300 C0360

Year

0 1 2 3 4 5 6 7 8 9 10 & + **Year end (discounted data)**

R0100	Prior												0.00
R0160	N-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
R0170	N-8	0.00	0.00	0.00	1,687.50	0.00	0.00	2,493.75	2,460.50	2,460.50			2,460.50
R0180	N-7	586,357.90	147,988.16	49,378.33	34,240.02	131,142.36	75,768.05	96,024.21	95,189.90				95,189.90
R0190	N-6	2,661,090.11	757,401.40	470,909.24	207,211.81	162,007.14	170,134.20	163,416.53					163,416.53
R0200	N-5	4,714,476.69	1,640,447.78	916,915.72	301,952.79	211,666.50	200,416.37						200,416.37
R0210	N-4	8,503,378.16	3,600,720.49	1,197,373.07	426,000.50	395,058.94							395,058.94
R0220	N-3	10,830,711.70	3,126,272.53	671,282.84	505,206.98								505,206.98
R0230	N-2	14,347,549.93	2,031,329.38	584,358.92									584,358.92
R0240	N-1	15,325,799.37	1,721,433.73										1,721,433.73
R0250	N	17,797,778.82											17,797,778.82
R0260												Total	21,465,320.67

S.23.01.01

Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2
		C0010	C0020	C0030	C0040
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35				
R0010	Ordinary share capital (gross of own shares)	53,000,000.00	53,000,000.00		-
R0030	Share premium account related to ordinary share capital	-	-		-
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	-	-		-
R0050	Subordinated mutual member accounts	-		-	-
R0070	Surplus funds	-	-		
R0090	Preference shares	-		-	-
R0110	Share premium account related to preference shares	-		-	-
R0130	Reconciliation reserve	143,373,668.11	143,373,668.11	0	0
R0140	Subordinated liabilities	54,000,000.00		49,093,417.03	4,906,582.97

R0160	An amount equal to the value of net deferred tax assets	-				
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	
R0290	Total basic own funds after deductions	250,373,668.11	196,373,668.11	49,093,417.03	4,906,582.97	
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-			-	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-			-	
R0320	Unpaid and uncalled preference shares callable on demand	-			-	
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-			-	
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-			-	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-			-	
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	
R0390	Other ancillary own funds	-			-	
R0400	Total ancillary own funds	-			-	
	Available and eligible own funds	0			0	
R0500	Total available own funds to meet the SCR	250,373,668.11	196,373,668.11	49,093,417.03	4,906,582.97	
R0510	Total available own funds to meet the MCR	250,373,668.11	196,373,668.11	49,093,417.03	4,906,582.97	
R0540	Total eligible own funds to meet the SCR	250,373,668.11	196,373,668.11	49,093,417.03	4,906,582.97	
R0550	Total eligible own funds to meet the MCR	250,373,668.11	196,373,668.11	49,093,417.03	4,906,582.97	

R0580	SCR	155,333,603.26			
R0600	MCR	44,611,607.54			
R0620	Ratio of Eligible own funds to SCR	1.61			
R0640	Ratio of Eligible own funds to MCR	5.61			

Reconciliation reserve

	Reconciliation reserve		C0060
R0700	Excess of assets over liabilities	196,373,668.11	
R0710	Own shares (held directly and indirectly)	-	
R0720	Foreseeable dividends, distributions and charges	-	
R0730	Other basic own fund items	53,000,000.00	
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-	
R0760	Reconciliation reserve	143,373,668.11	
	Expected profits		
R0770	Expected profits included in future premiums (EPIFP) - Life business	-	
R0780	Expected profits included in future premiums (EPIFP) - Non-life business	-	
R0790	Total Expected profits included in future premiums (EPIFP)	-	

S.25.01.01

Solvency Capital Requirement – for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Solvency capital requirement
		C0030/C0040
R0010	Market risk	17,716,209.23
R0020	Counterparty default risk	5,947,695.06
R0030	Life underwriting risk	0.00
R0040	Health underwriting risk	31,465,769.98
R0050	Non-life underwriting risk	155,208,487.45
R0060	Diversification	-42,552,640.99
R0070	Intangible asset risk	0.00
R0100	Basic Solvency Capital Requirement	167,785,520.72

Calculation of Solvency Capital Requirement

		Value
		C0100
R0130	Operational risk	9,738,597.29
R0140	Loss-absorbing capacity of technical provisions	0.00
R0150	Loss-absorbing capacity of deferred taxes	-22,190,514.75
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0.00
R0200	Solvency Capital Requirement excluding capital add-on	155,333,603.26
R0210	Capital add-on already set	0.00
R0220	Solvency capital requirement	155,333,603.26
Other information on SCR		
R0400	Capital requirement for duration-based equity risk sub-module	0.00
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0.00
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0.00
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0.00
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0.00
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	4
R0460	Net future discretionary benefits	0.00

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

MCR components

C0010

R0010	MCR _{NL} Result	36,195,319
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Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		

R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

103,183,591.05	139,370,252.03

Linear formula component for life insurance and reinsurance obligations

C0040

R0200	MCR _L Result
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8,416,288.86

Total capital at risk for all life (re)insurance obligations

R0210	Obligations with profit participation - guaranteed benefits
R0220	Obligations with profit participation - future discretionary benefits
R0230	Index-linked and unit-linked insurance obligations
R0240	Other life (re)insurance and health (re)insurance obligations
R0250	Total capital at risk for all life (re)insurance obligations

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance / SPV) total capital at risk
C0050	C0060
113,851,732.08	
	8,607,717,838.27

Overall MCR calculation

C0070

R0300	Linear MCR
R0310	SCR
R0320	MCR cap
R0330	MCR floor
R0340	Combined MCR
R0350	Absolute floor of the MCR
R0400	Minimum Capital Requirement

44,611,607.54
155,333,603.26
69,900,121.47
38,833,400.81
44,611,607.54
3,700,000.00
44,611,607.54