

Partner Reinsurance Europe SE

2019

Solvency and Financial Condition Report

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SUMMARY

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

The Company is a Societas Europaea registered and domiciled in Ireland. The registered office is located at 3rd Floor, The Exchange, George's Dock, IFSC, Dublin 1, Ireland.

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

As at 31 December 2019, the Company had branches in France, Switzerland, Hong Kong and the United Kingdom (U.K.) and subsidiaries incorporated in Brazil (a representative office of the Company) and Miami. The French, Swiss, Hong Kong and U.K. branches are subject to supervision by the CBI. Additionally, the Hong Kong and U.K. branches are subject to local regulation. Partner Reinsurance Europe SE - Escritório de Representação no Brasil Ltda. (PRE Brazil) and Partner Re Miami, Inc. (PRE Miami) are subject to regulation in their respective territories.

On 30 July 2019, the Dubai branch of the Company was deregistered by the Dubai International Financial Centre (DIFC) and closed. The closure of this branch did not have a material impact on the Company's activities or risk profile.

On 16 September 2019, the Company's Hong Kong branch received approval from the Hong Kong Insurance Authority ("HKIA") to carry on Life and Health reinsurance. The writing of Life and Health reinsurance commenced in 2020.

A temporary permission was secured for the Company in 2019 under the U.K. Temporary Permission Regime ("TPR"). The temporary permission secured the Company's access to the U.K. market throughout the term of the TPR (a period up to 3 years) in the event of a "Hard Brexit" i.e. the U.K. leaving the European Union without a deal. As at 31 December 2019, the risk of a "Hard Brexit" remained as the envisaged EU/U.K. Withdrawal Agreement had not yet been agreed. The Company therefore implemented operational readiness plans during 2019 in preparation for entering the TPR to ensure adherence to applicable U.K. regulatory requirements. In January 2020, the EU/U.K. Withdrawal Agreement was subsequently approved by both the U.K. and EU Parliaments. This agreement secured the Company's access to the U.K. market (pursuant to the agreed Transitional Period) throughout 2020 under the existing EU regulatory framework. The Company will utilise the Transitional Period (and TPR post the Transitional Period in the event that a future EU/U.K. trading relationship is not agreed) to develop a more informed view of the actual impact of Brexit on the U.K. (re)insurance market and thereafter affirm the strategy the Company will take in respect of the U.K. market.

Updates on Brexit developments and related contingency planning have been provided to the Company's Board throughout 2019 and will continue into 2020.

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

On 3 March 2020, EXOR Nederland N.V. and Covéa Coopérations S.A. ("Covéa") entered into a memorandum of understanding under which, following completion of Covéa's required consultation with works councils in France, the parties would enter into a definitive agreement for Covéa to acquire PartnerRe Ltd., the ultimate parent company of Partner Reinsurance Europe SE (the "Covéa Acquisition"). The Covéa Acquisition is subject to customary closing conditions, including antitrust, regulatory and other approvals.

As the coronavirus outbreak (COVID-19) continues to progress and evolve, the Company is monitoring the situation closely and has taken operational measures to restrict the spread of the virus across its employees in line with World Health Organisation, local governments and health authorities guidance. At this stage, the Company is not expecting that its continuous operations will be materially affected. The Company is exposed to pandemic and investment risk and a deteriorating global health crisis may have a financial impact. The Company is expecting such potential financial impact to be within risk tolerance.

The Company earned a pre-tax profit of €213.6m in 2019 (2018: profit €29.3m). This is comprised of an underwriting profit of €196.8m (2018: €188.0m), investment gain of €210.8m (2018: loss €8.2m), net expense on funds held €1.0m (2018: income €8.1m), other income €6.8m (2018: €34.2m), administrative expenses of €143.5m (2018: €124.8m), amortisation of intangible assets of nil (2018: €15.7m), depreciation expense on right-of-use assets of €6.6m (2018: nil), interest expense on lease liabilities of €0.4m (2018: nil) and foreign exchange loss of €49.1m (2018: €52.3m). See sections A.1., A.2., A.3. and A.4. for a discussion of the performance of the Company during the year.

Section B of this report outlines the Company's system of governance which includes; the role of the Board of Directors ("the Board") and the Board Committees, delegation of roles and responsibilities, fit and proper requirements, risk management system, internal control system, internal audit function, actuarial function and use of outsourcing.

The core of the Company's business model is the assumption and management of risk, which is described in further detail in Section C of this report. The Company is exposed to underwriting, market, credit, liquidity and operational risks. The Company mitigates its exposure to underwriting risk through the use of retrocession, with the most significant protections being a 65% (50% for 2016 and prior underwriting years; 90% for pure Cat business) quota share with Partner Reinsurance Company Ltd ("PRCL") and a 10% quota share with Partner Reinsurance Asia Pte. Ltd ("PRA"), both are Group companies.

The Company had total Own Funds in its Solvency II balance sheet of €1,981 million as at 31 December 2019 (2018: €1,897 million). The assets and liabilities in the Solvency II balance sheet were valued using Solvency II valuation rules. The Solvency II valuation rules are different, in some areas, than those used in the Company's IFRS financial statements, with the valuation of technical provisions ("TPs") being the major area of difference. See section D for more detail on the valuation methods, bases and assumptions of assets and liabilities in the Solvency II balance sheet as well as a comparison to IFRS. There were no significant changes to the valuation basis of the Company's assets and liabilities during the year.

The Company's Solvency II Own Funds were as follows as at 31 December 2019 and 2018:

	2019	2018
	€'000	€'000
Ordinary share capital	245,092	245,092
Reconciliation reserve	763,412	698,790
Net deferred tax assets	30,701	11,022
Other Own Funds approved by the supervisory authority	941,788	941,788
Total Solvency II Own Funds	1,980,993	1,896,692

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

The Company's MCR, SCR, Solvency II Own Funds and Ratio of Eligible Own Funds to SCR were as follows as at 31 December 2019 and 2018:

	2019	2018
	€'000	€'000
MCR	379,674	359,074
SCR	1,370,401	1,321,341
Solvency II Own Funds	1,980,993	1,896,692
Ratio of Eligible Own Funds to SCR	145%	144%

A. BUSINESS AND PERFORMANCE

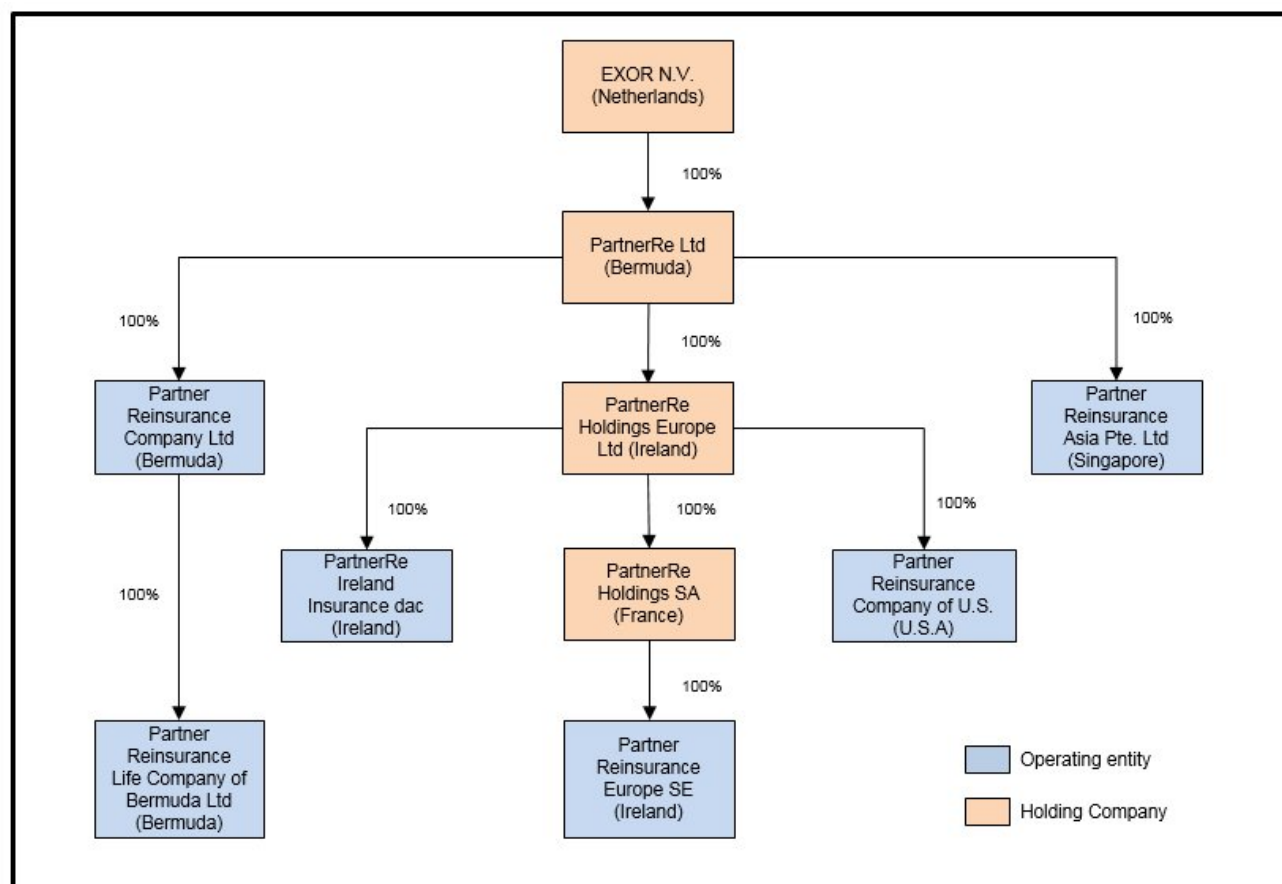
A.1. BUSINESS

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

The Company's investment in subsidiaries in Brazil and Miami. PRE Brazil acts as a representative office for the Company. PRE Miami acts as a reinsurance intermediary and provides services for the Company. Both subsidiaries are immaterial for separate reporting in the Company's Solvency II balance sheet.

The Company is regulated by the Central Bank of Ireland (CBI), New Wapping Street, North Wall Quay, Dublin 1, Ireland.

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



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

Business Strategy and Outlook

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

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

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

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

During the 1 January 2020 renewals, non-life business units assuming largely non-U.S. exposures benefited from insurance markets hardening in terms and conditions. There was a continued trend of regionalisation of reinsurance pricing. The U.S. market hardened more quickly than Europe and the Rest of World as casualty reserving deficiencies began to become apparent. The Company has limited exposure to U.S. markets but nevertheless our underwriters negotiated for better terms, although, imposing better terms consistently was a challenge and individual client performance remained a key differentiator. Property and Aviation/Space were the areas which saw the most positive rate movement, which continued from 2019 into 2020. In the Natural Catastrophe area, the non-U.S. market renewed flat on a risk adjusted basis with some major programmes achieving up to a 5% reduction (on a risk adjusted basis) and ample capacity on the reinsurance side. Clients were still extremely cost conscious and concessions were sometimes required in the specialty lines and property per risk lines with each portfolio renewing on its individual merits. Interestingly, a key number of large insurance groups have shown a desire to protect against increased earnings volatility. This was a trend a number of years ago and has returned as net results for these groups have become dislocated from the experience of their reinsurers who have missed any recent volatility as a result of increased programme deductibles applied in recent years.

Despite these persistent challenging market conditions, the Company believes that its strong global franchise and geographic footprint, long track record and broad yet highly technical capabilities over many lines of business position the Company well for the future. Overall, the expected premium volume, on a constant foreign exchange basis, for the Company's 1 January 2020 renewals, was reduced by approximately 5% when compared to plan, but planned technical profit came in approximately 8% above plan.

In terms of the Company's Life portfolio, the active 1 January 2020 renewals only impacted the short-term in-force premium in the mortality line, which is a relatively limited portion of the overall Life portfolio. For those treaties that actively renew, pricing conditions and terms were flat compared to the prior year renewal.

Management expects moderate continued growth in the Company's Life portfolio in 2020 from new business initiatives, assuming constant foreign exchange rates. The Company has a broader functionality going forward having secured a composite licence in Hong Kong and the Company is in a position to accept Financial Solutions business as of 1 January 2020.

Employees

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

The average number of employees of the Company are categorised as follows for 2019 and 2018:

	2019	2018
	Number	Number
Underwriting	102	121
Finance	23	17
Operations	75	69
Claims	10	11
IT	44	44
Total	254	262

A.2. UNDERWRITING PERFORMANCE

The following table outlines the Company's underwriting performance for 31 December 2019 and 2018:

2019	Non-Life €'000	Life €'000	Total €'000
Gross premium written	2,086,354	905,326	2,991,680
Net premium written	680,932	353,122	1,034,054
Net premium earned	607,902	352,554	960,456
Net claims incurred	350,433	295,696	646,129
Acquisition cost	107,185	10,453	117,638
Technical result	150,284	46,405	196,689
- Administration expenses	88,536	51,347	139,883
- Overhead expenses	6,742	3,910	10,652
- Investment expenses	5,350	3,103	8,453
Total underwriting result	49,656	(11,955)	37,701

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

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

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

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

The following tables outline the Company's underwriting performance by the material Solvency II lines of business for 2019 and 2018.

2019	Proportional Reinsurance - Fire and other damage to property	Proportional Reinsurance - Marine, aviation and transport	Proportional Reinsurance - Credit and suretyship	Life and Health Reinsurance	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	605,846	346,155	306,713	905,326	827,640	2,991,680
Net premium written	193,764	100,924	86,534	353,122	299,709	1,034,054
Net premium earned	172,432	87,418	73,536	352,554	274,516	960,456
Net claims incurred	130,608	68,290	25,310	295,696	126,225	646,129
Acquisition cost	29,251	14,719	25,537	10,453	37,677	117,637
Technical result	12,573	4,409	22,689	46,405	110,614	196,689
- Administration expenses	25,113	12,732	10,710	51,347	39,981	139,883
- Overhead expenses	1,912	970	816	3,910	3,045	10,653
- Investment expenses	1,518	769	647	3,103	2,416	8,453
Total underwriting result	(15,970)	(10,062)	10,516	(11,955)	65,172	37,701

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

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

Proportional Reinsurance - Fire and other damage to property

Gross premiums written for the year ended 31 December 2019 is €606 million, this represents an increase of €102 million when compared to the year ended 31 December 2018. This increase was mainly due to new business written predominately in energy onshore, an increase in property & engineering premium assumed from PartnerRe Ireland Insurance dac ("PRIIldac"), a related company, partially offset by a reduction in agriculture business.

Net premium earned for the year ended 31 December 2019 is €172 million, this represents an increase of €37 million when compared to year ended 31 December 2018. This increase was mainly driven by the premiums written increase mentioned above.

The technical result was €13 million for the year ended 31 December 2019. This represents an increase of \$6m when compared to year ended December 31, 2018. This increase was mainly driven by an improvement in the loss ratio compared to prior year as a result of favorable development for attritional losses for 2017 and prior underwriting years as well as a reduction in material event losses.

The underwriting result was €(16) million for the year ended 31 December 2019. This represents a deterioration of the underwriting result of €2 million when compared to the year ended 31 December 2018 mainly driven by an increase in expenses incurred allocated to this line of business (expenses incurred are allocated on a gross earned premium basis).

Proportional Reinsurance - Marine, aviation and transport

Gross premium written for the year ended 31 December 2019 is €346 million, this represents an increase of €85 million when compared to the year ended 31 December 2018. This increase was mainly driven by a 69% increase in marine business written compared to the year ended 31 December 2018. The increase in marine premium written was driven by new business written and increased premium for existing contracts.

Net premium earned for the year ended 31 December 2019 is €87 million, this represents an increase of €20 million when compared to the year ended 31 December 2018. This increase in net premium earned is in line with the increase in gross premium written, an increase of 33% GPW and 30% NPE.

The underwriting result was €(10) million for the year ended 31 December 2019. The loss was predominately driven by a higher net loss ratio of 78% compared to 54% in the prior year. The deterioration in the loss ratio in the current year was due to a large aviation loss.

Proportional Reinsurance - Credit and suretyship

Gross premium written for the year ended 31 December 2019 was €307 million, this represents an increase of €62 million when compared to the year ended 31 December 2018. The increase was mainly due to a number of new contracts and increased premium on existing contracts partially offset by the timing difference for a long-term mortgage guarantee contract.

Net premium earned for the year ended 31 December 2019 was €74 million, this represents an increase of €8 million when compared to the year ended 31 December 2018. The increase was mainly due to the increase in gross premium written discussed above.

The underwriting result was €11 million for the year ended 31 December 2019. This represents a decrease of €5 million when compared to the year ended 31 December 2018. The deterioration in underwriting result was due to an increase in the loss ratio. In the prior year, there was favorable loss emergence from prior underwriting years resulting in a lower loss ratio for the year ended 31 December 2018.

Life and Health Reinsurance

Gross premium written for the year ended 31 December 2019 was €905 million, this represents an increase of €57 million when compared to the year ended 31 December 2018. This increase was mainly driven by one large longevity contract that the Company wrote during the last quarter of 2018 and some growth of the protection portfolio.

The underwriting result was a loss of €(12) million. As required by the Solvency II underwriting quantitative reporting templates, the Company's life underwriting result in the above table does not include allocated investment income which is an important element of the life result.

In 2019, the underwriting profit was impacted by some adverse loss development on Short-Term protection contracts. This was largely offset by some good results for the GMDB portfolio.

Other

There are a number of offsetting impacts within this category, however the key lines of business driving the result for this category are the non-proportional lines of business. The main drivers for the increase in the underwriting result year on year are non-proportional - casualty and the non-proportional - property lines of business. For the non-proportional - casualty line the increase in the 2019 result was as a result of a reduction in losses driven by the Ogden rate change. The positive variance year on year on the non-proportional - property business was due to the favorable prior year loss development for agriculture and property lines of business resulting in a release of prior year reserves.

Expenses

Administration, overhead expenses and investment expenses are allocated across the different lines of business on the basis of gross earned premium. The increase in administrative expenses when compared to the prior reporting period is primarily driven by higher expenses recharged from related entities mainly due to an increase in employee numbers to support the continued growth in the Company's Life portfolio as well as direct expenses personnel expenses pertaining to the bonus accrual.

Geographical Analysis

2019		Top 5 countries by location of cedant					Other	Total
	Ireland	U.K.	United States	Germany	France	Bermuda		
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	71,520	850,468	531,501	186,901	151,999	116,348	1,082,944	2,991,680
Net premium written	25,828	313,884	179,916	62,059	53,186	45,276	353,905	1,034,054
Net premium earned	31,891	294,100	135,527	58,845	51,709	44,771	343,613	960,456
Net claims incurred	20,144	236,387	78,700	32,306	12,967	49,526	216,100	646,129
Acquisition cost	6,849	18,585	30,103	10,939	3,882	3,034	44,245	117,638
Underwriting profit	4,898	39,128	26,724	15,600	34,860	(7,789)	83,268	196,689
Administration expenses	4,645	42,833	19,739	8,570	7,531	6,521	50,045	139,884
Overhead expenses	354	3,262	1,503	653	573	497	3,811	10,653
Investment expenses	281	2,588	1,193	518	455	394	3,024	8,453
Total underwriting result	382	(9,555)	4,289	5,859	26,301	(15,201)	26,388	37,699

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

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

A.3. INVESTMENT PERFORMANCE

The following table outlines the investment income and expenses for the period ending 31 December 2019 and 2018:

	2019 €'000	2018 €'000
Interest income on fixed maturities, short-term investments, and cash and cash equivalents	92,856	75,571
Dividend income on equities	234	26
Net realised gains/(losses)	47,013	(62,992)
Net unrealised gains/(losses)	74,600	(16,444)
Investment management and other related expenses	(9,410)	(5,794)
Other	5,480	1,384
Total net of expenses	210,773	(8,249)

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

Realised gains of €47 million (2018: €(63) million) and unrealised gains of €75 million (2018: €(16) million) occurred during the year. The realised gains on fixed maturities and short-term investments were primarily driven by portfolio realignment in 2019 to reduce USD spread risk following the spread rally in Q1 2019. The unrealised gains were primarily driven by the decreases in U.S. and European risk-free rates and the narrowing of the U.S. and European investment grade corporate spreads.

As of 31 December 2019, €655 million (2018: €371 million), or 18% (2018: 11%) of the Company's fixed income securities were invested in securitisations.

The Company delegates large majority of the management of its investment in securitisations directly to the internal asset management unit of the Group which has over a decade of experience in managing this asset class. At the date of this report, the Company's exposure to securitisations was 97% to securitisations issued by U.S. government sponsored enterprises. These securitisations are highly rated and are amongst the most liquid of all securitisations types.

A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company recognised foreign exchange losses for the financial year 2019 of €49 million (2018: loss €52 million) in the income statement from the revaluation of all balances held in currencies other than the functional currency. The Company holds financial assets (mainly investments and derivative instruments) denominated in these other currencies to economically hedge this currency exposure. The Company also recognised a gain of €26 million (2018: gain €44 million) directly in equity from translating the balance sheets of branches with a functional currency other than Euro.

Other income for the Company amounted to €7 million (2018: €34 million). The decrease is mainly driven by the one-off gain in 2018 following the Colisée Re business commutation €25.0m.

The Company recognised a total income tax expense of €46 million (2018: €28 million) giving an effective tax rate of 21.6%. The effective tax rate is driven by the location of profits earned across the various tax jurisdictions in which the Company operates.

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

General governance standards and structure

The Board structure and responsibilities are set out in its Board Charter. The Board is collectively responsible for promoting the success of the Company by directing, supervising and overseeing its affairs. The Board is responsible for:

- setting and overseeing the business strategy for the Company;
- setting and upholding the values and standards necessary to ensure that the Company's obligations to shareholders and other stakeholders are met;
- defining the corporate governance system and promoting the highest standards of corporate governance; and
- ensuring that the business of the Company is carried out in a prudent manner.

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

The Board has formed the following sub-committees:

- Audit committee; and
- Risk committee

These committees are empowered to carry out activities to the extent of the authority delegated to them by the Board as set out in their respective Charters.

The Board has also established an Executive Committee, called the Legal Entity Management Team (LEM).

The LEM is composed of the senior executive management and key function holders within the entity.

The LEM is responsible for developing an annual business plan which it recommends to the Board for approval, executing the strategy as set by the Board. In addition the LEM has responsibility for the day-to-day management of the Company.

Key elements of the Company's system of governance

Governance and Oversight

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

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

The Board sets the overall strategy of the Company in line with the strategy of the Group and risk strategy, which is reviewed annually. It also sets the Company's risk appetite and risk limits annually, in the light of the

Company's risk strategy and overall strategy. In this context the Board seeks to ensure there are sound risk management processes to effectively identify, manage, monitor and report on the risks to which the Company is exposed.

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

Authority and independence of key functions

The Company possesses the key functions of Risk Management, Actuarial, Internal Audit and Compliance. Risk Management, Actuarial and Compliance have a dotted reporting line to the General Manager.

Risk Management Function

The Risk Management Function, under the direction of the Chief Risk Officer, has independent oversight of risk management activities including identifying, assessing, monitoring and reporting existing and emerging risks. The Risk Management Function will monitor the risk profile of the Company's position against risk appetite statements and tolerances and report deviations in line with agreed reporting procedures.

The Chief Risk Officer and Risk Management Function report to the Risk Committee and the Board. The Chief Risk Officer is also a member of the Legal Entity Management Team.

Actuarial Function

The Company has two Heads of Actuarial Function covering Life and Non-Life business respectively. The Heads of the Actuarial Functions are both members of the Legal Entity Management Team. The Actuarial Function is responsible for providing actuarial services to the Company.

Actuarial services generally relate to the determination of technical provisions and the provision of advice and opinions in respect of Capital Management, Underwriting, Retrocession and Investment.

Compliance Function

The Company's Compliance Function is led by the Head of Compliance who is a member of the Legal Entity Management Team.

The Head of Compliance is independent and has formal status within the Company. The Head of Compliance reports on a quarterly basis to the Board of Directors and also to the Audit Committee and Risk Committee as necessary.

Internal Audit

Internal Audit is an independent evaluation and appraisal function reporting to the Board through the Audit Committee. Internal Audit examines and evaluates the functioning of the internal controls and other elements of governance. Internal Audit's responsibilities are set out in the Internal Audit Charter.

The Head of Internal Audit attends Legal Entity Management meetings on at least a quarterly basis.

Material Changes in the Governance of the Company in 2019

The Chairman of the Board resigned from the Board on 20 March 2019 and a new chairman was appointed.

One other Non-Executive Director resigned and has been replaced during the course of the year.

Material Transactions

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

- Directors' fees paid to Independent Non Executive Directors;
- Intra-group transactions in the normal course of business; and
- Remuneration paid to Executive and Non-Executive Directors.

Processes for monitoring the effectiveness of the system of governance

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

Board Governance and Oversight

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

Role of Board Committees

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

The Audit Committee

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

The Audit Committee has four main objectives:

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

The Risk Committee

The Board delegates certain risk management responsibilities to the Risk Committee. The responsibilities of the Risk Committee are specified in its Charter and include, but are not limited to:

- Providing assurance on the effectiveness of the Risk Management Framework;
- Reviewing risk reports and escalating risk matters to the Board as appropriate;
- Monitoring adherence to risk appetite;
- Overseeing the Risk Management Function;
- Advising the Board on capital modelling matters; and
- Advising the Board on all risk related matters.

Review of Board and Committee Roles and Responsibilities

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

Assessment of Board and Committee Performance

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

During the third quarter of 2019, each director performed a self-assessment whereby he or she evaluated his or her performance against a range of key performance indicators. In addition, each Board Director completed an annual Board Evaluation reviewing the overall performance of the Board and that of individual Directors, relative to the Board's objectives.

Compliance Reporting

The Board receives quarterly updates from the Company's Compliance Function in respect of the activity of the Compliance Function in the quarter. As part of this report, details of new regulatory and legal requirements and the forecasted impact that they will have on the Company are provided to the Board. In addition, the report provides details of any compliance monitoring activity that has taken place in the quarter concerned. Such reporting is designed to provide the Board with sufficient comfort that the Company has complied with all requisite regulatory and legal requirements and where necessary to highlight any occasions on which the Company has deviated from such requirements.

Internal Audit Plan

The Board, with the assistance of the Audit Committee, monitors the effectiveness and adequacy of the Company's internal controls (including the Company's financial reporting process) and IT systems through reports received from the Internal Audit Function as and when they fall within Internal Audit's plan. The Board and the Audit Committee review and approve the Internal Audit plan for the year.

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

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

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

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

Financial Reporting Framework

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

Delegation of responsibilities, reporting lines and allocation of functions

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

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

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

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

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

guidelines and the specific departmental underwriting guidelines. The Board has delegated ultimate underwriting decisions to the General Manager in cases where a referral must be escalated under the relevant underwriting guidelines.

The Group operates on a business unit basis and therefore the persons responsible for Company functions (the Chief Risk Officer, Compliance Officer, Chief Financial Officer, Head of Actuarial Function ("HoAF")) report within the overall Group structure with a dotted reporting line to the Company's General Manager. In addition, the Company relies on affiliated support functions to provide a full complement of functions (e.g. an affiliated Claims Function and Investment Management Function).

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

The General Manager reports as appropriate to the Board including branch information in the quarterly Board presentations. The Board requires that all policies, processes and controls applicable to the Company equally apply to its branches in addition to any local legal and regulatory requirements. Arrangements for business continuity and contingency planning similarly extend and apply to its branches. The job descriptions for these functions set out clearly the reporting structures, so as to ensure the reporting lines within the Company are uncompromised. The PartnerRe Subsidiary Corporate Governance Principles as approved and adopted by the Board also sets out roles and responsibilities of each key function.

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

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

Board structure, composition and committees

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

The General Manager is the sole Executive Director.

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

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

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

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

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

record of Board and Committee proceedings. The minutes of each Board and Committee meeting contain sufficient detail to evidence Board attention and document the decisions (including dissenting or negative votes), discussions and points for further action.

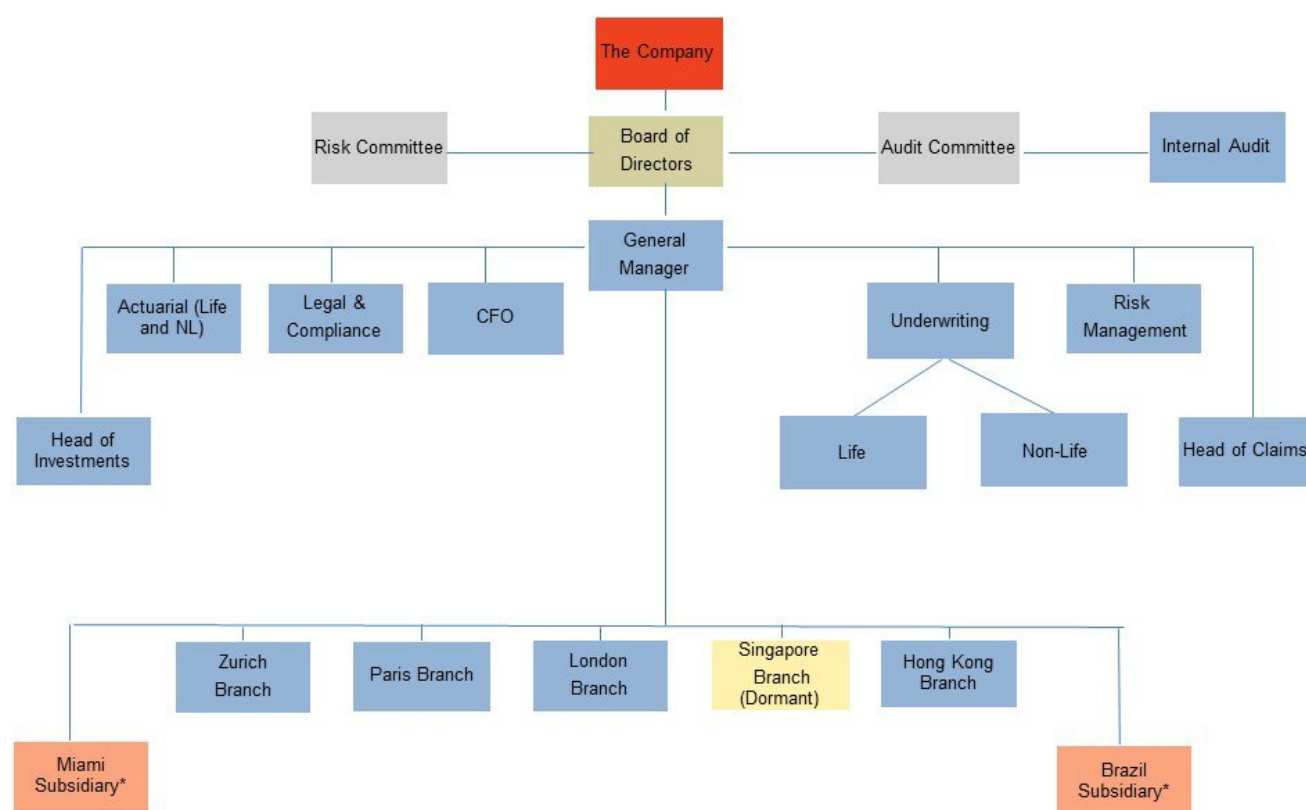
The Board has the authority to retain external counsel, expert advice and other advisors deemed necessary for proper oversight of the Company.

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

Company structure

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

Organisation Chart for the Company (including Branches and Subsidiaries)



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

Remuneration policy

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

The Remuneration Policy is designed to meet the following objectives:

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

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

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

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

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

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

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

B.2. FIT AND PROPER POLICIES AND PROCEDURES

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

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

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

The Policy is supported by detailed documented procedures. These procedures enable the Company to annually confirm to the CBI that the Company is in compliance with the relevant regulatory requirements under the CBI's Fitness and Probity Standards and associated CBI Guidance (the "Fitness and Probity Standards").

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

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

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

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

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

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

In the reinsurance industry, the core of the business model is the assumption and management of risk. A key challenge is to create economic value through the intelligent and optimal assumption and management of reinsurance, capital market and investment risks while limiting and mitigating those risks that can destroy tangible as well as intangible value, those risks for which the organisation is not sufficiently compensated, and those risks that could threaten the ability of the Company to achieve its objectives. In order to achieve this, the Company applies risk-based limits and assesses return on capital in its underwriting process.

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

In addition to assuming business risks, every organisation faces numerous risks that could threaten the successful achievement of its goals and objectives. These include choice of strategy and markets, economic and business cycles, competition, changes in regulation, data quality and security, fraud, business interruption and management continuity. All of these factors can be viewed as either strategic, financial or operational risks that are common to any industry.

Risk Management Framework

The Risk Management Framework ("ERM Framework") for the Company provides the context for risk management, articulating its risk governance, risk policy framework, risk identification and assessment process, risk appetite, risk limits and tolerances (including risk strategy and the Risk Appetite Framework ("RAF")), risk monitoring and reporting, and risk controls.

The ERM Framework evolves continuously in order to be responsive to changes in the economic environment, reinsurance markets we serve and their respective regulatory environments. It also evolves in response to our organizational needs including any new businesses or strategic initiatives.

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

The Board

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

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

The Risk Committee

The Board delegates certain risk management responsibilities to the Risk Committee. The responsibilities of the Risk Committee are specified in its Charter and include, but are not limited to:

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

First Line of Defence

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

Second Line of Defence

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

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

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

The Actuarial function is accountable for the actuarial methodology, reporting to the relevant governing body on the adequacy of the TPs as well as the appropriateness of the underwriting policy and reinsurance arrangements.

Third Line of Defence

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

Risk Policies

The Company's risk policy framework addresses groups of homogeneous and related risks and establishes risk management approach, risk appetite and mitigation principles, risk ownership, governance and escalation procedures. Individual risk policies are supported by sub-policies, operating guidelines and the ERM control framework.

The Company adopts PartnerRe's overarching risk policy framework which applies to all Group entities, and additionally has local policies in areas where local requirements differ or are more detailed, or where the Company sees a need for additional governance. All risk policies are approved by the Board upon recommendation of the Risk Committee.

Risk Identification and Assessment

The Risk function coordinates and performs an annual risk identification and assessment process to assess all reasonably foreseeable and relevant material risks for the Company, resulting in the Risk Assessment report. Ad-hoc risk identification and assessment exercises may also be performed throughout the year, for example, following a change in risk profile, business mix or strategy.

Risks are assessed with their risk owners and documented. As appropriate, scenarios are quantified and mapped to impact categories such as frequency and severity; this allows to consolidate the risk profile in heat maps. The Risk Assessment is reviewed by the LEM and presented to the Risk Committee.

Risk Appetite, Risk Limits and Tolerances

The Company's RAF sets out the Company's risk appetite, risk limits and tolerances, i.e., the overall level of risk the Company is prepared to take. For key risks as identified in the Company's Risk Assessment, including insurance, financial market and credit and operational risks, the Company defines key risk indicators which are used to measure, monitor and manage these risks.

For each key risk indicator, the Company defines preferred range, tolerance range and limit. Risks are expected to remain in the preferred range. Upon entering the tolerance range, the Company assesses and implements as appropriate measures to restore risk back to the preferred range. Escalation procedures and governance are documented in the RAF.

The RAF is approved by the Board on recommendation of the Risk Committee.

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

Risk Monitoring and Reporting

Risk owners monitor risks throughout the year. The Risk function aggregates these risk monitoring activities by risk owners for onward reporting to the Risk Committee. Compliance with the RAF and its risk limits and tolerances is monitored and reported quarterly to the Risk Committee in a standardized format, highlighting developments of material risks and other relevant risk management updates.

For specific key risks, detailed standardized reporting is provided in the form of risk scorecards.

Risk Control Applications

The Company uses PartnerRe's internal control application system Archer to document internal controls and manage its Risk Register. Archer documents each of the Company's internal controls and allows risk owners to identify risk management processes and tools that are available to mitigate risk. After identifying a risk, the risk owner considers what controls are available within the internal control environment to reduce the risk. During this process, new controls may be identified and added to the internal control system in order to further reduce these risks. Any new controls are also documented in Archer.

Controls and other risk management actions are performed by process owners within the business units and support functions throughout the year. Internal Audit conducts audits which test the controls to ensure operational effectiveness.

Risk Register

Archer records information provided by risk owners such as the qualitative assessment of inherent risk and the summary of risk controls that are to be implemented. This information is then prepared in a format suitable for monitoring by the Risk function.

Own Risk and Solvency Assessment (ORSA)

The Company undertakes at least annually an internal assessment of its risk and solvency positions, and evaluates these against the business plan. The ORSA report builds on the ERM activities throughout the year and aligns with the business planning and strategy setting process. The ORSA evaluates projected risk and solvency positions based on the multi-year plan which then in turn informs the planning process. Projected capital adequacy is assessed against the Company's overall risk appetite and risk limits and tolerances.

The ORSA process encompasses in particular the regular review of the policy and governance framework, the annual risk identification and assessment process, the review and continuous evolution of risk appetite and risk limits and tolerances, risk monitoring, and stress testing, reverse stress testing and capital projections.

Individual components of the ORSA process directly inform the Company's risk management system. The annual Risk Assessment informs the Company's risk monitoring and stress testing in the ORSA. The ORSA projections in turn inform business planning, risk management and risk monitoring activities. The ORSA projections also inform capital management such as the design of the Company's retrocession programme or the identification of the need for capital injections.

The ORSA is prepared by the CRO, reviewed by the HoAFs (Life and Non-Life) who document their opinion, the LEM and the Risk Committee. The Board ultimately approves the ORSA. Following approval, the Company submits the ORSA to the CBI.

Business and Risk Strategy

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

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

Assessment and Monitoring of Emerging Risks

The Emerging Risk Committee (EmRC) was established by the Group Executive Management Committee as an operational unit that reports to the Group Executive Risk Committee. The EmRC is comprised of representatives from the business and assurance functions. The Company's CRO attends the meeting and updates are shared with the Company's Management.

The committee charter objectives include:

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

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

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

The latest Risk Assessment identified the following notable Emerging Risks: climate change, cyber risk, pace of change, and talent shortage.

B.4. INTERNAL CONTROL SYSTEM

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

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

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

The Board ultimately oversees the internal control system. The Company's Compliance, Finance, Actuarial, Risk Management and Internal Audit functions are all key contributors to the governance and oversight of the Company's internal control system.

There are established robust internal controls in existence in each of these key functions in addition to the controls in place across all other areas e.g. Underwriting, Claims and I.T.

Compliance Function

The Compliance Function is responsible for:

- advising the Company on applicable laws and regulation that apply to the Company as an authorised reinsurance company;
- providing training to staff, where necessary, on the laws and regulations applicable to the Company;
- identifying and assessing the possible impact of any changes to the applicable laws and regulations on the Company;
- providing assurance to the Board on the adequacy of measures that have been taken by the Company to comply with applicable regulations;
- managing the relationship with the Central Bank of Ireland and other financial services regulators; and
- maintaining the Company's operating licenses.

The Company's Compliance Framework comprises the tools that the Compliance Function employ to meet its responsibilities. The Compliance Framework is comprised of the following elements:

- Compliance Watchlist
- Compliance Monitoring Plan
- Compliance calendar
- Compliance Business Plan
- Management and co-ordination of Compliance policies
- Training programme

Compliance reporting to the Board of Directors includes, but is not limited to, the following:

- Pending or future regulations and legislation which will affect the Company and for which adequate time and resources shall be allocated to meet the requirements;
- Details of regulatory visits or significant contacts;
- Update on progress against the approved Compliance Business Plan with particular reference to the adequacy of compliance resources; and
- Any other relevant information.

B.5. INTERNAL AUDIT FUNCTION

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

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

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

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

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

B.6. ACTUARIAL FUNCTION

The Actuarial Function is a key function of the Company's system of governance. The Actuarial Function tasks are undertaken by an in-house team who have the appropriate knowledge of actuarial and financial mathematics and experience, proportionate to the nature, scale and complexity of the risks present in the business.

The Actuarial Function is split into first line of defence and second line of defence. First line teams are responsible for production of reserves, running controls and checks on data, management of actuarial models, production of experience analysis and best estimate assumptions. Second line teams provide an independent review and advice to management and Board on data, models, methodologies and assumptions. This split was implemented in 2019 for Life and Health business.

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

B.7. OUTSOURCING

The Company is part of a multi-national reinsurance group and as such the Company uses the expertise and resources from other Group entities and jurisdictions under a shared services model. The Company's outsourcing arrangements are predominately comprised of support provided via intra-group arrangements. These include support in relation to underwriting, business development and underwriting authorities, claims, regulatory legal and compliance, finance, internal audit and investments. The outsourcing of such services to intra-group affiliates falls within the scope of the Company's Outsourcing Framework Activities provided by the Company's branch network and by way of secondments fall outside the scope of the Company's outsourcing framework.

The Company outsources certain Critical or Important Functions to Third Parties in respect of underwriting and claims handling. The service providers to whom the Company outsources are based in the United Kingdom, the United States of America, Singapore, Hong Kong, Spain and United Arab Emirates.

The Company has adopted the Group Outsourcing Guidelines ("the Guidelines") which establish the Outsourcing Control Framework and sets out parameters within which the Company can enter into outsourcing arrangements. The Guidelines are approved by the Board on an annual basis.

The Group Outsourcing Guidelines impose clearly defined roles and responsibilities and embeds ownership of outsourcing arrangements within the Company.

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

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

The Company categorises controls in respect of its outsourcings as follows:

- Level 1: Local Company employee representation within the relevant business or support unit providing intra-group services to the Company;
- Level 2: Regular meetings between the service provider and the Company and the establishment of embedded communication channels;
- Level 3: Formal reporting from the service provider to the Company including, where appropriate, reporting directly to the Company's senior management team, Board and/or Audit or Risk Committees; and
- Other Bespoke Controls: Relevant for third party service providers according to relevant third party and type of service(s) outsourced.

Annual Review Process: On an annual basis, Group Risk shall assess the relevant risks to the Company in respect of its existing and proposed outsourcing arrangements and confirm whether sufficient controls and procedures are in place to manage such risks and, where relevant, identify any proposed recommendations to improve the Outsourcing Control Framework.

C. RISK PROFILE

The Company comprehensively identifies and assesses risks in the annual risk identification and assessment process, resulting in the Risk Assessment. Key risks identified in the Risk Assessment are regularly monitored by risk owners, the Risk function and in the Risk Committee. Details are included in section B.3 of this report.

The Company manages risk exposures in the individual underwriting/investment units and in the business units with operating limits such as those expressed in the underwriting and investment guidelines. There remains a chance that losses can exceed predefined thresholds, for example, if multiple losses occur within the same year or if the Company's internal assessment of capital at risk for a single or multiple sources of risk proves insufficient. To reduce the chance of these unfavourable outcomes, the Company strives for a well-diversified and balanced book of business, applies and regularly monitors risk limits for material key risks, and manages its net position with retrocession to intra-group and external counterparties (see below) and with other risk mitigation strategies such as hedging.

Mitigation of underwriting risk by use of retrocession

The Company uses external retrocessional agreements to reduce its exposure on certain underwriting risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events. These agreements provide for the recovery of a portion of losses and loss expenses from retrocessionaires.

The Company's external retrocessional agreements cover most of its non-life classes of business, and are bought on a proportional and non-proportional basis. The Company also utilises external retrocessions in the life business to manage the amount of per-event and per-life risks to which it is exposed.

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

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

The Company further mitigates assumed underwriting risk with the purchase of internal retrocession cover from other Group companies. The reinsurance cover that the Company has in place with other Group companies as at December 31, 2019 can be summarised as follows:

- 65% whole account quota-share with Partner Reinsurance Company Ltd ("PRCL") (50% for underwriting years 2016 and prior; 90% for pure cat business), excluding various special businesses written mainly in Latin and North America; and
- 10% whole account quota-share with Partner Reinsurance Asia Pte Ltd ("PRA") for business written through its Swiss and French branches.

External retrocession inures to the benefit of internal retrocession.

The main objectives of the retrocession cover are to reduce the capital requirements and associated cost of capital for the Company, to ensure the Company is in a position to be a well capitalised reinsurer for its cedants, and to ensure the Company receives and maintains an appropriate rating from the rating agencies.

C.1. UNDERWRITING RISK

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

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

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

C.1.1. NON-LIFE UNDERWRITING RISK

Using the Standard Formula, the SCR for non-life underwriting risk is €735 million (2018: €673 million) on a pre-diversified basis, which is 38% (2018: 36%) of the Basic Solvency Capital Requirement ("BSCR") before diversification. The SCR calculation is split into SCR for premium and reserve risk, SCR for lapse risk, and SCR for catastrophe risks.

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

The following sensitivities assess the impact on the SCR for non-life underwriting risk and Solvency II Own Funds to adverse deviations in net non-life technical provisions; the impact on Own Funds shown in the table relates to the adverse deviation of reserves and corresponding increase of risk margin.

Adverse deviation of current net technical provisions	Impact on SCR non-life underwriting risk	Impact on Own Funds (before tax)*:	Impact on SCR non-life underwriting risk	Impact on Own Funds (before tax)*:
€m's	2019 €m's	2019 €m's	2018 €m's	2018 €m's
50	+13	(58)	+13	(58)
100	+26	(117)	+26	(116)
150	+39	(175)	+40	(174)

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

Additional amount of net premiums underwritten	Impact on SCR non-life underwriting risk	Impact on SCR non-life underwriting risk
€m's	2019 €m's	2018 €m's
50	+7	+7
100	+13	+13
150	+20	+20

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

Natural catastrophe risk

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

The Company manages and mitigates Natural Catastrophe risk with tight monitoring of peril-zone exposures, ongoing portfolio analysis and management, and external and internal retrocession.

The Company uses as its key risk indicator for Natural Catastrophe the net loss aggregated over all peril-zones and one year with a return period of 100 years as modelled in its internal Group Capital Model. The preferred range is set to €375 million with a tolerance range up to €450 million. As at 31 December 31 2019, actual exposure was €179 million (2018: €156 million) which represents a 48% (2018: 42%) deployment rate. Actual exposures deployed will vary from period to period depending on management's assessment of current market conditions, the results of the Company's exposure modelling, and other analyses.

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

Long-tail non-life reserving risk

Long-tail non-life reserving risk (internally also called Casualty risk for short) is the risk that the estimates of ultimate losses for casualty and other long-tail lines will prove to be too low, leading to the need for substantial reserve strengthening.

The Company manages and mitigates the reserving risk for long-tail lines by following a disciplined underwriting process and applying prudent reserving policies for determining carried reserves.

The Company's key risk indicator for long-tail underwriting risk is defined as the ratio of gross premiums for casualty business compared to total non-life premiums. The preferred range is set to 25% with a tolerance range up to 30%. As at 31 December 2019, actual exposure was 17% (2018: 17%) which represents a 70% (2018: 68%) deployment rate.

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

Credit and Surety underwriting risk

Severe credit and surety underwriting losses are associated with systemic impacts of economic and financial stress. In these events, underwriting losses may arise from defaults of single large named insureds and from a high frequency of defaults of smaller insureds. In addition, trade credit underwriting risk is highly correlated with default and credit spread widening risk of the standard investment grade fixed income portfolio during times of economic stress or financial crises.

The Company's key risk indicator for credit and surety underwriting risk is defined as the net loss aggregated over one year with a return period of 100 years as modelled in its internal Group Capital Model. The preferred range is set to €200 million with a tolerance range up to €250 million. As at 31 December 2019, actual exposure was €64 million (2018: €63 million) which represents a 32% (2018: 32%) deployment rate.

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

Mortgage underwriting risk

Mortgage reinsurance underwriting tail events are associated with the systemic impacts of severe mortgage defaults, driven by large scale economic downturns and high unemployment.

Mortgage reinsurance is managed through geographic diversification both within countries and across countries.

This is accomplished through the allocation and tracking of capacity by exposure zone (defined as individual countries) and is accompanied by regular extreme event modelling, and a combination of quantitative and qualitative analysis.

The Company's key risk indicator for Mortgage underwriting risk is defined as the total limit deployed, net of retrocession. The preferred range is set to €250 million with a tolerance range up to €300 million. As at 31 December 2019, actual exposure was €91 million (2018: €111 million) which represents a 37% (2018: 44%) deployment rate.

In 2019, the metric for mortgage underwriting risk was modified for the zones Europe and Australia to reflect a factor-based PML approach.

Actual exposure deployed and estimated probable maximum losses in a specific zone will vary from period to period depending on Management's assessment of current market conditions, the results from exposure modelling, and other analysis.

The Company's exposure to Mortgage underwriting risk is not expected to increase significantly over the planning timeframe and may reduce slightly.

C.1.2. LIFE UNDERWRITING RISK

The SCR for life underwriting risk is €410 million (2018: €382 million) on a pre-diversified basis, which is 21% (2018: 21%) of the BSCR before diversification. The Company monitors life underwriting risks, with a specific focus on the following risks:

Longevity risks

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

The Company's key risk indicator for longevity risk is defined as the net loss aggregated over one year with a return period of 100 years as modelled in its internal Group Capital Model. The preferred range is set to €450

million with a tolerance range up to €500 million. As at 31 December 2019, actual exposure was €385 million (2018: €302 million) which represents a 85% (2018: 67%) deployment rate.

The calibration of longevity risk in the Group Capital Model is informed by the consideration of extreme scenarios including immediate elimination of major causes of death and an extreme improvement in mortality, recognising the gradual nature of adverse longevity trends that could eventually require a change in the reserving assumptions and thereby cause a financial loss to the Company's longevity portfolio.

Longevity is part of the Company's Life strategy and exposure is expected to continue to grow in line with risk appetite and potential further risk mitigation such as internal retrocession.

Pandemic risks

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

In order to determine a pandemic limit metric for the purposes of risk accumulation, the Company examined extreme scenarios and measured its exposure to loss under those scenarios. Examples of these scenarios included, but were not limited to, increased mortality associated with past pandemic events (e.g. 1918 Spanish flu) and potential mortality outcomes from transmission scenarios across differing age groups, and across developed and developing countries. For risk accumulation purposes, the Company selected an extreme mortality scenario applied to the insured portfolio in developing and developed countries that would have twice the assumed fatality rate of a 1918 Spanish flu recurring today, combined with an adverse mortality age pattern, and with the same transmissibility characteristics. This is equates to a 1 in 100 year pandemic shock. The preferred range is set to €200 million with a tolerance range up to €250 million. As at 31 December 2019, actual exposure was €57 million (2018: €57 million) which represents a 29% (2018: 29%) deployment rate.

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

Mortality risk

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

C.2. MARKET RISK

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

The SCR for market risk, using the Standard Formula, on a pre-diversified basis is €397 million (2018: €464 million), which is 21% (2018: 25%) of the BSCR before diversification. See section E.2. of this report for further details of this amount in the context of the BSCR before diversification and Own Funds.

Investment risk

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

Interest rate risk

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

The Company invests in high quality fixed income securities and actively manages the duration of the fixed income portfolio relative to the duration of the reinsurance liabilities so that the economic value of changes in interest rates has offsetting effects on the Company's assets and liabilities. If market interest rates on fixed income securities were higher/lower by 100bps with all other variables held constant, the market value of fixed income securities would have been lower/higher by €84 million (2018: €134 million). This sensitivity does not

take into account offsetting impact on the change in valuation of technical provisions from a change in interest rates.

Currency risk

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

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

The Company generally matches its assets against its net reinsurance liabilities by currency to mitigate currency risk. For currencies where either a natural offset does not exist or the Company deems the net exposure to be in excess of its appetite for currency risk, the Company employs a hedging strategy utilising derivative financial instruments to reduce this net exposure. The Company does not hedge currencies for which its net currency exposures are not material or where it is unable or impractical to do so. It is within management's discretion to hedge all or part of the Company's capital funds, including its net investment in foreign branches, which are primarily denominated in Euro, U.S. dollar and Pound Sterling.

Assuming all other variables are held constant, as at the reporting date, a 10% adverse movement in the value of the Euro currency against all other currencies comprising the Company's Solvency II Own Funds, would have resulted in a €79 million decrease in Solvency II Own Funds (including the effect of derivatives) (2018: €69 million decrease including the effect of derivatives).

Equity risk

The Company defines this risk as the risk of a substantial decline in the value of its equity and equity-like securities which include all invested assets that do not compromise cash, investment grade standard fixed income securities or real estate property.

To mitigate the risk, the Company sets strict limits on its total allocation to equity risk as a proportion of its capital funds as well as ensuring portfolio diversification through appropriate concentration limits by any one name and any one industry.

Default and credit spread risk

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

The Company controls this concentration risk by limiting the allocation to any one issuer and industry as well as monitoring the credit ratings of all investments. Compliance with the Investment Guidelines is reported to the Risk Committee on a quarterly basis.

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

The Company employs a prudent investment philosophy. It maintains a high quality, well-balanced and liquid portfolio having a total return investment objective, achieved through a combination of optimising current investment income and pursuing capital appreciation. The Company's total invested assets were €5,153 million at 31 December 2019 (2018: €4,822 million); refer to section D.1. of this report for a breakdown by asset type. From a risk management perspective, the Company allocates its invested assets into two categories: liability funds and capital funds.

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

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

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

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

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

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

Quarterly reporting is presented to the Risk and the Audit Committees of the Board. If a new asset class is proposed the Company assesses the change including the potential impact on credit quality, liquidity and capital requirements.

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

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

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

C.3. CREDIT RISK

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

Credit risk is referred to as counterparty default risk in the SCR calculation. The SCR for counterparty default risk, using the Standard Formula, on a pre-diversified basis is €333 million (2018: €282 million), which is 17% (2018: 15%) of the BSCR before diversification. See section E.2. of this report for further details.

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

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

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

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

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

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

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

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

C.4. LIQUIDITY RISK

Liquidity risk is the risk of not being able to meet financial obligations as and when they fall due, including obligations to cedants, internal counterparties and other third parties.

The Company is exposed to liquidity risk mainly through claims arising from its reinsurance contracts. Liquidity risk may also arise from a difference in timing between claims payments and recoveries from reinsurance ceded and from a decline in disposal value of the Company's assets in financial market crises. The Company mitigates this risk by holding a large part of its investments in investment grade standard fixed income securities and other liquid instruments.

The Company has strengthened its liquidity risk framework during the period by introducing regular liquidity risk monitoring against a pre-defined liquidity crisis scenario comprising of a combination of a financial market crisis, an insurance shock loss with rapid pay-out, collateralisation of all new insurance business and downgrade to BBB+ potentially triggering collateralisation requirements in the Company's investments and insurance portfolios. The Company has introduced quarterly monitoring of excess liquidity after stress and downgrade and has set the preferred range to €200 million, requiring positive excess liquidity after stress and downgrade at all times. As at 31 December 2019, actual excess liquidity after stress and downgrade was €517 million.

Expected Profit Included in Future Premium

The Expected Profit Included in Future Premium ("EPIFP") for the Life business was €688 million at 31 December 2019 (2018: €586 million). The EPIFP for Life business is calculated as the sum of positive best estimate liabilities. Positive best estimate liabilities correspond to an anticipation of positive future cash flows. The EPIFP for Life is calculated at treaty level meaning that there is no compensation between treaties with negative future cash flows and treaties with positive future cash flows.

The EPIFP for the Non-Life business was at €398 million at 31 December 2019 (2018: €274 million). The EPIFP represents the difference between the premiums from future exposure arising from contracts that the Company is obligated to as at 31 December 2019 and the expected acquisition costs, losses and expenses relating to these premiums. A lapse rate was assumed on in-force contracts relating to future additional premium and on premium relating to business bound but not yet incepted at the closing date. The calculation was discounted using Solvency II yield curves.

The EPIFP by line of business were as follows as at 31 December 2019 and 2018:

	2019	2018
Line of business	€'000	€'000
Proportional motor vehicle liability reinsurance	15,677	10,312
Proportional marine, aviation and transport reinsurance	60,470	45,161
Proportional fire and other damage to property reinsurance	106,609	65,123
Proportional general liability reinsurance	32,490	13,846
Proportional credit and suretyship reinsurance	110,080	75,447
Non-proportional casualty reinsurance	2,252	426
Non-proportional marine, aviation and transport reinsurance	7,116	5,754
Non-proportional property reinsurance	56,709	51,626
Other lines of business	6,191	6,326
Total Non-Life	397,595	274,021
Life and health STL	688,396	585,977
Total	1,085,991	859,998

C.5. OPERATIONAL RISK

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

The Company categorises its operational risks as follows:

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

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

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

Cyber risk

The Company is dependent upon the effective functioning and availability of its information technology and application systems platforms. These platforms include, but are not limited to, the Group's proprietary software programs such as catastrophe models as well as those licensed from third-party vendors including analytic and modeling systems. The Company relies on the security of such platforms for the secure processing, storage and transmission of confidential information. A cybersecurity event could materially impact the Company's ability to adequately price products and services, establish reserves, provide efficient and secure services to clients, brokers, vendors and regulators, value the investments and to timely and accurately report financial results.

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

In addition to the operational risk component, there is also an emerging risk component to cyber risk in that the Company may also have exposure as part of its reinsurance business:

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

C.6. OTHER MATERIAL RISKS

Strategic & Reputational Risks

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

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

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

Emerging Risk

See section B.3 in this report for the assessment and monitoring of emerging risks. Notable emerging risks for the Company are cyber risk (which is set out in more detail in section C.5), Brexit and the coronavirus outbreak .

Potential Brexit Impacts

A temporary permission was secured for the Company in 2019 under the U.K. Temporary Permission Regime ("TPR"). The temporary permission secured the Company's access to the U.K. market throughout the term of the TPR (a period up to 3 years) in the event of a "Hard Brexit" i.e. the U.K. leaving the European Union without a deal. As at 31 December 2019, the risk of a "Hard Brexit" remained as the envisaged EU/U.K. Withdrawal Agreement had not yet been agreed. The company therefore implemented operational readiness plans during 2019 in preparation for entering the TPR to ensure adherence to applicable U.K. regulatory requirements. In January 2020, the EU/U.K. Withdrawal Agreement was subsequently approved by both the U.K. and EU Parliaments. This agreement secured the Company's access to the U.K. market (pursuant to the agreed Transitional Period) throughout 2020 under the existing EU regulatory framework. The Company will utilise the Transitional Period (and TPR post the Transitional Period in the event that a future EU/U.K. trading relationship is not agreed) to develop a more informed view of the actual impact of Brexit on the U.K. (re)insurance market and thereafter affirm the strategy the company will take in respect of the U.K. market.

Updates on Brexit developments and related contingency planning were provided to the Company's Board throughout 2019 and will continue through 2020.

Coronavirus Outbreak (COVID-19)

As the coronavirus outbreak (COVID-19) continues to progress and evolve, the Company is monitoring the situation closely and has taken operational measures to restrict the spread of the virus across its employees in line with WHO and HSE guidance. At this stage, the Company is not expecting that its continuous operations will be materially affected. The Company is exposed to pandemic and investment risk and a deteriorating global health crisis may have a financial impact. The Company is expecting such potential financial impact to be within risk tolerance.

Group Risk

As mentioned in C.3, the Company implemented intra-group retrocession transactions with PRCL (Bermuda) and PRA (Singapore). The size of these contracts imply concentration risk. The Company is dependent upon the financial soundness of the Group in general and some of its affiliates in particular. Monitoring of the financial condition of each related company is performed on a regular basis.

Additionally, the Company evaluates exposure to Group risk in its annual ORSA as part of the stress testing program, e.g., with a *Failure of Internal Retrocession* scenario.

D. VALUATION OF THE SOLVENCY II BALANCE SHEET

The Company's Solvency II balance sheet, valued using Solvency II rules, was as follows at 31 December 2019 and 2018:

	Section	2019 €'000	2018 €'000
Investments	D.1.	5,152,877	4,822,243
Other assets	D.3.	377,250	217,991
Total assets		5,530,127	5,040,234
Net Non-life technical provisions	D.2.1.	1,827,214	1,754,326
Net Life technical provisions	D.2.2.	503,710	420,370
Other liabilities	D.3.	1,218,210	968,846
Total liabilities		3,549,134	3,143,542
Excess of assets over liabilities		1,980,993	1,896,692

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

D.1. VALUATION OF ASSETS

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

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

Accordingly, the Company’s investment assets under Solvency II by category and by valuation classification, as at 31 December 2019 and 2018, are as follows:

	2019				2018			
	QMP €'000	QMPS €'000	AVM €'000	Total €'000	QMP €'000	QMPS €'000	AVM €'000	Total €'000
Government Bonds	—	1,492,768	—	1,492,768	—	1,276,995	—	1,276,995
Corporate Bonds	—	1,404,015	—	1,404,015	—	1,727,207	4,224	1,731,431
Collateralised securities	—	655,150	—	655,150	—	366,279	4,609	370,888
Total Fixed Income	—	3,551,933	—	3,551,933	—	3,370,481	8,833	3,379,314
Equities	50,194	—	113	50,307	39,680	—	113	39,793
Investment property	—	—	69,080	69,080	—	—	63,450	63,450
Collective investment undertakings	21,813	—	173,734	195,547	31,914	—	16,658	48,572
Cash and cash equivalents	137,129	—	—	137,129	206,152	—	—	206,152
Deposits to cedants	—	—	686,694	686,694	—	—	670,066	670,066
Other loans & mortgages	—	—	410,633	410,633	—	—	411,423	411,423
Property, plant & equipment held for own use	—	—	51,554	51,554	—	—	3,473	3,473
Grand Total	209,136	3,551,933	1,391,808	5,152,877	277,746	3,370,481	1,174,016	4,822,243

Fixed Income

- *Governments bonds* - these securities are generally priced by independent pricing services. The independent pricing services may use actual transactions prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value, which may incorporate Option Adjusted Spread (“OAS”), interest rate data and market news. Substantially all of these securities are classified as QMPS for valuation purposes under Solvency II.
- *Corporate bonds* - consist primarily of investment grade bonds issued by U.S. and non-U.S. corporations covering a variety of industries and issuing countries. These securities are generally priced by independent pricing services and brokers. The pricing provider incorporates information including credit spreads, interest rate data and market news into the valuation of each security. Substantially all of these securities are classified as QMPS for valuation purposes under Solvency II.

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

Equities

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

Investment property

The Company holds four residential apartments in the U.K. and has entered through a joint venture structure, for which, the aim is to invest in commercial real estate located in Paris metropolitan area.

Investment properties are stated at fair value in the Company's IFRS balance sheet. The same valuation is maintained as the applicable economic valuation under Solvency II. Accordingly, the Company considers investment properties to be classified as AVM for valuation purposes under Solvency II.

Collective investment undertakings

Collective investment undertakings represent funds mainly invested in corporate loans, and includes money market funds and private equities funds.

The collective investment undertakings in money market funds has available prices received from independent pricing sources based on quoted prices in active markets. Accordingly, these are generally classified as QMP for valuation purposes under Solvency II. Where quoted prices in active markets are not available, such as loans funds for which the price is based on the manager and private equity investment funds, these assets are generally classified as AVM.

Cash and cash equivalents

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

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

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

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

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

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

Other loans and mortgages

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

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

Property, plant & equipment held for own use

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

Derivatives

The Company utilises derivative financial instruments, mainly forward foreign exchange contracts as part of its overall currency risk management.

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

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

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

In addition, the Company has a liability exposure to insurance linked derivative with a notional value of €1.8m.

Based on the above the Company's derivatives, as at 31 December 2019 and 2018, by category are valued under Solvency II as follows:

	2019			2018		
	Asset FV	Liability FV	Total	Asset FV	Liability FV	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Foreign Currency forward contracts	2,561,880	(2,562,547)	(667)	1,688,040	(1,688,858)	(818)
Insurance linked derivative	—	(1,786)	(1,786)	—	—	—
Grand Total	2,561,880	(2,564,333)	(2,453)	1,688,040	(1,688,858)	(818)

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

The variance in the valuation basis between the Solvency II balance sheet and the IFRS balance sheet for investments as at 31 December 2019 and 2018 are set out below. For reconciliation purposes, the categories listed below for the IFRS balance sheet have been aligned to those of the Solvency II balance sheet.

	2019			2018		
	Solvency II Balance Sheet	IFRS Balance Sheet	Variance	Solvency II Balance Sheet	IFRS Balance Sheet	Variance
	€'000	€'000	€'000	€'000	€'000	€'000
Government bonds	1,492,768	1,492,768	—	1,276,995	1,276,995	—
Corporate bonds	1,404,015	1,404,015	—	1,731,431	1,731,431	—
Collateralised securities	655,150	655,150	—	370,888	370,888	—
Total Fixed Income	3,551,933	3,551,933	—	3,379,314	3,379,314	—
Equities	50,307	50,307	—	39,793	39,793	—
Investment property	69,080	69,080	—	63,450	63,450	—
Collective investment undertakings	195,547	195,547	—	48,572	48,572	—
Cash and cash equivalents	137,129	137,129	—	206,152	206,152	—
Deposits to cedants	686,694	632,943	53,751	670,066	623,726	46,340
Other loans & mortgages	410,633	410,633	—	411,423	411,423	—
Property, plant & equipment held for own use	51,554	51,554	—	3,473	3,473	—
Grand Total	5,152,877	5,099,126	53,751	4,822,243	4,775,903	46,340

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

D.2. TECHNICAL PROVISIONS

D.2.1. VALUATION OF NON-LIFE TECHNICAL PROVISIONS

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

Non-Life Technical Provisions by Line of Business

The following table outlines the Solvency II TPs for Non-Life business and Health similar to non-life business by line of business as at 31 December 2019 and 2018:

2019	Claim Provision €'000	Premium Provision €'000	Recoverables from Reinsurance contracts €'000	Risk Margin €'000	Total Technical Provisions net of Recoverables €'000
Proportional motor vehicle liability reinsurance	140,012	2,418	86,891	7,328	62,868
Proportional marine, aviation and transport reinsurance	470,211	(7,658)	307,242	30,395	185,705
Proportional fire and other damage to property reinsurance	849,821	1,762	539,329	43,071	355,325
Proportional general liability reinsurance	423,357	14,762	238,391	32,057	231,785
Proportional credit and suretyship reinsurance	221,857	(28,264)	129,984	36,305	99,915
Non-proportional casualty reinsurance	1,173,376	20,452	684,497	131,609	640,940
Non-proportional marine, aviation and transport reinsurance	95,565	4,673	57,333	12,533	55,437
Non-proportional property reinsurance	253,140	(7,659)	155,209	36,388	126,660
Other lines of business	129,702	1,204	77,450	15,122	68,579
Total	3,757,041	1,690	2,276,326	344,808	1,827,214

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

Analysis of Change

Overall, there has been an increase in net technical provisions during 2019. The main driver for this movement relates to the increase in the claim provision and risk margin, partially offset by a decrease in the premium provision.

Overall the increase in the Claims Provision by €167 million was driven by the yield curves (€105 million) and foreign exchange (€62 million) movements between 31 December 2018 and 31 December 2019.

Expenses also increased by €52 million, driven by the annual budget and inflation increase and the inclusion of project costs related to the implementation of IFRS 17. This was fully offset by a reduction of the IFRS reserves and the increase of the earned receivables premiums.

Overall, the premium provision decreased by €66m. The most noticeable movement in the year comes the gross increase in the technical result on Bound But Not Incepted ("BBNI") contracts. This is driven by a higher volume of BBNI premium with reduced loss ratios compared to 2018.

Due to the fact that the vast majority of reinsurance recoverables relate to the internal quota share arrangements with PRCL and PRA, these recoveries tend to move in line with the gross premium provisions.

The risk margin increased by €44m which is driven by the yield curves and the underwriting and counterparty risks movements between 31 December 2018 and 31 December 2019.

Best Estimate Liability

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

Claims Provision

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

ultimate loss is subject to actuarial judgment and will depend on several considerations such as, but not limited to, the age of the underwriting year, the type of underlying risk, actual experience against that expected and the credibility of the underlying data used to establish the estimate of ultimate loss.

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

In accordance with Solvency II technical specifications, the future administrative expenses, investment management expenses and claims management expenses expected to be incurred in the future related to business bound as of the valuation date have been included. The expenses were estimated based on an analysis of the planned 2020 expenses. The expenses estimated which relate to existing and bound but not incepted business were calculated in total and allocated across lines of business and between the claims and premium provision in line with expected future payments.

The future claims payments related to the BEL (after removal of MFU, ULAE, UPR, etc.), ENIDs and future expenses linked to non-life reinsurance obligations, were estimated by applying expected payout patterns derived from the Company's historical experience enhanced by market benchmarks, where appropriate and available.

As is normal for reinsurers with a large proportional treaty portfolio, the calculation of the BEL also includes expected future cash flows from premiums already earned but not yet received which are reflected within premium receivables in the IFRS balance sheet at the valuation date, together with any associated acquisition costs and commissions payable. The premium payout patterns used were derived from the Company's historical experience.

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

Premium Provision

The premium provision was calculated by considering all future cash flows (claim payments, expenses and future premiums) relating to future exposure arising from contracts that the Company is obligated to as at 31 December 2019.

The following table shows the different components included in the calculation of the gross premium provision as at 31 December 2019 and 2018:

2019	Undiscounted					
	Unearned Premium receivables net of costs	Future losses and expenses on UPR	Technical profit on additional premiums	Technical profit on business bound but not incepted	Discounting impact	Gross Premium Provision
	€'000	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	(28,834)	31,714	(144)	(25)	(293)	2,418
Proportional marine, aviation and transport reinsurance	(134,499)	140,314	707	(7,357)	(6,823)	(7,658)
Proportional fire and other damage to property reinsurance	(197,784)	235,097	(426)	(25,223)	(9,902)	1,762
Proportional general liability reinsurance	(52,720)	99,135	(526)	(18,928)	(12,199)	14,762
Proportional credit and suretyship reinsurance	(98,959)	98,742	(20,263)	(5,845)	(1,939)	(28,264)
Non-proportional casualty reinsurance	(11,734)	38,978	—	4,521	(11,313)	20,452
Non-proportional marine, aviation and transport reinsurance	(6,637)	14,107	—	(1,891)	(906)	4,673
Non-proportional property reinsurance	(25,113)	36,557	—	(17,663)	(1,440)	(7,659)
Other lines of business	(32,318)	34,659	5	(101)	(1,041)	1,204
Total	(588,598)	729,303	(20,647)	(72,512)	(45,856)	1,690
2018	Undiscounted					
	Unearned Premium receivables net of costs	Future losses and expenses on UPR	Technical profit on additional premiums	Technical profit on business bound but not incepted	Discounting impact	Gross Premium Provision
	€'000	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	(30,238)	33,063	1,156	3,256	(3,408)	3,829
Proportional marine, aviation and transport reinsurance	(96,281)	109,001	632	(747)	(7,778)	4,827
Proportional fire and other damage to property reinsurance	(159,316)	196,272	470	(3,839)	(11,042)	22,545
Proportional general liability reinsurance	(34,155)	77,576	241	(4,236)	(12,433)	26,993
Proportional credit and suretyship reinsurance	(67,515)	75,044	(12,398)	(7,414)	935	(11,348)
Non-proportional casualty reinsurance	(18,509)	47,459	—	11,661	(18,057)	22,554
Non-proportional marine, aviation and transport reinsurance	(5,398)	11,097	—	(1,073)	(894)	3,732
Non-proportional property reinsurance	(22,876)	34,810	—	(18,313)	(2,718)	(9,097)
Other lines of business	(26,743)	31,506	(115)	(201)	(424)	4,023
Total	(461,031)	615,828	(10,014)	(20,906)	(55,819)	68,058

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

- Unearned future premium receivables net of acquisition costs and commissions payable as at the balance sheet date.
- Future losses and expenses on UPR on the IFRS balance sheet

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

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

Risk Margin

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

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

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

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

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

Level of uncertainty

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

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

Simplifications used in the calculation of the technical provisions

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

- reserves have been split using only seven major currencies (USD, EUR, GBP, AUD, CAD, CHF and JPY) to discount future cash flows;
- a percentage approach has been adopted to quantify reinsurance recoverables also for non-proportional treaties;

- The Company's BEL includes a provision for ENIDs which is assumed to have the same cash-flow profile of other claims for discounting purposes; and
- Future SCR's used to calculate the risk margin are projected using a carrier/pattern approach which is applied to the SCR at time 0.

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

Data limitations

There is still insufficient data held within the Company's claims system to allow the Actuarial Function to identify claims settled as annuities from the European portfolio. A remediation plan has been put in place to address this.

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

Lapse Rates

The valuation of premium provisions should take account of future policyholder behaviour such as the likelihood of policy lapse during the remaining period. In general, we do not expect an insurance company to lapse its reinsurance cover and so have assumed that we would see no material level of lapses from this action. However, with reinsurance premiums dependent on the level of underlying premiums written by the cedant, we do expect that the initial premium estimates we establish for certain reinsurance treaties (particularly proportional risks attaching treaties) are likely to change over time either due to the cedant writing more or less business than originally assumed or through underlying policyholder lapse. Within a reinsurance company it is difficult to assess the underlying likelihood of lapse on the covered insurance policies, so we have focused on the change in estimated premium income ("EPI") over time in order to establish a lapse assumption within the premium provision. At year-end 2018, those rates were determined based on an analysis of change in the premium over time from initial expected ultimate premium income to final written premium and discussions with underwriters.

During 2019, the Underwriting Operations department has developed a standardized premium estimation process by using a premium haircut factor methodology. At year-end 2019 valuation, no lapse rates were applied to the BBNI contracts as those default "haircut" factors were systematically applied to the cedant estimates of expected ultimate premium income during the renewals process.

Homogeneous risk groups used to calculate the technical provisions

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

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

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

- Location of business underwritten (Europe, Connecticut or Hong Kong);
- Business segment (based on the internal management reporting structure);
- Class of business (e.g. Motor or Casualty);
- Type of reinsurance (proportional, non-proportional ("XL") or facultative); and

- Type of business, other segmentations were created to allow for homogeneity in the data triangles, where necessary (e.g. Physical Damage (“PD”) or Non-Physical Damage (“NoPD”) for Automobile).

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

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

A description of where unbundling has been used for material contracts

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

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

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

Reinsurance recoverables

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

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

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

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

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

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

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

The Company benefits from the external Group protections purchased by the Group. The external retrocessions are mainly on a non-proportional basis and are a small part of the Company's overall retrocession program.

Catastrophe business is further ceded externally on a losses occurring basis through a number of quota share agreements.

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

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

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

- For ceded loss reserves the removal of Margin for Uncertainty ("MFU") and Unallocated Loss Adjustment Expenses ("ULAE") (for the intra-group quota share) is performed at the level of individual retrocession contract by currency. For the discounting adjustment the average discounting observed on gross loss reserves for each discounting currency is applied, as the information on original underwriting year is not available for the ceded loss reserves. The allocation of ceded loss reserves by line of business is based on the same proportion as the gross reserves for the internal quota shares and by line of business for the most material external contracts.
- For premium provisions the unearned reserves (Unearned Premium Reserve and Deferred Acquisition Costs) are removed and replaced by an estimation of future cash-flows linked with retrocession agreements in force or bound at year-end. The best estimates of reinsurance recoverables in respect of premium provisions are calculated by considering an estimation of future cash-flows linked with retrocession agreements in force or bound at the valuation date and with future non-proportional reinsurance on the basis that there will be exposures in the premium provision that extend beyond the one financial year retrocession programme. This was based on expected management actions to renew the non-proportional retrocession programme. The Company adopted a percentage approach to quantify the reinsurance claim recoveries expected from its reinsurers. The percentages are predefined based on the corresponding inwards assumptions (including allowance for ENIDs).

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

Comparison to IFRS reporting

The IFRS BE of the Company includes the following:

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

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

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

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

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

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

2019

Line of Business	Gross IFRS Technical Reserve €'000	Removal of UPR €'000	Removal of MFU €'000	ENID load €'000	Change of Claims Expense Basis €'000	Earned Premium Receivables €'000	Discounting Impact €'000	Other €'000	Solvency II Gross Claims Provision €'000
Proportional motor vehicle liability reinsurance	217,081	(54,202)	(4,873)	3,564	7,408	(26,936)	(2,029)	—	140,013
Proportional marine, aviation and transport reinsurance	746,988	(177,888)	(12,355)	13,860	26,538	(109,472)	(17,460)	—	470,211
Proportional fire and other damage to property reinsurance	1,295,934	(325,212)	(24,212)	9,808	45,134	(133,749)	(17,883)	—	849,820
Proportional general liability reinsurance	605,740	(133,864)	(29,071)	11,288	23,953	(33,786)	(20,904)	—	423,356
Proportional credit and suretyship reinsurance	492,784	(205,033)	(4,866)	6,944	12,606	(75,954)	(4,624)	—	221,857
Non-proportional casualty reinsurance	1,279,929	(37,349)	(44,737)	71,920	69,056	(17,006)	(91,205)	(57,233)	1,173,375
Non-proportional marine, aviation and transport reinsurance	117,467	(15,411)	(1,846)	2,559	4,660	(9,107)	(2,756)	—	95,566
Non-proportional property reinsurance	340,287	(46,828)	(6,072)	3,518	13,371	(43,596)	(7,540)	—	253,140
Other lines of business	230,777	(77,564)	(6,505)	3,311	7,239	(21,807)	(5,750)	—	129,701
Total	5,326,987	(1,073,351)	(134,537)	126,772	209,965	(471,413)	(170,151)	(57,233)	3,757,039

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

2018

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

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

D.2.2. VALUATION OF LIFE TECHNICAL PROVISIONS

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

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

Best Estimate by Line of Business

The following table outlines the Solvency II technical provisions for Life business, including short-term life business, Health SLT and Non-Life annuities as at 31 December 2019 and 2018:

	2019				2018			
	Protection	Longevity	Non-Life	Total	Protection	Longevity	Non-Life	Total
	€'000	€'000	Annuities €'000	€'000	€'000	€'000	Annuities €'000	€'000
Gross best estimate liability	980,144	(164,754)	41,119	856,509	761,521	(109,849)	32,945	684,617
Reinsurance recoverable	(592,420)	79,751	(24,671)	(537,340)	(458,209)	49,798	(19,767)	(428,178)
Net best estimate liability	387,724	(85,003)	16,448	319,169	303,312	(60,051)	13,178	256,439
Risk margin	—	—	—	184,541	—	—	—	163,931
Net technical provisions				503,710				420,370

Analysis of change

Overall, there has been an increase in the net technical provisions during 2019. The main drivers of this increase relate to adverse economic experience and losses experienced on ST business partially offset by the impact of favorable non-economic assumption and model changes on GMDB, TCI and Longevity business. The impact of these drivers are discussed further below.

The risk margin also increased during 2019 commensurate with the increase in the net BEL. This increase is largely due an increase in the Life SCR. For further details on the increase in Life SCR refer to Section E of this report.

Relevant assumption and model changes

Non-economic assumption and model changes

Overall, the impact of non-economic assumption and model updates during 2019 was favourable, decreasing the net BEL by €32m. There was also an additional €26m adverse impact on ST business relating to adverse development on certain segments. The main assumptions for each of the lines of business and the material changes that were made during the year are the following:

- **Term and Critical Illness ("TCI")** - The key assumptions are biometric incidence rates (both base mortality or morbidity and improvement or deterioration), and lapse rates. The best estimate assumptions are derived from investigations of observed experience. Both mortality and lapse assumptions were updated on certain key treaties as at 31 December 2019 to reflect emerging experience. The combined overall impact is a decrease in the net BEL of €7 million. The mortality improvement (MI) assumptions remain unchanged since year end 2018.

- **GMDB** - The key assumptions are investment return and volatility, mortality, lapses, future investments and asset mix. Mortality assumptions are derived from industry benchmarks or based on cedant view. Lapses and future investments are derived from investigations of observed experienced. Economic assumptions are modelled stochastically using a set of risk-neutral economic scenarios provided by an external vendor. The valuation is performed on a market consistent basis. During 2019, there were several updates to assumptions and modelling. The most material impact was driven by improvements in asset mix data provided by a specific cedant with an overall favorable impact on the net BEL due to lower equity exposure than previously anticipated. Allowing for other updates (mortality, lapses, modelling) the overall impact on the Net BEL is a decrease of €23m.
- **Longevity** - For standard annuities, the base mortality rate assumption is based on actual experience of the underlying business and is expressed as a proportion of internal benchmark rates which are derived using a combination of population data and internal company data. During 2019, the base mortality assumptions were reviewed and updated on certain treaties to reflect positive emerging experience. The impact on the net BEL was a decrease of €18 million.
- Mortality improvement rates are derived from past population trends and projected into the future and methodologies used are in line with the CMI. The mortality improvement (MI) assumptions were not updated in 2019 and remain unchanged since year end 2017.
- For non-standard annuities, the experienced mortality of people known to have a medical impairment at the time of purchase varies significantly depending on the nature and degree of the impairment. Therefore, the best estimate models are based on conditions (Diabetes, Myocardial Infarction, Prostate cancer, Breast cancer, etc.) and are further subdivided by a number of risk / severity factors relevant to the condition in question. During 2019, there were no material assumption update.
- **Other Long-term ("LT") business without policy data information** - The key assumption for this line of business relates to the assumed loss ratio. For LT business this is set with reference to assumed pricing margins or based on historical loss ratios.
- **Short-term ("ST")** - The starting point is the IFRS best estimate view which uses various techniques including triangulation methods to project reported claims to ultimate. Therein, there are also some seriatim approaches used to value annuities for disability and long-term care claims on short-term (long tailed) business. The final selection of ultimate loss is subject to actuarial judgement and will depend on several considerations such as, the age of the underwriting year, the type of underlying risk, actual experience against that expected and the credibility of the underlying data used to establish the estimate of ultimate loss. The IFRS best estimate view is then converted into SII BEL by applying a number of explicit adjustments (e.g. discounting with EOIPA rates, provision for ENIDS and SII expenses and an allowance for future profits on unexpired risks/BBNI). The IFRS best estimate view is generally updated on a quarterly basis. During 2019, some adverse development emerged on this LoB most notably on Australian disability and Israeli LTC segments increasing the net BEL by €26m.
- **Expenses** - The expenses allocated to life are based on the 2020 planned expenses and have been provided by Finance. The allocated expenses are firstly split between longevity and protection business, and further split between ST and LT business. Expenses are projected forward using claims or premium volumes as drivers. The assumptions generally exclude expenses related to the acquisition of new business. Projected expenses also include an allowance for inflation. During 2019, both the base expense and inflation assumptions were recalibrated to match the 2020 planned expenses. There were also a new approach around allocation between ST and LT business. An allowance has also been include for implementation costs associated with large Group projects expected to emerge over the next 3 years. The combined impact on the net BEL was an increase of €10 million.

Economic assumptions

Overall, the impact of economic movements during 2019 was adverse, increasing the net BEL by €29 million. This impact was largely driven by the reduction in yields during 2019, increasing the expected future cost of investment guarantees.

Best estimate liability (BEL)

The BEL are calculated as the net present value of future cash flows projected using best estimate assumptions. The BEL is determined on an assumed and ceded basis separately. The cash flows considered for the BEL cover all liability cash flows related to premiums, benefits and expenses including the time value of options and

guarantees. Cash flows are calculated and reported in the relevant currency. The ceded BEL include an adjustment for the counterparty default risk of the retrocessionaires.

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

- For segments with policy data information, cash flows are projected using actuarial valuation models that reflect the specific contractual conditions. The business in scope are TCI, GMDB, Longevity, Non-life annuities and the most material proportional treaties. Options and guarantees and the use of an Economic Scenario Generator ("ESG") are only relevant in the calculation of the technical provisions with respect to GMDB business which provides a guaranteed minimum benefit equal to the original invested premium on the death of a cedant. A set of risk-neutral economic scenarios is provided by an external vendor.
- The segments without policy data information includes both ST and LT proportional business and some ST non-proportional business. For ST business, the approach is similar to the approach used for Non-Life reserves starting with an IFRS best estimate view with explicit adjustments to convert to SII BEL. For LT business, the modelling is approached with a simplified treaty level approach. **Risk Margin**

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

Level of Uncertainty

The Company is exposed to the risk that the technical provisions are insufficient to cover the liabilities and cost of capital in the future. The key area of uncertainty in the estimation of the TPs arises from the setting of best estimate assumptions; these are subject to regular review with recent experience analyses used to inform the assumption setting process. The key lines of business where there is exposure to material adverse development is in respect of Longevity (both impaired annuity and mortality swap business), TCI business and GMDB business. Some uncertainty also arise from the development of claims reserves for the ST portfolio. Uncertainty also exists with respect to the projections of future expenses.

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

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

In relation to GMDB business, adverse lapse experience is the most significant non-economic risk. The Company is also exposed to lower investment returns increasing the future cost of investment guarantees.

For ST business, claims reserves are exposed to a risk of unfavorable development arising from a change in incidence for unknown claims at valuation date and/or a change in termination rates for known claims at valuation date. In particular, reserves for disability/morbidity risks are exposed to change in local regulation, economic downturn or change in claims acceptance practice that can impact both incidence and recovery rates.

The emergence of the COVID-19 virus in China and its subsequent spread globally adds to the uncertainty around the Technical Provisions as well as increasing the Company's operational risk. On the Life side, there has been a significant reduction in equity markets linked to the COVID-19 outbreak which will primarily adversely impact the GMDB TPs. The Company is exposed to pandemic and investment risk and a deteriorating global health crisis may have a financial impact. The Company is expecting such potential financial impact to be within risk tolerance

Simplifications Used in the Calculation of TPs

The Company applies a number of simplifications in the calculation of TPs:

- Data - policy level data for certain long term contracts are not available from cedants. For those contracts inferences are performed on a treaty level based on expert judgment and historic accounts.
- Modelling of long-term mortality business without policy level data - The methodology of projecting future cash flows is performed at a treaty level using treaty level assumptions. The period of projection is an area of expert judgment that is required due to a lack of information.
- The timing of cash flow settlement is difficult to model accurately as it depends on accounting lags which are volatile and can vary significantly on a treaty level and can change over time. The current approach for deriving cash flow settlement patterns based on past experience on a line of business level does not capture all features of the actual timing of cash flows currently being observed.
- The calculation of the risk margin requires either a recalculation of the SCR components are at each future time period or an approximation of same. For the Company, the latter approach is adopted, whereby the SCR for the individual risk modules is assumed to run-off in line with a risk driver (i.e. present value of future claims). This simplification has been validated through testing alternative plausible approaches with the overall impact deemed to be immaterial.

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

Contract boundaries

The contract boundaries as applied in the calculation of BEL have been determined in line with Solvency II guidance. The contract boundary assumption is based on the contract between the Company and the cedant. In general, the term of the projection usually corresponds to the projected run-off of the block of business until natural expiry of the policies subject to contract boundary considerations as highlighted below:

- For LT business in respect of treaties in run-off, only policies in-force at bordereau date are included.
- For LT treaties open to new business, an allowance is made for BBNI business where deemed to be material on key TCI and GMDB treaties. This new business is considered within the scope of the projection because the Company cannot reject these premiums.
- For all LT business, In line with contract wording, future premiums are included until the natural expiry of the underlying contracts. For ST business, the standard duration is one year and the BBNI allowance reflects the business renewed but not incepted at the valuation date.
- For GMDB business, the policyholder has the option to increase the investment as an additional premium. These flexible premiums (i.e. not contractually forecast) increase the level of financial guarantee given and as such affects the economics of the contract. Additional premiums are considered as within the contract boundaries because the Company cannot reject those premiums, nor unilaterally modify the reinsurance tariff, nor terminate the contract.

Homogeneous risk groups used to calculate the technical provisions

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

Reinsurance recoverables

The Company has entered a quota share (65%) retrocession agreement with PRCL which covers all treaties except certain financing treaties. The share of the arrangement was increased from 50% to 65% in respect of new business incepting on or after 1 January 2017. The increased share is not applied to renewals and new tranches of business on existing business that incepted on or before 31 December 2016. The Company has also entered a quota share (10%) arrangement to PRA from the French and Swiss branches which came into effect on 1 January 2015. The reinsurance recoverables from these retrocession contracts are calculated on the same basis as the gross BEL with adjustment for the expected losses due to the probability of default of the retrocessionaire. There are also a number of specific external retrocession arrangements in place of which the recoverable amounts recognised under Solvency II are not material.

Comparison to IFRS reporting

The following table compares the net BEL, calculated on a Solvency II basis, to the net IFRS liability used in the Company's financial statements as at 31 December 2019 and 2018:

Net of retrocession	2019					2018				
	Protection	Longevity	Non-life Annuities	Risk Margin	Total	Protection	Longevity	Non-life Annuities	Risk Margin	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
IFRS reserves	606,577	124,601	22,893	—	754,071	569,604	117,808	21,938	—	709,350
Payables / receivables/	(82,633)	(36,455)	—	—	(119,088)	(157,394)	(36,079)	—	—	(193,473)
UPR	4,055	—	—	—	4,055	3,164	—	—	—	3,164
Deferred acquisition costs/Deposit accounting assets	(120,436)	—	—	—	(120,436)	(60,201)	—	—	—	(60,201)
Net IFRS liability	407,563	88,146	22,893	—	518,602	355,173	81,729	21,938	—	458,840
Net BEL	387,724	(85,003)	16,447	184,541	503,709	303,312	(60,051)	13,178	163,931	420,370
Difference	(19,839)	(173,149)	(6,446)	184,541	(14,893)	(51,861)	(141,780)	(8,760)	163,931	(38,470)

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

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

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

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

D.3. VALUATION OF OTHER ASSETS AND LIABILITIES

This section outlines the valuation basis and comparison for other assets and liabilities excluding investments and technical provisions as at 31 December 2019 and 2018. For reconciliation purposes, the categories listed below for the IFRS balance sheet have been aligned to those of the Solvency II balance sheet.

		2019			2018		
	Note	Solvency II Balance Sheet €'000	IFRS Balance Sheet €'000	Variance €'000	Solvency II Balance Sheet €'000	IFRS Balance Sheet €'000	Variance €'000
Other assets							
Receivables (trade, not insurance)	1	62,557	62,557	—	12,647	12,647	—
Insurance and intermediaries receivables	2	157,082	157,082	—	139,825	139,825	—
Reinsurance receivables	3	105,424	105,424	—	40,769	40,769	—
Deferred tax assets	5	48,234	2,386	45,848	23,768	2,374	21,394
Net derivative asset		—	—	—	—	—	—
Other assets		3,953	3,953	—	982	982	—
		377,250	331,402	45,848	217,991	196,597	21,394
Other liabilities							
Deposits from reinsurers	4	813,789	813,789	—	691,541	691,541	—
Payables (trade, not insurance)	1	100,953	100,953	—	107,316	107,316	—
Reinsurance payables	3	91,654	91,654	—	93,928	93,928	—
Insurance and intermediaries payables	2	141,001	141,001	—	60,672	60,672	—
Deferred tax liabilities	5	17,533	99,292	(81,759)	12,746	94,869	(82,123)
Pension benefit obligations	6	544	544	—	—	—	—
Other liabilities		50,283	50,283	—	1,825	1,825	—
Net derivative liability	D.1	2,453	2,453	—	818	818	—
		1,218,210	1,299,969	(81,759)	968,846	1,050,969	(82,123)
Total other assets and liabilities		(840,960)	(968,567)	127,607	(750,855)	(854,372)	103,517

Notes

1. Receivables and payables (trade, not insurance) are amounts owed by or due to Group companies, business partners, etc., as well as payables and receivables from securities purchased and are generally valued at their account balances. Most balances are current items and are collected in a short timeframe so the face value is deemed to equal fair value.
2. Insurance and intermediaries receivables and payables are amounts owed or due under assumed reinsurance contracts and are valued at their account balance which equates to fair value due to the short term nature of the balances.
3. Reinsurance receivables and payables are amounts owed or due under retrocession contracts and are valued at their account balance which equates to fair value due to the short term nature of the balances.
4. Deposits from reinsurers are amounts deposited under retrocession contracts, which are used to settle claims. They are measured at their account balances which is deemed to equate to fair value.
5. Deferred tax assets and liabilities are valued based on the tax impact of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II rules and the values ascribed to assets and liabilities as recognised and valued for tax purposes. Deferred tax assets are also recognised from the carry forward of unused tax credits and the carry forward of unused tax losses.

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

of the Solvency II balance sheet deferred tax assets and liabilities and the IFRS values are due to the tax impact of valuation adjustments to other assets and liabilities on the balance sheet.

The Company had unrecognised foreign tax credit carry forward of €151 million (2018: €137 million), unrecognised other tax assets related to foreign branches of €nil million (2018: €3 million) and nil unrecognised tax loss carry forward (2018: nil).

6. Pension benefit obligations - The Company operates defined contribution pension plans for its employees and maintains frozen defined benefit pension plans for some former employees in France.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

Nature of Capital

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

The ordinary shares issued to PartnerRe Holdings SA("PREHSA") fulfil the criteria in that they:

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

The various capital contributions from other Group companies are irrevocable transfers from the Group to the Company and as such do not impose any obligations on the Company. Therefore, all of the capital of the Company is classified as Tier 1 Basic Own Funds in the context of Solvency II except for net deferred tax assets which are classified as Tier 3 capital, which cannot be used to cover the MCR. There are currently no ancillary Own Fund items. There are no restricted Tier 1 or Tier 2 items included in Solvency II Own Funds. The Company has not applied the transitional arrangements referred to in Articles 308b(9) and 308b(10) of the Directive.

The following table shows a breakdown of the total Solvency II Own Funds as at 31 December 2019 and 2018:

	Tier 1 - unrestricted funds €'000	Tier 3 €'000	Total €'000
2019			
Ordinary share capital	245,092	—	245,092
Reconciliation reserve	763,412	—	763,412
Net deferred tax assets	—	30,701	30,701
Other Own Funds approved by the supervisory authority	941,788	—	941,788
Total Solvency II Own Funds	1,950,292	30,701	1,980,993

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

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

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

The Company did not make any dividend payments to its shareholder in 2018 or 2019.

Capital Management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a strong going concern so that it can continue to provide returns for its stakeholders and pay losses;
- To ensure that the Company is a well capitalised risk reinsurer for its cedants; and

- To comply with the reinsurance capital requirements required by the CBI.

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

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

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

Reconciliation of Solvency II Own Funds to IFRS Net Equity

The following table compares shareholders' equity from the Company's IFRS financial statements to the Solvency II Own Funds as at 31 December 2019 and 2018:

	2019 €'000	2018 €'000
IFRS Shareholders' Equity	2,406,818	2,213,642
Goodwill and other intangibles	(218,176)	(213,617)
Revaluation of investments	53,752	46,341
Revaluation of non-life reserves	(391,101)	(280,740)
Revaluation of life reserves	2,093	15,688
Revaluation of other assets and liabilities	127,607	115,379
Solvency II Own Funds	1,980,993	1,896,692
Change in equity	(425,825)	(316,950)

- Goodwill of €218 million (2018: €214 million) is valued at zero under Solvency II rules so reduces shareholders' equity compared to IFRS. The increase of €4.6 million is due to foreign exchange rate movements between EUR and USD.
- The Company values the majority of its investments at fair value in its IFRS financial statements so in most cases the IFRS value is the same at the Solvency II value. See section D.1. for further details of the valuation basis of investments.
- See section D.2.1. of this report for a detailed explanation of the differences in valuation of non-life technical provisions.
- See section D.2.2. for a detailed explanation of the differences in valuation of life technical provisions.
- The difference between other assets and liabilities primarily arises from the difference in deferred tax balances due to the tax impact of the other valuation adjustments. See section D.3. for further details of the valuation basis for other assets and liabilities. A detailed line-by-line Solvency II balance sheet is provided in the QRT number S.02.01.02 in the annex to this report.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The amount of the Company's SCR and MCR at 31 December 2019 are €1,370 million and €380 million (2018: €1,321 million and €359 million) respectively.

The table below shows the components of the SCR (using the Standard Formula) as at 31 December 2019 and 2018:

	2019 €'000	2018 €'000
Market risk	396,894	464,417
Counterparty default risk	333,489	282,223
Life underwriting risks	410,193	381,640
Health underwriting risk	51,049	69,309
Non-life underwriting risk	735,177	672,704
Sum of risk components	1,926,802	1,870,293
Diversification effects	(655,484)	(649,029)
BSCR	1,271,318	1,221,264
Adjustment for the loss absorbing effect of deferred taxes	(17,532)	(12,747)
SCR operational risk	116,615	112,824
SCR	1,370,401	1,321,341
Solvency II Own Funds	1,980,993	1,896,692
Ratio of eligible Own Funds to SCR	145%	144%

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

The Company has a ratio of Eligible Own Funds to SCR of 145% (2018: 144%), which represents an excess of Own Funds over SCR of €611 million (2018: €575 million) and a slight improvement in the ratio coverage when compared to 2018 of 1%.

The SCR has increased by €49 million for the period and this is mainly due to the following;

- An increase in the non-life underwriting risk charge predominately due to increases in premium earned volumes due to the updated business plan and an increase in Liability, Marine, Nat Cat and Non-Proportional Risk driven by liability scenarios which increased as a result of the updated business plan assumptions,
- An increase in the counterparty default risk charge mainly driven by the increase of Funds Withheld and higher exposure in insurance & intermediaries and reinsurance receivables
- An increase in the life underwriting risk charge due to continued reduction in GBP yields impacting Longevity, an annual assumption review related to certain lines of business and the expense methodology, data and modelling improvements and economic assumption changes, offset by;
- A decrease in the market risk charge mainly driven by reduction in Spread and Interest risk exposure.
- A decrease in Health underwriting risk mainly due to an important number of treaties that have not been renewed.

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

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

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

The table below outlines the components of the MCR as at 31 December 2019 and 2018:

	2019 €'000	2018 €'000
Linear MCR	379,674	359,074
SCR	1,370,401	1,321,341
MCR cap	616,681	594,603
MCR floor	342,600	330,335
Combined MCR	379,674	359,074
Absolute floor of the MCR	3,600	3,600
MCR	379,674	359,074

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

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

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

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

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

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

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

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

Annex I
SE.02.01.01
Balance Sheet
Tuesday 31 December 2019
€'000

	Solvency II value
	C0010
Assets	
Goodwill	R0010
Deferred acquisition costs	R0020
Intangible assets	R0030
Deferred tax assets	R0040
Pension benefit surplus	R0050
Property, plant & equipment held for own use	R0060
Investments (other than assets held for index-linked and unit-linked contracts)	R0070
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100
Equities - listed	R0110
Equities - unlisted	R0120
Bonds	R0130
Government Bonds	R0140
Corporate Bonds	R0150
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180
Derivatives	R0190
Deposits other than cash equivalents	R0200
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
Reinsurance recoverables from:	R0270
Non-life and health similar to non-life	R0280
Non-life excluding health	R0290
Health similar to non-life	R0300
Life and health similar to life, excluding health and index-linked and unit-linked	R0310
Health similar to life	R0320
Life excluding health and index-linked and unit-linked	R0330
Life index-linked and unit-linked	R0340
Deposits to cedants	R0350
Insurance and intermediaries receivables	R0360
Reinsurance receivables	R0370
Receivables (trade, not insurance)	R0380
Own shares	R0390
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400
Cash and cash equivalents	R0410
Any other assets, not elsewhere shown	R0420
Total assets	R0500

Liabilities

Technical provisions – non-life

Technical provisions – non-life (excluding health)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - health (similar to non-life)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - life (excluding index-linked and unit-linked)

Technical provisions - health (similar to life)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions – life (excluding health and index-linked and unit-linked)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions – index-linked and unit-linked

TP calculated as a whole

Best Estimate

Risk margin

Other technical provisions

Contingent liabilities

Provisions other than technical provisions

Pension benefit obligations

Deposits from reinsurers

Deferred tax liabilities

Derivatives

Debts owed to credit institutions

Debts owed to credit institutions resident domestically

Debts owed to credit institutions resident in the euro area other than domestic

Debts owed to credit institutions resident in rest of the world

Financial liabilities other than debts owed to credit institutions

Debts owed to non-credit institutions

Debts owed to non-credit institutions resident domestically

Debts owed to non-credit institutions resident in the euro area other than domestic

Debts owed to non-credit institutions resident in rest of the world

Other financial liabilities (debt securities issued)

Insurance & intermediaries payables

Reinsurance payables

Payables (trade, not insurance)

Subordinated liabilities

Subordinated liabilities not in basic own funds

Subordinated liabilities in basic own funds

Any other liabilities, not elsewhere shown

Total liabilities**Excess of assets over liabilities**

	Solvency II value
	C0010
R0510	4,103,540
R0520	4,029,830
R0530	-
R0540	3,696,136
R0550	333,694
R0560	73,709
R0570	-
R0580	62,595
R0590	11,114
R0600	1,041,049
R0610	214,452
R0620	-
R0630	202,152
R0640	12,300
R0650	826,597
R0660	-
R0670	654,356
R0680	172,242
R0690	-
R0700	-
R0710	-
R0720	-
R0730	-
R0740	-
R0750	-
R0760	545
R0770	813,789
R0780	17,533
R0790	2,564,333
R0800	-
ER0801	
ER0802	
ER0803	
R0810	-
ER0811	
ER0812	
ER0813	
ER0814	
ER0815	
R0820	141,002
R0830	91,654
R0840	100,953
R0850	-
R0860	-
R0870	-
R0880	50,283
R0900	8,924,681
R1000	1,980,993

[illegible]

Annex I

S.05.01.02

Premiums, claims and expenses by line of business

Tuesday 31 December 2019

€'000

Line of Business for: life obligations						Life reinsurance obligations		Total
Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligations	Health reinsurance	Life reinsurance	
C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written								
Gross	R1410					121,412	783,915	905,326
Reinsurers' share	R1420					79,588	472,616	552,204
Net	R1500					41,823	311,299	353,122
Premiums earned								
Gross	R1510					120,335	782,509	902,844
Reinsurers' share	R1520					78,786	471,504	550,290
Net	R1600					41,549	311,005	352,554
Claims incurred								
Gross	R1610					86,319	683,698	770,018
Reinsurers' share	R1620					55,356	419,095	474,451
Net	R1700					30,963	264,603	295,567
Changes in other technical provisions								
Gross	R1710					-	-	-
Reinsurers' share	R1720					-	-	-
Net	R1800					-	-	-
Expenses incurred	R1900					16,086	52,856	68,942
Other expenses	R2500							
Total expenses	R2600							68,942
Total amount of surrenders	R2700							

Annex I
S.05.02.01
Premiums, claims and expenses by country
Tuesday 31 December 2019
€'000

	Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
			(US) United States	(GB) United Kingdom	(DE) Germany	(CH) Switzerland	(NL) Netherlands
	C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written							
Gross - Direct Business	R0110	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0120	7,501	1,120,329	457,541	390,058	137,792	57,297
Gross - Non-proportional reinsurance accepted	R0130	961	249,131	63,385	99,046	36,670	8,978
Reinsurers' share	R0140	5,858	917,173	344,998	327,512	117,111	46,862
Net	R0200	2,604	452,287	175,928	161,592	57,351	19,414
Premiums earned							
Gross - Direct Business	R0210	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	22,956	974,632	349,814	341,916	134,487	57,974
Gross - Non-proportional reinsurance accepted	R0230	921	246,987	58,098	100,711	35,932	9,243
Reinsurers' share	R0240	15,252	831,627	276,394	300,884	116,305	47,608
Net	R0300	8,625	389,992	131,518	141,744	54,113	19,608
Claims incurred							
Gross - Direct Business	R0310	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	-4,443	628,753	222,994	232,610	104,165	32,540
Gross - Non-proportional reinsurance accepted	R0330	-2,621	96,624	18,475	74,410	-3,379	1,217
Reinsurers' share	R0340	-5,165	507,318	167,387	215,387	71,437	24,557
Net	R0400	-1,899	218,059	74,082	91,633	29,349	9,200
Changes in other technical provisions							
Gross - Direct Business	R0410	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-
Expenses incurred	R0550	7,241	155,546	55,731	51,184	20,898	9,088
Other expenses	R1200						
Total expenses	R1300		155,546				

Annex I
S.05.02.01
Premiums, claims and expenses by country
Tuesday 31 December 2019
€'000

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400			(GB) United Kingdom	(AU) Australia	(FR) France	(BM) Bermuda	(IL) Israel
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410	63,058	705,810	361,365	95,259	92,781	53,364	39,983
Reinsurers' share	R1420	39,834	427,360	209,072	63,597	58,724	29,887	26,247
Net	R1500	23,224	278,449	152,293	31,662	34,057	23,477	13,736
Premiums earned								
Gross	R1510	63,088	704,425	361,426	95,067	91,496	53,364	39,984
Reinsurers' share	R1520	39,822	426,240	209,070	63,456	57,798	29,887	26,207
Net	R1600	23,266	278,185	152,356	31,611	33,698	23,477	13,777
Claims incurred								
Gross	R1610	58,831	630,242	339,910	118,915	19,694	51,701	41,191
Reinsurers' share	R1620	37,054	384,804	199,443	80,918	11,940	29,266	26,184
Net	R1700	21,777	245,438	140,467	37,997	7,755	22,435	15,007
Changes in other technical provisions								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
Expenses incurred	R1900	5,153	49,027	20,370	5,044	8,409	3,895	6,156
Other expenses	R2500							
Total expenses	R2600		49,027					

[illegible]

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport		Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0170
Technical provisions calculated as a whole	R0010																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050																	
Technical provisions calculated as a sum of BE and RM																		
Best Estimate																		
Premium provisions																		
Gross - Total	R0060	-	208	- 12,551.32	2,418	76	-7,658	1,762	14,762	-28,264	-	-	-	932	20,452	4,673	-7,659	1,690
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	397	5,200.06	6,174	2,288	-5,317	11,599	10,820	-3,418	-	-	-	708	15,250	3,355	-828	41,034
Net Best Estimate of Premium Provisions	R0150	-	-189	- 17,751.39	-3,756	-2,212	-2,341	-9,837	3,942	-24,846	-	-	-	224	5,203	1,318	-6,831	-39,343
Claims provisions																		
Gross - Total	R0160	-	11,332	3,795	140,012	68,235	470,211	849,821	423,357	221,857	-	-	-	46,340	1,173,376	95,565	253,140	3,757,041
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	5,824	2,227	80,717	45,393	312,559	527,730	227,571	133,402	-	-	-	20,607	669,247	53,978	156,037	2,235,291
Net Best Estimate of Claims Provisions	R0250	-	5,508	1,568	59,296	22,842	157,652	322,091	195,786	88,455	-	-	-	25,733	504,128	41,587	97,103	1,521,749
Total Best estimate - gross	R0260	-	11,541	3,782	142,430	68,311	462,553	851,582	438,119	193,593	-	-	-	47,272	1,193,828	100,238	245,481	3,758,731
Total Best estimate - net	R0270	-	5,319	1,550	55,540	20,630	155,310	312,253	199,728	63,609	-	-	-	25,957	509,331	42,905	90,272	1,482,406
Risk margin	R0280	-	1,251	208	7,328	4,008	30,395	43,071	32,057	36,305	-	-	-	9,656	131,609	12,533	36,388	344,809
Amount of the transitional on Technical Provisions																		
TP as a whole	R0290																	
Best Estimate	R0300																	
Risk margin	R0310																	
Technical provisions - total																		
Technical provisions - total	R0320	-	12,791	3,990	149,758	72,319	492,947	894,654	470,177	229,899	-	-	-	56,928	1,325,437	112,771	281,869	4,103,540
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	6,221	2,232	86,891	47,681	307,242	539,329	238,391	129,984	-	-	-	21,315	684,497	57,333	155,209	2,276,325
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	-	6,570	1,758	62,868	24,638	185,705	355,325	231,786	99,915	-	-	-	35,612	640,940	55,438	126,661	1,827,214

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

		0	1	2	3	4	5	6	7	8	9	10
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											58,750
N-9	R0160	44,672	378,232	268,849	146,425	90,391	63,494	34,178	26,231	50,262	22,282	
N-8	R0170	26,860	307,974	197,402	130,952	64,723	50,345	34,992	20,704	15,607		
N-7	R0180	55,687	316,695	191,075	94,178	54,218	42,885	24,261	16,530			
N-6	R0190	39,451	311,703	208,389	117,068	65,043	61,342	47,306				
N-5	R0200	32,223	341,112	198,511	140,891	65,654	55,446					
N-4	R0210	34,688	355,018	298,091	145,536	100,726						
N-3	R0220	6,923	344,036	211,053	140,142							
N-2	R0230	38,451	353,020	279,411								
N-1	R0240	23,945	349,659									
N	R0250	16,126										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	58,750	6,406,789
N-9	R0160	22,282	1,125,016
N-8	R0170	15,607	849,558
N-7	R0180	16,530	795,530
N-6	R0190	47,306	850,303
N-5	R0200	55,446	833,837
N-4	R0210	100,726	934,059
N-3	R0220	140,142	702,155
N-2	R0230	279,411	670,883
N-1	R0240	349,659	373,605
N	R0250	16,126	16,126
Total	R0260	1,101,987	13,557,859

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

		0	1	2	3	4	5	6	7	8	9	10
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											780,019
N-9	R0160	-	-	-	-	-	-	212,309	188,601	144,958	114,630	
N-8	R0170	-	-	-	-	-	197,288	170,087	169,824	158,135		
N-7	R0180	-	-	-	-	230,290	189,614	155,052	137,902			
N-6	R0190	-	-	-	345,063	309,951	253,418	205,610				
N-5	R0200	-	-	485,049	384,109	316,216	274,756					
N-4	R0210	-	670,395	514,842	384,676	286,051						
N-3	R0220	506,369	622,985	490,328	355,305							
N-2	R0230	523,604	648,296	513,215								
N-1	R0240	446,533	707,022									
N	R0250	394,544										

		Year end (discounted data)
		C0360
Prior	R0100	748,907
N-9	R0160	109,587
N-8	R0170	154,336
N-7	R0180	132,608
N-6	R0190	196,850
N-5	R0200	260,564
N-4	R0210	270,910
N-3	R0220	335,628
N-2	R0230	489,418
N-1	R0240	677,287
N	R0250	380,945
Total	R0260	3,757,041

Basic own funds before deduction for participations in other financial sector as Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital Initial funds, members' contributions or the equivalent Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as Own funds from the financial statements that shall not be represented by the
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the

Deductions

Deductions for participations in financial and credit institutions
Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand Capital and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and non-mutual funds
Unpaid and uncalled preference shares callable on demand
A legally binding commitment to subscribe and pay for Letters of credit and guarantees under Article 96(2) of the Letters of credit and guarantees other than under Article 96(2) of Supplementary members calls under first subparagraph of Supplementary members calls - other than under first
Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities
Own shares (held directly and indirectly)
Foreseeable dividends, distributions and charges
Other basic own fund items
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business
Expected profits included in future premiums (EPIFP) - Non-life business
Total EPIFP

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	245,091,505.00	245,091,505.00			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	763,412,243.00	763,412,243.00			
R0140					
R0160	30,700,894.00				30,700,894.00
R0180	941,787,902.00	941,787,902.00			
R0220					
R0230					
R0290	1,980,992,544.00	1,950,291,650.00			30,700,894.00
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	1,980,992,544.00	1,950,291,650.00			30,700,894.00
R0510	1,950,291,650.00	1,950,291,650.00			
R0540	1,980,992,544.00	1,950,291,650.00			30,700,894.00
R0550	1,950,291,650.00	1,950,291,650.00			
R0580	1,370,401,309.00				
R0600	379,673,592.00				
R0620	144.5557%				
R0640	513.6759%				
C0060					
R0700	1,980,992,544.00				
R0710					
R0720					
R0730	1,217,580,301.00				
R0740					
R0760	763,412,243.00				
R0770	688,395,335.00				
R0780	397,596,548.00				
R0790	1,085,991,883.00				

Article 112? (Y/N)

Z0010 (2) Regular reporting

Basic Solvency Capital Requirement

Market risk

Counterparty default risk

Life underwriting risk

Health underwriting risk

Non-life underwriting risk

Diversification

Intangible asset risk

Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Adjustment due to RFF/MAP nSCR aggregation

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency Capital Requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirement for ring fenced funds

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

Method used to calculate the adjustment due to RFF/MAP nSCR aggregation

Net future discretionary benefits

	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
	C0030	C0040	C0050
R0010	396,894	396,894	-
R0020	333,489	333,489	-
R0030	410,193	410,193	-
R0040	51,049	51,049	-
R0050	735,177	735,177	-
R0060	-655,484	-655,484	
R0070	-	-	
R0100	1,271,317	1,271,317	

C0100

R0120	-
R0130	116,616
R0140	-
R0150	-17,532
R0160	-
R0200	1,370,401
R0210	-
R0220	1,370,401
R0400	-
R0410	-
R0420	-
R0430	-
R0440	-
R0450	(4) No adjustment
R0460	-

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
Tuesday 31 December 2019
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Linear formula component for non-life insurance and reinsurance obligations

MCRNL Result	R0010	C0010	287,747		
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
				C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		-	-	-
Income protection insurance and proportional reinsurance	R0030		5,319	6,333	
Workers' compensation insurance and proportional reinsurance	R0040		1,550	113,645.11	
Motor vehicle liability insurance and proportional reinsurance	R0050		55,540	22,326	
Other motor insurance and proportional reinsurance	R0060		20,630	26,408	
Marine, aviation and transport insurance and proportional reinsurance	R0070		155,310	100,924	
Fire and other damage to property insurance and proportional reinsurance	R0080		312,253	193,764	
General liability insurance and proportional reinsurance	R0090		199,728	101,572	
Credit and suretyship insurance and proportional reinsurance	R0100		63,609	86,534	
Legal expenses insurance and proportional reinsurance	R0110		-	-	
Assistance and proportional reinsurance	R0120		-	-	
Miscellaneous financial loss insurance and proportional reinsurance	R0130		-	-	
Non-proportional health reinsurance	R0140		25,957	2,724	
Non-proportional casualty reinsurance	R0150		509,331	45,941	
Non-proportional marine, aviation and transport reinsurance	R0160		42,905	15,857	
Non-proportional property reinsurance	R0170		90,272	78,434	

Linear formula component for life insurance and reinsurance obligations

MCRL Result	R0200	91,926		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
				C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		-	-	
Obligations with profit participation - future discretionary benefits	R0220		-	-	
Index-linked and unit-linked insurance obligations	R0230		-	-	
Other life (re)insurance and health (re)insurance obligations	R0240		319,168		
Total capital at risk for all life (re)insurance obligations	R0250				121,748,516

Overall MCR calculation

Linear MCR	R0300	C0070	379,674
SCR	R0310	1,370,401	
MCR cap	R0320	616,681	
MCR floor	R0330	342,600	
Combined MCR	R0340	379,674	
Absolute floor of the MCR	R0350	3,600	

Minimum Capital Requirement

R0400	379,674
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