Berkshire Hathaway Reinsurance (Ireland)

Designated Activity Company

Solvency and Financial Condition Report

at

31 December 2016

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SOLVENCY AND FINANCIAL CONDITION REPORT

Executive Summary

The European Union regulatory regime for insurance companies, known as Solvency II, came into force with effect from the 1st of January 2016. The regime requires new reporting and public disclosure arrangements by insurers and reinsurers. This document is the first Solvency and Financial Condition Report (SFCR) to be published by Berkshire Hathaway Reinsurance (Ireland) Designated Activity Company (the "Company" or "BHRID").

This report covers the business and performance of the Company; its system of governance; risk profile; valuation for solvency purposes; and capital management. The administrative body that has ultimate responsibility for all of these matters is the Board of Directors (the "Board").

A primary responsibility of the Board is to ensure that capital is adequate to cover policyholder obligations and the required solvency requirements considering the nature and scale of the business, and the expected operational requirements. A number of mechanisms are in place to evaluate those levels and the outcome of those assessments show that the Company's capital is adequate at this time and for the expected requirements in the future.

	2016		**2015**
Solvency ratios	**US$**		**US$**
Total eligible own funds to meet SCR & MCR	82,524,914		78,707,303
Solvency Capital Requirement (SCR)	70,381,183		69,448,169
Minimum Capital Requirement (MCR)	17,595,296		17,362,042
Ratio of eligible own funds to SCR	**117.25%**		**113.33%**
Ratio of eligible own funds to MCR	**469.02%**		**453.33%**

The Company's financial year runs to the 31st of December each year. The currency used for presenting the company's financial statements is U.S. Dollars (USD). Consistent with our financial statements, the Solvency II regulatory reporting currency is also USD.

There have been no material changes to the Company's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management over the reporting period.

In 2017 the Company intends to merge with Hawthorn Life DAC, another Dublin based Berkshire Hathaway Group company, with an intended effective merger date of October 1, 2017. On successful completion of the merger, the Company will cease to exist and Hawthorn Life DAC will be the surviving entity.

A. Business and Performance

A.1 Business

Name and Address of Organisation:

Berkshire Hathaway Reinsurance (Ireland) Designated Activity Company
Unit 5/6GA
Swords Business Campus
Balheary Road
Swords
Co. Dublin
Ireland

Supervisory Authority:

Central Bank of Ireland
Insurance Supervision Division
Spencer Dock
North Wall Quay
Dublin 1
Ireland

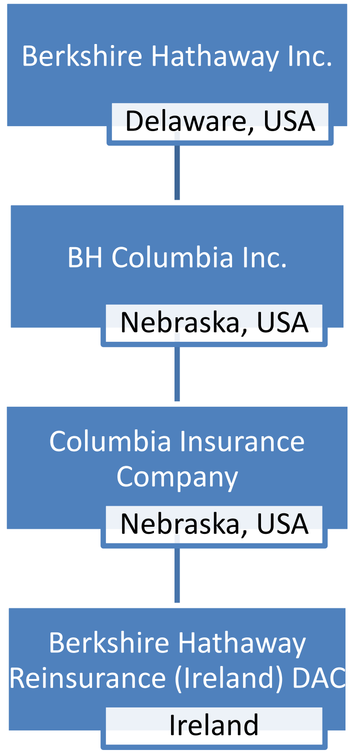
External Auditor:

Deloitte
Chartered Accountants and Statutory Audit Firm
Hardwicke House
Hatch Street
Dublin 2
Ireland

Group:

The immediate parent undertaking and immediate controlling party of the Company is Columbia Insurance Company incorporated in the United States of America. The ultimate parent undertaking and controlling party is Berkshire Hathaway Inc. registered in the United States of America.

The graph below illustrates the Company's ownership. All ownerships indicated are 100%.



The principal activity of the Company is the transaction of life retrocession insurance. The business relates to mortality, morbidity and longevity risks, primarily originating in Europe and in the Asia-Pacific region. Mortality and morbidity (critical illness incidence) are its main risks. The Company also reinsures longevity business, currently via longevity swaps.

Staff are employed by Resolute Management Limited and assigned by contract to positions within the Company. Three employees were fully assigned to the Company and located in Dublin during the reporting period: Viviana Pascoletti (Chief Executive Officer)[1], Brian Lally (Chief Financial Officer), and Rosemarie Illingworth (Office Manager). In addition, Shampa Lahiri (Compliance Officer) is also partly assigned to the Company and located in Dublin.

There were no significant business or other events that had a material impact on the Company over the reporting period to 31 December, 2016. In 2017 the Board and Shareholder of the Company intend to resolve to merge the Company with Hawthorn Life DAC, another Dublin based Berkshire Hathaway Group company, with an intended effective merger date of October 1, 2017. On successful completion of the merger, the Company will cease to exist and Hawthorn Life DAC will be the surviving entity.

A.2 Underwriting Performance

The following tables outline the underwriting performance for 2016.

[1] Viviana Pascoletti resigned as Chief Executive Officer/Executive Director on 6th April 2017 and Alastair Murray has been appointed to these positions with effect 6th April 2017.

Underwriting Performance (Premium, claims, expenses & FX on a SII basis *)

	2016 US$(m)
Premiums Written	55.7
Investment Income	0.3
Claims Incurred	(32.9)
P&L Change in Solvency II Technical Provision	(26.0)
Expenses incurred:	
Administration Expenses	(0.5)
Claims Expenses	(0.1)
Acquisition Expenses	(4.7)
Overhead Expenses	(1.1)
Other Expenses	(0.2)
Foreign Exchange	7.9
Net Underwriting Loss	**(1.6)**

** The above underwriting performance reflects Change in TP on a Solvency II basis, whereas S.05.01 and S.05.02 in the appendix are required to be on the company's financial reporting basis, which is Irish GAAP)*

The performance of the business was reasonably in line with expectations, except for the impact of lower interest rates on Technical Provisions.

Gross premium written by geographical location

	2016 US$	2015 US$
Ireland	840,041	1,172,541
Other EEA (European Economic Area)	37,754,451	36,393,630
Rest of the world	17,099,580	13,789,008
	55,694,072	51,355,179

Gross premium written and gross claims incurred by lines of business

	2016 US$		2015 US$	
	Premiums	Claims	Premiums	Claims
Mortality/Morbidity	33,842,304	11,971,573	25,945,145	10,760,433
Longevity	21,851,768	20,897,879	25,410,034	24,104,473
	55,694,072	32,869,452	51,355,179	34,864,906

A.3 Investment Performance

The Company has two classes of investments, namely Government Bonds and Collective Investment Undertakings.

The following are the investments held as at 31st December 2016, as well in the prior year. All assets are held at fair value, determined using quoted market prices and includes accrued income.

Investments

	2016 US$	2015 US$
Government Bonds	77,333,638	68,575,375
Collective Investment Undertakings	925,486	423,705
	78,259,124	68,999,080

Government Bonds

Year end 2016

Description	Coupon	Maturity	Currency	Units	US$	Bond Equivalent Yield
UK Treasury Note	1.75%	22-Jan-17	GBP	62,150,000	77,333,638	0.004%
					77,333,638	

Year end 2015

Description	Coupon	Maturity	Currency	Units	US$	Bond Equivalent Yield
UK Treasury Note	4%	07-Sep-16	GBP	30,210,000	46,232,138	0.417%
UK Treasury Note	4%	07-Sep-16	GBP	14,600,000	22,343,237	0.301%
					68,575,375	

Collective Investment Undertakings

Year end 2016

Description	Coupon	Maturity	Currency	Units	US$	% Return
US Gov. Money Market Fund	variable	N/A	USD	925,486	925,486	0.199%
					925,486	

Year end 2015

Description	Coupon	Maturity	Currency	Units	US$	% Return
US Gov. Money Market Fund	variable	N/A	USD	423,705	423,705	0.042%
					423,705	

In addition to Investments, the Company also held the following assets which generate income classed as investment income in the Company's financial statements:

Other assets

	2016 US$	2015 US$
Cash & cash equivalents	15,154,664	10,931,674
Deposits with cedants	1,997,646	2,905,003

Investment Income

	2016 US$	2015 US$
Government Bonds	189,189	202,075
Collective Investment Undertakings	1,848	177
Cash & cash equivalents	-	4,176
Income from deposits to cedants	109,045	77,809
Investment management costs	(27,144)	(16,344)
	272,938	267,893

Unrealised market gains/(losses) on government bonds recognised directly in equity as at year end 2016 was an unrealised loss of USD 8,519 (year end 2015 unrealised gain of USD 29,739).

Investments are not categorised by line of business and therefore investment management costs are reflected in Other Expenses in QRT S.05.01.02 (See Appendix).

A.4 Performance of Other Activities

In the performance of the business described in section A.1, an existing transaction incurred significant ceding commission in the prior year ended 2015 as expected due to the nature and level of new business. That transaction was closed to new business in April 2016. This contributed materially to a decrease in Acquisition Expenses in year ended 2016 compared to 2015.

	2016 US$	2015 US$
Acquisition Expenses – gross ceding commissions	4,602,813	16,852,564

There are no other activities performed by the Company other than those described in section A.1.

A.5 Any Other Information

A capital contribution of USD 20m was received in April 2016 to strengthen the Company's solvency ratio which had been negatively affected by declining interest rates and to support new business growth. The solvency ratio at the end of 2016 was 117%.

A non-material internal reinsurance arrangement was entered into after 31 December 2016 with effect from July 1, 2016. The arrangement covers any large life exposures over a specified limit.

B. System of Governance

B.1 General Information on the System of Governance

The Company's system of governance is aimed at providing for the sound and prudent management of the Company with an appropriate segregation of duties which ensures the operational independence of key control functions. It has been designed to meet all regulatory requirements arising under the Solvency II Directive and is proportionate to the nature, scale and complexity of the business.

The Company has a Board of Directors who manage the business and affairs of the Company. The Board is comprised of:

Executive Directors	Viviana Pascoletti ((Chief Executive Officer)[2] Alastair Murray (Chief Executive Officer)[3] Jonathan Collins
Group Non-Executive Directors	Stephen McArthur (Chair of the Board) Stephen Michael
Independent Non-Executive Directors	Colm Fagan Brendan McCarthy

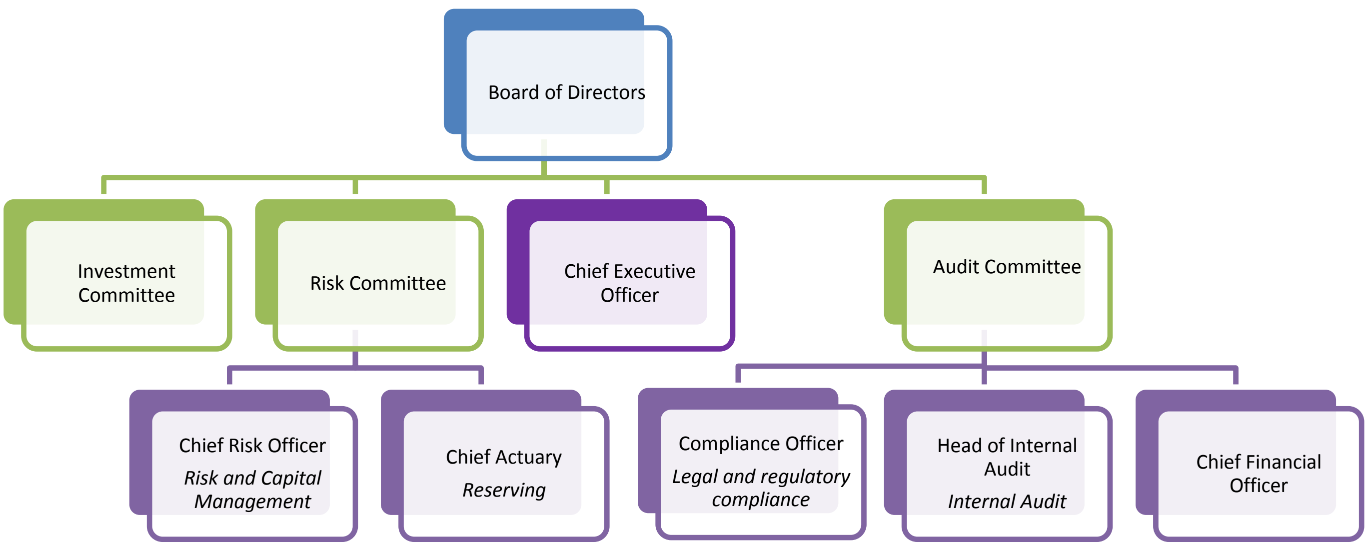
The Board is primarily responsible for:

- Effective, prudent and ethical oversight;
- Setting and overseeing business strategy; and
- Overseeing the implementation of strategy by, inter alia, reviewing reports received from management.

[2] Resigned 6th April 2017
[3] Appointed 6th April 2017

The role, responsibilities and procedures of the Board, including membership criteria and voting rights, are set out in the Board approved terms of reference which are reviewed on an annual basis. The Board delegates authorities and responsibilities to the Executive Directors who are responsible for the day to day management of the Company.

The diagram below illustrates the organisational structure of the Company, including Board sub-Committees, key functions and reporting lines. Management coordinates local strategy and risk within the broader Group discipline.



No single person has unfettered control of the Company's business. In particular, the Company's Executive Directors sit on the Company's Board of Directors and report to the Board on the Company's activities and are subject to oversight and scrutiny by the Board.

The Company is structured on the basis of an outsourced services model where many of the functions and activities of the Company are outsourced to Group companies. An important part of the Company's activities involves monitoring and governing the provision of these outsourced services against agreed service levels. The Company is part of the global Berkshire Hathaway Group, Reinsurance Division ("BHG Re"). The BHG Re teams also manage retrocession business originating from the US and Canada, with additional controls and oversight.

The system of governance is aimed at providing for the sound and prudent management of the Company, ensuring that:

- An appropriate segregation of duties is in place;
- The Internal Audit function is independent from the Company's management;
- The key control functions - risk management, compliance, actuarial and internal audit - are operationally independent.

The system of governance is established and documented by means of Board and Board sub-Committees Terms of Reference and various Company policies. The table below provides an overview of the documentation in place, by area.

Terms of Reference	Risk / Capital Management	Internal Controls	Compliance
Board	Risk Management	Internal Audit	Remuneration Policy
Audit Committee	Risk Appetite Statement	Outsourcing	Fitness and Probity
Risk Committee	ORSA	Reporting	Conflicts of Interests
Investment Committee	Reserving	Business Continuity Plan	Data Protection and Retention
	Investment	Authority Level	Compliance
	New Business Acceptance	Succession Plan	
	Capital Management		
	Retrocession		

The roles, responsibilities and procedures of the various Board sub-committees, including membership criteria and voting rights, are set out in the Board approved terms of reference which are reviewed on an annual basis.

The audit committee reports to the Board on its activities at least two times a year to coincide with important financial reporting requirements. Its primary function is to assist the Board with its oversight role with respect to:

- The integrity of financial statements and information provided to shareholders and others;
- The Company's compliance with financial regulatory requirements;
- The adequacy and effectiveness of the internal control environment implemented and maintained by management; and
- The qualifications, independence and performance of the external auditors who are accountable to the audit committee, the Board and the Company's shareholders.

The Risk Committee reports to the Board on its activities four times a year. Its primary function is to assist the Board with its oversight role with respect to:

- The effectiveness of the Company's risk management systems;
- The implementation of the Company's risk strategy and maintenance thereof;
- The oversight of Solvency II capital developments;
- The timely reporting of material deviations (if any) from defined risk appetite; and
- Monitoring the effectiveness, independence and objectivity of the Risk and Actuarial functions.

The Investment Committee duties and responsibilities are primarily to assist the Board to discharge its statutory duties and its oversight responsibilities in respect of shareholder funds and policyholder funds within the overall risk appetite and control framework of the Company.

The Company has established the following key control functions: risk management; compliance; actuarial; and internal audit. These functions are responsible for providing oversight of and challenge to the business and for providing assurance to the Board with respect to the Company's affairs. Each of the heads of the key functions is of sufficient seniority to be able to exercise critical review of the Company's business. Key function holders for actuarial, compliance and risk management have direct report lines into the Board and report to the Board quarterly on their activities, while the Compliance and Internal Audit functions report to the Audit Committee on their activities. The Internal Audit function is completely independent from business operations and has no functional responsibilities. The other key function holders, actuarial, compliance and risk management, discharge functional business responsibilities but are able to discharge their control function responsibilities with a sufficient degree of independence to the Board's satisfaction, notwithstanding their functional responsibilities.

There have been no material changes in the Company's system of governance over the reporting period.

<u>Remuneration</u>

With regards to director remuneration, all group Directors (GNEDs) are paid directly by affiliate companies within the Berkshire Hathaway Group to ensure alignment of Company objectives with shareholder interests. The Company does not make any payments of salary or bonus to its GNEDs.

Independent Non-Executive Directors (INEDs) are compensated by fixed fee payments paid quarterly in arrears. The objective of this fixed form of remuneration is to ensure that independent assessments conducted by the INEDs are uncompromised by remuneration incentives.

The remuneration of the Viviana Pascoletti (in her capacity as Chief Executive Officer) and the two other full time employees allocated to the Company consist of a fixed salary.

The Company does not offer any performance-based bonuses or incentives. Therefore, its remuneration practices are considered to promote sound and effective risk management and do not encourage excessive risk taking.

The Company, via employment by Resolute Management Limited, provides a range of benefits to employees, including contractual salary, life cover, permanent health insurance and paid holiday arrangements.

The Company pays contributions based on a percentage of salary into Personal Retirement Savings Accounts on behalf of its employees (defined contribution plans). Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. The assets of the plan are held separately from the Company in independently administered funds. Employees contribute additional voluntary contributions to suit their circumstances.

No Board member or other employee has any entitlement to shares or share options. There is no supplementary pension or early retirement schemes for the members of the Board or other key function holders.

There were no material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the Company, or with members of the Board of Directors.

Management undertakes a cyclical review of the Company's system of governance on an annual basis and reports to the Board on its findings. The most recent review was undertaken by management and reported to the Board at the November 2016 Board meeting. The Board determined that the Company's system of governance was satisfactory taking into account the results of the management review.

B.2 Fit and Proper Requirements

For persons being appointed or promoted to the Board, a Board sub-Committee, senior management or head of key function positions the Company requires each individual to possess sufficient skills and experience and otherwise meet the standards of fitness and probity as set out in the Company's *Fit and Proper Policy*.

Where a position involves a technical of formal qualification, the individual must possess the relevant university degree, technical qualification or be admitted to practice with the recognised professional body.

Where there is no technical or formal qualification required for a position, the individual must display a minimum level of experience to satisfy that they are capable of discharging the responsibilities of that position.

On an annual basis all pre-approved controlled function holders are required to sign an annual declaration confirming that they continue to meet the standards of fitness and probity as prescribed by the CBI and confirm their obligation to notify the Company immediately if there is any deviation in their compliance.

B.3 Risk Management System including the Own Risk and Solvency Assessment

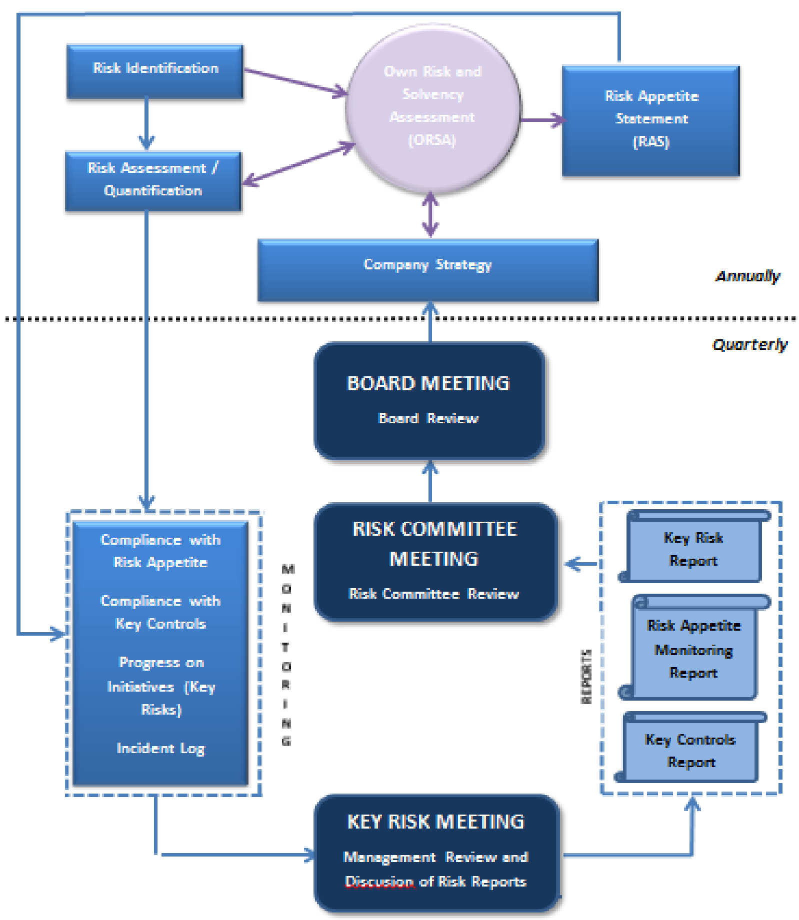
The Company's risk management system has been developed to enable the Board and management to understand and appropriately manage and mitigate the risks associated with the Company's objectives over the short, medium and longer term.

The Company's risk management strategy is to:

- Ensure that the Board and senior management take into account the information reported as part of the risk management system in the decision making process;
- Optimise the balance of risk and return by embedding effective, well integrated risk management in the business;
- Operate continuous risk management, covering all relevant risk categories, with due regard to the *Risk Appetite Statement*; and
- Promote an appropriate risk culture at all levels of the business.

The risk management system is facilitated by various on-going processes conducted throughout the annual cycle including risk identification, assessment, monitoring and measurement. Quarterly processes include the identification of any emerging risks, analysis against risk appetite, and the estimation of capital needs. The following diagram illustrates the risk management framework.

Risk Management Framework Flow Diagram



The Company has defined risk appetites and overall risk tolerance limits approved by the Board. There is quarterly monitoring and reporting of the risk appetite measures.

There is an annual process to identify and assess key risks. For the identified key risks there is quarterly reporting on monitoring and initiatives. Any new emerging risks are discussed at quarterly meetings. The Company takes advantage of Group knowledge in managing and discussing risks.

The key risk reports, risk appetite monitoring, and key controls compliance are reported quarterly to the Risk Committee, followed by an update by the Chair of the Risk Committee to the Board. A material breach would be escalated immediately as identified.

Identified key risks are quantified as part of the ORSA process. It has been determined that the Solvency II Standard Formula sufficiently captures the solvency needs for the Company risks.

The Risk Management Framework is intended to reduce, but cannot eliminate, the threats which might cause detriment to the Company. Similarly the Framework cannot provide protection with certainty against any failure of the Company to meet its business objectives, or guard against material errors, losses, fraud, or breaches of laws and regulations.

Taking all of these factors into account the Risk Management Framework is intended to provide reasonable assurance that the Company will conduct its business in an orderly and legitimate manner on a continuing basis and that reasonably foreseeable (and unforeseeable to some extent) circumstances will not prevent or limit the Company from achieving its business objectives.

Own Risk and Solvency Assessment

Every year, and on an ad-hoc basis if circumstances materially change, the Company prepares an ORSA. The objective of the ORSA process is to enable the Board and management to assess the Company's capital adequacy in the light of its assessments of its risks and the potential impacts of its risk environment, and enable it to make appropriate strategic decisions. The Board requires that the ORSA process produces meaningful reports on the adequacy of the Company's capital and risk sensitivities that can be used in shaping strategy and risk appetite.

The Board reviews the ORSA report and considers appropriate action for the business such as:

- Decisions in relation to capital;
- Reassessment of risk profile and appetite;
- Additional risk mitigation actions;

The results and conclusions contained in the ORSA Report and the Board's resultant actions and decisions, are communicated to all relevant staff, including outsourced control functions, once the report has been considered and approved by the Board.

The Company determined that the Solvency II standard formula would be used to calculate the required solvency capital and to assess the overall solvency needs. A three-year base case projection of the Solvency II Balance Sheets and Solvency Capital Requirements ('SCR') position is produced using the standard formula, as well as actuarial assumptions.

The ORSA results include a range of scenario testing that is reviewed by management and challenged by the Board and, where appropriate, potential management actions are noted and conclusions drawn.

ORSA results to date indicate that, under the scenarios presented and current capital management processes, the Company is adequately capitalised.

Chief Risk Officer

The Board has appointed a Chief Risk Officer (CRO) who reports directly to the Risk Committee and has responsibility for managing the Risk Function and monitoring the effectiveness of the risk management system. The CRO's primary responsibility is to the Board and the CRO reports to the Board periodically as well as reporting quarterly to the Risk Committee.

The Risk Function is responsible for:

- Facilitation of the setting of the risk appetite by the Board;
- Providing comprehensive and timely information on the Company's material risks which enable the Board to understand the overall risk profile of the organisation;
- Reporting to the Board on risks that have been identified as potentially material;
- Reporting on other specific areas of risks on its own initiative and following requests from the Board;
- Maintaining an aggregated view on the risk profile of the undertaking which includes identifying and assessing emerging risks and suggesting ways to deal with them appropriately;
- Regularly evaluating the design and effectiveness of the risk management system and reporting its findings to the Board, stating any shortcomings identified and giving recommendations as to how the deficiencies could be remedied;
- Coordinating each Own Risk and Solvency Assessment (ORSA);
- Coordinating risk management activities across the Company and ensuring the implementation of each risk policy;
- Coordinating risk management findings and issues with the Group;
- Analysing, assessing and documenting the effectiveness of reinsurance, including monitoring the strength of reinsurance counterparties;
- Documenting the identification and assessment of risks; and
- Maintaining a Company risk register.

The Head of Actuarial Function is consulted on all aspects of the risk management program. They are directly involved in the quarterly and annually risk reporting cycle process. They are also directly involved in the ORSA process, in particular in the setting of risk shocks.

B.4 Internal Control System

The control activities undertaken by the Company are designed to be commensurate with the nature, scale and complexity of the Company's business. Their purpose is to ensure that the Company has adequate administrative and accounting procedures and appropriate reporting arrangements to create an effective control environment. In addition, the Company seeks to ensure that the performance of tasks by individuals and organisational units does not prevent the persons concerned from discharging any particular function in a sound, honest and effective manner. Communication and monitoring of information is a key component of the internal control system. Internal policies and procedures ensure that information is shared freely between the various functions of the Company's management.

The Company's Internal Control Framework has the following features:

- A clear organisational structure with well defined, transparent and consistent lines of responsibility;
- Board members, senior management and personnel with the skills, knowledge and expertise necessary to discharge the responsibilities allocated to them properly;
- Effective processes to identify, manage, monitor and report risks to which the Company is or might be exposed;
- Adequate internal control mechanisms including sound administrative and accounting procedures, IT systems and controls;
- Integrated control and risk functions with a co-ordinated view based on effective co-operation, alignment of activities to avoid unnecessary duplication and gaps and reporting and information sharing to ensure the prompt transfer of information to all persons who need it; and
- Remunerations policies and practices that promote sound and effective risk management.

The Company requires that any outsourcing partner, be they a sister Group Company or not, manages its control environment to at least the same standards as it would employ and to adhere to the Company's policies and procedures, and employ fit and proper people in its control functions.

Compliance Function

An integral part of the internal control system is a permanent and independent compliance function, headed by the Compliance Officer, with sufficient capacity, experience, technical skills and seniority to discharge the function's responsibilities.

The compliance function is primarily responsible for:

- Providing reasonable assurance to the Board of Directors that the Company is in material compliance with relevant laws and regulation; and,
- Assessing the possible impact of any significant changes in the legal environment on the operations of the Company and the identification and assessment of compliance risk.

At a day-to-day business level, the Compliance Function:

- Identifies and evaluates compliance risks;
- Embeds within the Company procedures and policies to facilitate compliance with laws, regulations and codes of conduct to which the Company is subject;
- Reports on compliance issues to senior management and the Board;
- Act as an adviser on compliance related matters;
- Promotes a culture of compliance throughout the business; and
- Coordinates and reports more broadly within BHG Re on compliance issues.

The Company's Compliance Policy sets out the roles and responsibilities of the compliance function. The Board reviews and approves the policy at least annually, though updates it on a continuing basis to reflect legal and regulatory evolution. There were no changes to the Compliance Policy in the reporting period.

B.5 Internal Audit Function

The Internal Audit Function is internally outsourced. The independence of the internal audit function and its objectivity from the activities it reviews is achieved through:

- The function is completely separate from other administrative and operational departments;
- The function receives its mandate directly from the audit committee and is authorised to perform its roles and responsibilities at its own initiative, except for the approval of the annual internal audit plan;
- Internal audit does not undertake any additional roles within the Company, the results of which could be subject to internal audit investigations;
- Where a conflict of interest arises or is identified during the course of investigation, the auditor in question is obliged to report such conflict to the audit committee. Conflicts of interest are dealt with by removing the auditor in question from the investigation; and
- The function reports to the audit committee and not to Company management.

The Internal Audit Function also reports results to BHG Re management.

B.6 Actuarial Function

The Company has appointed a Head of Actuarial Function (HoAF) who has overall responsibility for the tasks carried out by the actuarial function as well as ensuring compliance with relevant requirements and is answerable to the Board, and Senior BHG Re management, in that regard.

The principal responsibilities of the actuarial function relate to the calculation of technical provisions i.e. ensuring that appropriate methodologies, data and assumptions are used and the reliability and accuracy of the technical provisions is assessed and quantified.

The HoAF is required to provide sufficient information in order for the Board to adequately challenge the key assumptions, expert judgements and results relating to experience analysis and the assumption setting process. Furthermore the HoAF is required to provide an annual actuarial opinion on the technical provisions to the CBI and an annual report to the Board to support the actuarial opinion.

The HoAF is also expected to provide opinions on the underwriting policy, the adequacy of the reinsurance arrangements and contribute to the effective implementation of the risk management system (including providing an opinion to the Board in respect of each ORSA process).

As the owner of the actuarial model used to calculate the technical provisions, the Actuarial Function is also responsible for the calculation of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), as well as working closely with the risk function in the producing the projections and stressed scenarios used in the ORSA. The HoAF provides an extra layer of independence and oversight of these processes.

The activities of the actuarial function are split between those involved in preparing output and/or analysis, and those activities performed by the HoAF, who provides oversight and validation.

Segmentation of duties within the actuarial function is implemented using a sign-off process involving two individuals when calculating the technical provisions and solvency capital requirements.

B.7 Outsourcing

The Company has implemented an *Outsourcing Policy* detailing the required governance of outsourced functions. The Company has four Service Agreements in place with the following companies: British Insurance Company of Cayman, Canadian Branch (Canada); National Indemnity Company (US); Resolute Management Inc. (US); and Resolute Management Ltd (UK). These companies are part of the Berkshire Hathaway Group.

The main services arrangement is with British Insurance Company of Cayman, Canadian Branch ("BICC"). The team is located in Toronto, Canada. It provides Accounting, Treaty Administration, Claims Management, Risk Management, IT and Valuation services. The teams also manage retrocession business originating from the US and Canada, and after the acquisition from Sun Life by Berkshire Hathaway, have taken over the management of other non-traditional life reinsurance transactions on behalf companies within the Berkshire Hathaway Group. Having services provided by BICC gives the Company significant benefits in respect of continuity of operation, knowledge and expertise, economies of scale, enhanced controls and robust risk management environment.

Resolute Management Inc. (US) provides Pricing support and Legal Advice.

Resolute Management Limited (UK) provides Human Resources, Expense processing and Internal Audit services to the Company.

Finally, National Indemnity Company (US) provides investment management services for the Company's invested assets portfolio.

All the outsourced services are delivered through formal service contracts with established service levels and performance targets. Full dispute resolution and termination provisions are included to ensure that the Company receives the required level of service without disruption and that any transfer of services can be managed in a way that does not adversely impact on the affairs of the Company.

Controls are in place to monitor and oversee all services; in particular the critical and important functions or activities that have been outsourced. These controls take the form of:

- Reporting by the outsource provider on material issues arising in the context of the outsourced services.
- Management’s monitoring and assessment of reports provided by the outsource provider.
- Ongoing and regular functional engagement by Company’s management with the outsourced provider by way of scheduled and ad hoc meetings and business as usual function activities.
- Annual report by management to the Board in respect of the outsourced relationships and management assessment of their performance.

B.8 Any Other Information

None

C. Risk Profile

The Company develops exposure to risks mainly through its offering of life retrocession/reinsurance cover for insurance and reinsurance companies. There is no direct to consumer business or interaction.

Mortality is the Company's main risk. Although no benefits are payable on policy lapse, lapses do have an impact on mortality risk. The Company also reinsures longevity (swaps). Longevity risk provides some level of natural hedge to life insurance mortality risk.

The Company uses the Solvency II standard formula to calculate its capital requirements, using four standard risk modules:

- Life Underwriting Risk;
- Market Risk;
- Counterparty Default Risk; and
- Operational Risk.

The Company uses the correlation matrix from the standard formula to aggregate the capital requirements arising from the four standard risk modules.

C.1 Underwriting Risk

As a reinsurer, the Company is subject primarily to mortality risk and longevity risk. Lapse and morbidity risk are ancillary risks.

Underwriting risk exposure is to adverse change in the value of insurance obligations resulting from changes in the level, trend or volatility of mortality rates. Volatility of claims results in earnings fluctuations but is not in itself a key solvency risk.

Changes to lapse rates can result in changes to future levels of mortality. There are no explicit lapse benefits payable; however lapse experience can impact profits in that given year.

C.2 Market Risk

Market 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's market risk is smaller than insurance risk and primarily arises from currency risk. Some currency mismatch arises from negative best estimate liability cash flows, the majority of which is the net receipt of New Zealand dollars, which cannot be directly currency matched. A large portion of the calculated currency risk capital is due to the reporting currency being different than the functional currency.

The interest rate solvency capital requirement is relatively small as the investments are currently in short duration (one-year or less) United Kingdom gilts and best estimate liabilities are negative, and

there is some offsetting impact on different parts of business. The Company's funding position is subject to Interest rate volatility.
Assets are invested following a "prudent person principle" by adhering to certain criteria set out in the Investment Policy, with the following limits:

- Assets with a credit rating lower than "A" are limited to 20% of the asset portfolio;
- Sufficient liquid assets to cover two years of anticipated net cash outflow:
- Investments are held in a form and location such that they are accessible at all times;
- Other than government securities, no single name shall be more than 10% of the portfolio;
- Investments in derivatives or securitised instruments are not allowed, and neither is pledging of assets.

In addition, the nature of the liabilities are considered, and any mismatch is covered by appropriate regulatory capital.

C.3 Credit Risk

Credit risk is the risk of lower returns or loss if another party fails to fulfill its financial obligations to the Company.

The Company's investments are currently in short duration (one-year or less) United Kingdom gilts and cash. Consequently there is little credit risk.

There is client counterparty risk on outstanding premiums and funds withheld.

The Company has explicit limits on the amount and quality of investments.

Credit rating analysis utilises business judgement and respected public crediting rating agencies, and multiple credit ratings when monitoring counterparty risk.

C.4 Liquidity Risk

Liquidity risk is the risk that the Company is unable to realise investments and other assets in order to settle its financial obligations as they fall due.

The Company's investments are currently in short duration (one-year or less) United Kingdom gilts and cash. Consequently there is no liquidity risk. Net cash flows from operations are expected to be positive in normal circumstances.

The expected profit included in future premiums was calculated as the sum of negative best estimate liabilities for all treaties with negative best estimate liabilities.

C.5 Operational Risk

Operational risk is different than would exist at typical insurance or reinsurance companies. As a retrocessionaire, the Company is exposed to typical reinsurance client reporting data quality and timing issues. However, as a business-to-business operation, there is lower fraud risk and lower compliance risk due to no direct interaction with policyholders.

The Company has four Service Agreements in place with companies that are part of the Berkshire Hathaway Group.

The main services arrangement is with the British Insurance Company of Cayman, Canadian Branch ("BICC") team in Toronto that provides Accounting; Treaty; Administration; Claims Management; Risk Management; IT; and Valuation services. The team also manages retrocession business originating from around the world within the Berkshire Hathaway Group. Having services provided by BICC gives the Company significant benefits in respect of continuity of operation, knowledge and expertise, strategic and new business opportunities, economies of scale, enhanced controls and robust risk management environment.

Resolute Management Inc. (US) provides Pricing support and Legal Advice.

BICC conducts Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) checks on behalf of the Company in the provision of outsourced policy administration services. The Company is committed to ensuring that the risk of money laundering and terrorist financing is minimised through compliance with all applicable AML and CTF legislation.

Cybersecurity risk refers to the effect of hostile threats exploiting vulnerabilities in information systems with the intent to cause harm to the organisation and limit the ability to achieve objectives. Through 2016 the Company has reviewed and formalised its approach to cybersecurity, aligned with wider Berkshire Hathaway group requirements, through hardware and software reviews.

C.6 Other Material Risks

Reputational Risk is the risk that adverse publicity regarding an insurer's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution. The Board and senior management ensure that all significant decisions are viewed through the prism of reputation management, and that decisions will not bring unduly adverse reputational consequences to the Company, its ultimate parent Berkshire Hathaway, or any other stakeholders. Reputation risk is a major consideration for the ultimate parent Company.

C.7 Any Other Information

Recognising that the Company is part of a much larger and robust organisation, external reinsurance is not utilised. However, in light of the relatively small size of the Company on a standalone basis, an in internal reinsurance arrangement was implemented with effect from July 1, 2016. Under the arrangement, certain larger per-life exposures are reinsured to an intra-Group company.

Detailed data on the location of insured lives is not available to assess concentration risk, but the amount of group business is small and business is spread across multiple clients and territories.

C.7.1 Stress Testing and Scenario Analysis

The Company carries out proportional stress testing and scenario analysis exercise on at least an annual basis as part of its ORSA process, and also:

- Prior to a material shareholder dividend payment;
- Prior to a material change in investment strategy; and,
- During periods of rapidly changing financial markets.

As part of the 2016 ORSA (as at 30 June 2016) the Company stressed the asset and liability cash flows for all individual risks similar to the Standard Formula. The stresses were chosen to reflect present and potential future risk profile. A scenario was also tested to compare the impact of multiple stresses combined to individual stresses.

As part of the 2016 ORSA the Company also sensitivity tested short-term volatility of the Solvency funding position. The sensitivities were on claims, interest rates and currency rates. As well, reverse sensitivity testing was performed. The sensitivities were chosen based on actual levels of short-term adverse conditions.

At the date of the most recent 2016 ORSA (as at 30 June 2016) the Company has confirmed it has sufficient financial resources to:

- Continually comply with regulatory capital requirements;
- Continually comply with technical provisions;
- Meet its risk appetite over the short and medium term; and,
- Withstand a wide range of stresses and scenarios;

D. Valuation for Solvency Purposes

D.1 Assets

Assets are recognised in conformity with International Accounting Standards (IAS) and *FRS102/103*. Where there is inconsistency between IAS and valuation principles as set out in *Article 75 of Directive 2009/138/EC* the Company uses the *Article 75* valuation method. No such inconsistency arose in year end 2016 or year-end 2015.

Article 75 of Directive 2009/138/EC states that:

> "Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction."

The Company values all assets based on the assumption that it will pursue its business as a going concern. The Company values each of its assets separately, with each asset recognising of all accrued income and expenses.

The Company does not currently use any alternative valuation methods for its assets.

There are no material differences in the valuation bases, methods and assumptions used in the valuation for solvency purposes and those used for valuation purposes within the financial statements. There have been no changes to the recognition or valuation basis over the reporting period.

The values of the Company's assets at year-end 31 December 2016 were as follows:

Asset	Category	2016 US$		2015 US$
Investments	Government Bonds	77,333,638		68,575,375
	Collective Investment Undertakings	925,486		423,705
Deposits with cedants		1,997,646		2,905,003
Insurance & intermediaries receivables		17,301,397		13,430,961
Cash & cash equivalents		15,154,664		10,931,674
Total Assets		112,712,831		96,266,718

The following valuation basis applied to assets:

- Government Bonds
  - Government bonds are valued at fair value using the current market price as quoted in an active market;
- Collective Investment Undertakings
  - Collective investment undertakings comprise US Government Money Market Fund that seeks to preserve the value of investment at US$1 per share. It is valued at current market value;
- Deposits to cedants
  - This comprises funds withheld by clients in accordance with the terms of treaty arrangements and is valued at current market value;
- Insurance and Intermediaries Receivables
  - Receivables related to outstanding premiums from clients and is recognised on an accruals basis;
- Cash and Cash Equivalents
  - Monetary assets are held at current market value;

D.2 Technical Provisions

D.2.1 Value of Technical Provisions

The technical provisions comprise the Best Estimate of the Liabilities ("BEL") and the Risk Margin. At 31 December 2016, the technical provisions were:

USD	Life	Health	Total
Best Estimate Liabilities	**(40,564,349)**	**(11,108,549)**	**(51,672,898)**
Risk Margin	54,524,391	2,280,220	56,804,611
Technical Provisions	**13,960,042**	**(8,828,329)**	**5,131,713**

D.2.2 Methods Used to Calculate Technical Provisions

The Company calculates the best estimate Best Estimate Liability (BEL) in respect of longevity and life insurance benefits using a deterministic approach where the Company derives best estimate assumptions and calculates the present value of cash-flows based on these assumptions.

Policies with similar risk characteristics and product features are grouped together for cash flow projections.

The calculations predominantly employ AXIS, a widely used PC-based actuarial system developed and maintained by GGY Inc., a specialist actuarial software company that has recently been purchased by Moody's. Other than AXIS, there are other approaches for less material blocks of business used in valuation. None of the other approaches constitute a significant simplified method. In particular:

- Group life business is valued using the unearned premium reserve method, where unearned premium reserves are determined based on the gross premiums received.
- The liabilities for a few immaterial supplementary benefits (mostly waiver of premium benefit) are calculated based on the estimated reserves for the business in other entities or similar business in the Company.
- Expense reserves for Surety Bond Premium: several clients require a guarantee to secure the liabilities. The expense reserve for future premiums is calculated as the liability duration times the annual cost of the surety bond coverage.

The risk margin is calculated as the present value of cost of capital (currently set at 6%) of the future Solvency Capital Requirements (SCR). The discount rate used in the present value calculation is the risk-free GBP rates published by EIOPA. The SCR is calculated based on the Standard Formula as described in the Delegated Acts. The projected SCRs used in the risk margin calculation include the diversified Life Underwriting risk SCR, Health Underwriting risk SCR, and operational risk SCR. GBP risk-free rate is used for discounting the cost of capital. The risk margin is calculated in a separate MS Excel spreadsheet using the projected SCRs from the AXIS model.

The determination of contract boundary is at the level of the reinsurance contract, independently from the boundaries of the underlying insurance or reinsurance contracts to which they relate. Very few treaties in the Company have contract boundaries as in general the business cannot be unilaterally terminated by the ceding clients.

The technical provisions represent a realistic estimate of the Company's future obligations with an allowance for some deviation for plausible changes in estimation in the form of the risk margin. They are not expected to be sufficient to meet the Company's obligations in all scenarios.

D.2.3 Bases and Main Assumptions used for Technical Provisions

The Best Estimate Liability (BEL) is calculated as the present value of the liability cash flows projected under the expected outcome of future events. The main best estimate assumptions influencing the level of technical provisions include:

- **Mortality and longevity** assumptions are reviewed annually in line with the mortality experience of the business. Where insufficient experience is available the Company reviews and utilises the mortality basis in industry tables. Mortality assumptions include base rates of mortality as well as future mortality improvements.
- **Morbidity** assumptions are reviewed as required in line with the morbidity experience of the business. Morbidity assumptions include incidence rates and recovery rates.
- **Lapse** rates (including recaptures) are updated as required in line with the overall termination experience of the business;
- **Expense** assumptions are updated as required in line with the most recent operational plan and are projected forward allowing for inflation and assuming that the Company is open to new business;
- **Interest rates** used in the present value calculation are the risk-free rates published by EIOPA. BHRID does not apply any matching or volatility adjustments.

D.2.4 Level of Uncertainty within Technical Provisions

Allowance for fluctuations in the timing and severity of claims is made through assumptions, including mortality, morbidity, policyholder lapse and client recapture assumptions, which are reviewed and updated as necessary in line with the actual experience of the business;

Much of the data and information sources available for use in life reinsurance and retrocession have some degree of imperfection. In addition, reporting by the reinsurance companies is often on an annual basis, creating certain expected delays in reporting. These realities of operating in the retrocession market do not prevent the use of the data and information from such sources, but they are considered in the determination of assumptions which impact the technical provisions.

D.2.5 Material Changes in Assumptions

There were no material method and assumption changes in 2016. There was a $1.6 million impact from revised client premium rates in one treaty.

The change in the Technical Provisions over the reporting period was an increase of $18.9 million, excluding the exchange rate impact from the P&L. More than half of the change (approximately $11 million increase in the Technical Provision) was due to an overall decline in interest rates for the year. The remainder of the change is attributable to a regular quarterly reserve run-off (variation of Best Estimate due to projected in and out flows including unwinding of discount) partially offset by negative liabilities from new business received in 2016.

D.2.6 Other Information Relating to Technical Provisions

With respect to Technical Provisions, the Company:

- Uses the same models and assumptions in its valuation for solvency purposes and the valuation in financial statements. The methodologies (valuation bases) are different for the two purposes;
- Does not apply the matching adjustment;

- Does not apply the volatility adjustment;
- Does not apply the transitional risk-free interest rate-term structure; and
- Does not apply the transitional deduction to technical provisions.

The Company does not use any material simplifications in the calculation of Technical Provisions (including SCR's and Risk Margin).

D.3 Other Liabilities

Other liabilities are recognised in conformity with International Accounting Standards (IAS) and *FRS102/103*. Where there is inconsistency between IAS and valuation principles as set out in *Article 75 of Directive 2009/138/EC* the Company uses the *Article 75* valuation method. No such inconsistency arose in year end 2016 or year-end 2015.

Article 75 of Directive 2009/138/EC states that:

> "Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction."

The Company values all other liabilities based on the assumption that it will pursue its business as a going concern.

The Company does not currently have any liabilities arising from lease arrangements and does not use any alternative valuation methods for its liabilities.

There are no material differences in the valuation bases, methods and assumptions used in the valuation for solvency purposes and those used for valuation purposes within the financial statements.

The values of the Company's other liabilities at year-end 31 December 2016 were as follows:

	2016		**2015**
Other liabilities	**US$**		**US$**
Insurance & intermediaries payables	23,235,187		28,060,726
Payables (trade, not insurance)	366,034		580,550
Deferred tax liabilities	1,454,984		2,695,861
Total Other Liabilities	25,056,205		31,337,137

The following valuation basis applied to other liabilities:

- Outstanding claims are valued at the full cost of claims reported by clients but not settled;
- IBNR (incurred but not reported) represents the accrued cost of estimates for claims incurred but not reported;
- Experience rated refunds are valued as per the reinsurance contract terms;
- Outstanding commission are valued as per the reinsurance contract terms;
- Operating cash clearing represents cash balances pending application by client.

Insurance & intermediaries payables, comprises:

	2016		2015
Insurance & intermediaries payables	**US$**		**US$**
Outstanding claims	5,765,522		6,962,782
IBNR	16,087,160		16,067,489
Experience rated refunds	240,361		544,727
Outstanding Commission	1,121,342		4,483,217
Operating Cash Clearing	20,802		2,511
Total	23,235,187		28,060,726

Payables (trade, not insurance)

	2016		2015
Payables (trade, not insurance)	**US$**		**US$**
Accrued operating expenses	169,257		236,567
Intercompany operating expense payables	196,777		343,983
Total	366,034		580,550

- Accrued and intercompany operating expense payables represent the outstanding and accrued invoices as at p/e, that are not classed as Insurance & intermediaries payables, mostly comprising payables for outsourced services;

Deferred tax liabilities

	2016		2015
Deferred tax liabilities	**US$**		**US$**
Deferred tax (asset) on losses forward	(812,500)		(812,500)
Deferred tax liability arising on temporary differences	2,268,549		3,508,361
Deferred tax on Other Comprehensive Income	(1,065)		-
Total	1,454,984		2,695,861

- Deferred tax asset on losses forward is valued at Irish corporation tax rate applied to the amount of losses forward the Company is confident of being able to offset against future profits;
- Deferred tax liability arising on temporary differences is valued at the Irish corporation tax rate applied to the difference between the p/e Balance Sheet on a Solvency II basis and the Balance Sheet on a tax basis;
- Deferred tax on Other Comprehensive Income (OCI) is valued at the Irish corporation tax rate applied to the unrealised investment market gains/ (losses) recognised in OCI.

D.4 Alternative Methods for Valuation

The Company does not apply any alternative methods of valuation in the calculation of any assets or liabilities.

D.5 Any Other Information

None

E. Capital Management

The Company's capital consists of share capital and retained earnings. The entire capital is considered to be unrestricted tier 1 basic own funds for Solvency II purposes. There is currently no intention that the Company will issue other forms of capital. However, should it subsequently do so, the Company will ensure before issuance that the terms and conditions of any new own funds item are clear and unambiguous, they meet the appropriate Solvency II requirements and are classified correctly.

A Company objective is to efficiently utilise excess capital held, whether by returning it to its parent or achieving a higher return through investment in new business. At the time this report, there is no set schedule for dividend payment over the three year business planning period.

The Company will maintain an appropriate buffer over SCR as per its *Risk Appetite Statement* while maintaining a *Capital Management Policy* and *Capital Management Plan.* There have been no material changes on capital management objectives, policies and processes over the reporting period.

The planning period is three years. Financial projections include consideration for potential new business. Financial projections include solvency requirements and the solvency ratio and would indicate if additional funding may be required.

All of the objectives, policies and processes described in this section have not changed over the reporting period.

E.1 Own funds

The Company's Basic Own Funds are composed of Ordinary Share Capital of $1.0m and Reconciliation Reserves amounting to $81.5m which are all classified as available Tier 1 capital. There are no deductions from own funds and no ancillary own funds. Thus the total basic own funds is eligible own funds to meet SCR and MCR.

Own Funds

		2016			2015	
		Total	Tier 1		Total	Tier 1
		US$	US$		US$	US$
	Ordinary share capital	1,000,000	1,000,000		1,000,000	1,000,000
	Reconciliation reserve*	81,524,914	81,524,914		77,707,303	77,707,303
	Deductions	-	-		-	-
Total basic own funds		**82,524,914**	**82,524,914**		**78,707,303**	**78,707,303**
	Ancillary own funds	-	-		-	-
	Total available own funds to meet SCR & MCR	82,524,914	82,524,914		78,707,303	78,707,303
Total eligible own funds to meet SCR & MCR		**82,524,914**	**82,524,914**		**78,707,303**	**78,707,303**
** See table below for calculation of the reconciliation reserve*						

		2016		2015
Reconciliation reserve		**US$**		**US$**
Excess of assets over liabilities		82,524,914		78,707,303
Less:	Ordinary share capital	1,000,000		1,000,000
Reconciliation reserve		81,524,914		77,707,303

The increase in reconciliation reserve from year end 2015 to year end 2016 is attributable to 2016 underwriting performance plus the capital contribution of US$20m received in April 2016 less the overall reduction in USD year end valuation of the Solvency II Balance Sheet primarily due to the weakening GBP FX whereby GBP 1 weakened from US$1.4745 as at y/e 2015 to US$1.2336 as at y/e 2016.

The Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) are detailed in section E.2. The ration of eligible own funds to SCR and the ration of eligible own funds to MCR are presented in the table below:

	2016		2015
Solvency ratios	**US$**		**US$**
Total eligible own funds to meet SCR & MCR	82,524,914		78,707,303
Solvency Capital Requirement (SCR)	70,381,183		69,448,169
Minimum Capital Requirement (MCR)	17,595,296		17,362,042
Ratio of eligible own funds to SCR	**117.25%**		**113.33%**
Ratio of eligible own funds to MCR	**469.02%**		**453.33%**

There is a difference between the equity as shown in the financial year ended 31 December 2016 financial statements and the excess of assets over the liabilities as calculated for solvency purposes is shown in the table below. The equity difference is due to different actuarial methods for the financial reporting versus solvency purposes. The best estimate assumptions are the same for both bases. The difference in actuarial liabilities also creates a deferred tax liability which is netted against the deferred tax asset (USD 0.8m) in the financial statements.

Reconciliation of Solvency II Excess of Assets over Liabilities to Equity in the IGAAP Financial Statements, as at 31 December 2016	
	2016
	US$
Total Equity in the IGAAP Financial Statements	66,645,070
Differences between SII and IGAAP:	
Difference in valuation of Actuarial Liabilities	18,148,393
Deferred Tax Liability arising on difference between Solvency II Balance Sheet and Irish Tax Basis (IGAAP)	(2,268,549)
Solvency II Excess of Assets over Liabilities	**82,524,914**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The amount of the Company's Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) at the end of the reporting period are USD 70.4m and USD17.6m respectively.

The Company's Solvency Capital Requirement is calculated based on the Standard Formula as prescribed in the Delegated Act. It does not use Company specific parameters and does not use simplified calculations in its computation. The "local currency" used for the calculation of the currency risk SCR is USD, the Company's Solvency II reporting currency.

The SCR components at 31 December 2016 are as follows:

Solvency Capital Requirement	**USD**
Interest Rate Risk	547,947
Currency Risk	34,134,789
Less: Diversification within Market Risk	(406,854)
Market Risk	**34,275,882**
Counterparty Default Risk	**1,166,156**
Mortality Risk	28,296,097
Longevity Risk	30,481,120
Disability Risk	7,454,792
Expense Risk	4,912,129
Catastrophe Risk	5,290,601
Lapse Risk	16,572,809
Less: Diversification within Life Underwriting Risk	(43,482,668)
Life Underwriting Risk	**49,524,880**
Disability Risk	2,511,049
Expense Risk	196,773
Lapse Risk	140,071
Less: Diversification within Health Underwriting Risk	(223,894)
Health Underwriting Risk	**2,624,000**
Less: Diversification between risk modules	(19,437,499)
Operational Risk	**2,227,763**
Total Solvency Capital Requirement	**70,381,183**

The MCR is 25% of the SCR.

E.3 Use of the Duration-Based Equity Risk Sub-Module in the calculation of the SCR

Not applicable.

E.4 Differences between the Standard Formula and any Internal Model Used

Not applicable.

E.5 Non-Compliance with the MCR and Non-Compliance with the SCR

During 2016 the Company remained in continuous material compliance with the MCR and SCR.

E.6 Any Other Information

None.

Appendix A: Annual Quantitative Reporting Templates

S.02.01.02 – Balance Sheet

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	78,259,125
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	77,333,638
R0140	*Government Bonds*	77,333,638
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	925,486
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	1,997,646
R0360	Insurance and intermediaries receivables	17,301,397
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	15,154,664
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	112,712,832

S.02.01.02 – Balance Sheet (continued)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	5,131,713
R0610	*Technical provisions - health (similar to life)*	-8,828,329
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	-11,108,550
R0640	*Risk margin*	2,280,220
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	13,960,042
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	-40,564,349
R0680	*Risk margin*	54,524,391
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	1,454,984
R0790	Derivatives	
R0800	Debts owed to credit institutions	0
ER0801	*Debts owed to credit institutions resident domestically*	
ER0802	*Debts owed to credit institutions resident in the euro area other than domestic*	
ER0803	*Debts owed to credit institutions resident in rest of the world*	
R0810	Financial liabilities other than debts owed to credit institutions	0
ER0811	*Debts owed to non-credit institutions*	0
ER0812	*Debts owed to non-credit institutions resident domestically*	
ER0813	*Debts owed to non-credit institutions resident in the euro area other than domestic*	
ER0814	*Debts owed to non-credit institutions resident in rest of the world*	
ER0815	*Other financial liabilities (debt securities issued)*	
R0820	Insurance & intermediaries payables	23,235,187
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	366,034
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	30,187,918
R1000	**Excess of assets over liabilities**	82,524,914

S.05.01.02 – Premium, Claims & Expenses by Line of Business

	Life	Life reinsurance obligations		Total
		Health reinsurance	Life reinsurance	
		C0270	C0280	C0300
	Premiums written			
R1410	*Gross*	4,828,597.12	50,865,474.50	55,694,071.62
R1420	*Reinsurers' share*			0.00
R1500	*Net*	4,828,597.12	50,865,474.50	55,694,071.62
	Premiums earned			
R1510	*Gross*	4,828,597.12	50,865,474.50	55,694,071.62
R1520	*Reinsurers' share*			0.00
R1600	*Net*	4,828,597.12	50,865,474.50	55,694,071.62
	Claims incurred			
R1610	*Gross*	1,354,217.91	31,515,234.15	32,869,452.06
R1620	*Reinsurers' share*			0.00
R1700	*Net*	1,354,217.91	31,515,234.15	32,869,452.06
	Changes in other technical provisions			
R1710	*Gross*	-10,292,304.33	26,598,973.52	16,306,669.19
R1720	*Reinsurers' share*			0.00
R1800	*Net*	-10,292,304.33	26,598,973.52	16,306,669.19
R1900	**Expenses incurred**	1,167,568.88	5,201,042.50	6,368,611.38
R2500	**Other expenses**			246,487.58
R2600	**Total expenses**			6,615,098.96

S.05.02.02 – Premium, Claims & Expenses by Country

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Life	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
R1400			GB	NZ				
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	*Gross*	840,041.28	33,025,154.49	17,096,325.30				50,961,521.07
R1420	*Reinsurers' share*							0.00
R1500	*Net*	840,041.28	33,025,154.49	17,096,325.30	0.00	0.00	0.00	50,961,521.07
	Premiums earned							
R1510	*Gross*	840,041.28	33,025,154.49	17,096,325.30				50,961,521.07
R1520	*Reinsurers' share*							0.00
R1600	*Net*	840,041.28	33,025,154.49	17,096,325.30	0.00	0.00	0.00	50,961,521.07
	Claims incurred							
R1610	*Gross*	235,765.61	25,279,607.54	6,187,837.06				31,703,210.21
R1620	*Reinsurers' share*							0.00
R1700	*Net*	235,765.61	25,279,607.54	6,187,837.06	0.00	0.00	0.00	31,703,210.21
	Changes in other technical provisions							
R1710	*Gross*	3,054,040.45	21,134,905.09	-16,910,477.19				7,278,468.35
R1720	*Reinsurers' share*							0.00
R1800	*Net*	3,054,040.45	21,134,905.09	-16,910,477.19	0.00	0.00	0.00	7,278,468.35
R1900	**Expenses incurred**	48,231.94	1,525,603.82	4,054,807.27				5,628,643.03
R2500	**Other expenses**							246,487.58
R2600	**Total expenses**							5,875,130.61

Note to S.05.02.02: The information provided by country is completed for the home country and the countries with the biggest amount of gross written premium until exceeding 90% of the total gross written premium.

S.12.01.02 – Life & Health SLT Technical Provisions

		Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0100	C0150	C0200	C0210
R0010	**Technical provisions calculated as a whole**		0.00		0.00
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole		0.00		0.00
	Technical provisions calculated as a sum of BE and RM				
	Best estimate				
R0030	**Gross Best Estimate**	-40,564,349.04	-40,564,349.04	-11,108,549.51	-11,108,549.51
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0.00		0.00
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	-40,564,349.04	-40,564,349.04	-11,108,549.51	-11,108,549.51
R0100	**Risk margin**	54,524,391.12	54,524,391.12	2,280,220.20	2,280,220.20
	Amount of the transitional on Technical Provisions				
R0110	Technical Provisions calculated as a whole		0.00		0.00
R0120	Best estimate		0.00		0.00
R0130	Risk margin		0.00		0.00
R0200	**Technical provisions - total**	13,960,042.08	13,960,042.08	-8,828,329.31	-8,828,329.31

S.23.01.01 – Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	1,000,000.00	1,000,000.00		0.00	
R0030	Share premium account related to ordinary share capital	0.00	0.00		0.00	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0.00	0.00		0.00	
R0050	Subordinated mutual member accounts	0.00		0.00	0.00	0.00
R0070	Surplus funds	0.00	0.00			
R0090	Preference shares	0.00		0.00	0.00	0.00
R0110	Share premium account related to preference shares	0.00		0.00	0.00	0.00
R0130	Reconciliation reserve	81,524,913.82	81,524,913.82			
R0140	Subordinated liabilities	0.00		0.00	0.00	0.00
R0160	An amount equal to the value of net deferred tax assets	0.00				0.00
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0.00	0.00	0.00	0.00	0.00
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0.00	< Note: this deduction now included in R0290/C0020			
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0.00				
R0290	**Total basic own funds after deductions**	82,524,913.82	82,524,913.82	0.00	0.00	0.00
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0.00				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0.00				
R0320	Unpaid and uncalled preference shares callable on demand	0.00				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0.00				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0.00				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0.00				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0390	Other ancillary own funds	0.00				
R0400	**Total ancillary own funds**	0.00			0.00	0.00
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	82,524,913.82	82,524,913.82	0.00	0.00	0.00
R0510	Total available own funds to meet the MCR	82,524,913.82	82,524,913.82	0.00	0.00	
R0540	Total eligible own funds to meet the SCR	82,524,913.82	82,524,913.82	0.00	0.00	0.00
R0550	Total eligible own funds to meet the MCR	82,524,913.82	82,524,913.82	0.00	0.00	
R0580	**SCR**	70,381,182.81				
R0600	**MCR**	17,595,295.70				
R0620	**Ratio of Eligible own funds to SCR**	117.25%				
R0640	**Ratio of Eligible own funds to MCR**	469.02%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	82,524,913.82
R0710	Own shares (held directly and indirectly)	0.00
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	1,000,000.00
R0740	Adjustment for restricted own fund items in respect of matching adjustment	0.00
R0760	**Reconciliation reserve**	81,524,913.82
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	60,812,206.45
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	60,812,206.45

S.25.01.01 – Solvency Capital Requirement – for undertakings on Standard Formula

Z0010	Article 112	Regular reporting

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
		C0030	C0040	C0050	C0080	C0090
R0010	Market risk	34,275,882.39	34,275,882.39	0.00		
R0020	Counterparty default risk	1,166,156.44	1,166,156.44	0.00		
R0030	Life underwriting risk	49,524,880.05	57,492,528.51	0.00		
R0040	Health underwriting risk	2,624,000.33	2,624,000.33	0.00		
R0050	Non-life underwriting risk		0.00	0.00		
R0060	Diversification	-19,437,499.27	-20,397,313.36			
R0070	Intangible asset risk		0.00			
R0100	**Basic Solvency Capital Requirement**	68,153,419.94	75,161,254.31			

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	2,227,762.86
R0140	Loss-absorbing capacity of technical provisions	-7,007,834.36
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	70,381,182.81
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	70,381,182.81
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment
R0460	Net future discretionary benefits	18,996,503.24

S.28.01.01 – Minimum Capital Requirement – Only life or only non life insurance or reinsurance activity

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	6,028,563.14

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk		
		C0050	C0060		
R0210	Obligations with profit participation - guaranteed benefits			3.7%	0
R0220	Obligations with profit participation - future discretionary benefits			-5.2%	0
R0230	Index-linked and unit-linked insurance obligations			0.7%	0
R0240	Other life (re)insurance and health (re)insurance obligations			2.1%	0
R0250	Total capital at risk for all life (re)insurance obligations		8,612,233,053.37	0.07%	6028563.137
				TS MCR.13	6028563.137

	Overall MCR calculation	C0070
R0300	Linear MCR	6,028,563.14
R0310	SCR	70,381,182.81
R0320	MCR cap	31,671,532.26
R0330	MCR floor	17,595,295.70
R0340	Combined MCR	17,595,295.70
R0350	Absolute floor of the MCR	3,798,942.41
R0400	**Minimum Capital Requirement**	17,595,295.70