

# Classic Brand Europe DAC

**Solvency and Financial Condition Report (“SFCR”) for the financial  
year ended 31 December 2016**

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## **Executive Summary**

The new, harmonised EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by (re)insurers. This document is the first version of the Solvency and Financial Condition Report (“SFCR”) that is required to be prepared by Classic Brand Europe DAC (“the Company”).

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

## **Company Background**

Classic Brand Europe DAC is a company incorporated in Ireland and is authorised by the Central Bank of Ireland as a composite reinsurance undertaking in accordance with the provisions of the European Union (Insurance and Reinsurance) Regulations.

The Company is a non-life captive reinsurance undertaking that assumes by reinsurance, both life and non-life risks, in respect of group companies of The Coca-Cola European Partners Group.

## **Business and Performance**

The Company has a balance on the technical account for non-life insurance business of a €222K loss for the financial year ended 31 December 2016 (2015: €906k profit). The directors consider both the level of business and the year-end financial position to be satisfactory.

The Company's assets are prudently invested, providing access to funds at short notice taking into account the liquidity requirements of the business and the nature and timing of insurance liabilities.

## **System of Governance**

The Company is subject to the the Central Bank of Ireland's Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015. The corporate governance principles of the Company are implemented via the following Corporate Governance Framework:

- Board of Directors
- Outsourced Service Providers
- Internal Control Framework
- Risk Management Framework
- Compliance Function
- Audit – Internal & External

## **Outsourced Activities**

The following is a list of the important outsourced operational functions together with the jurisdiction in which the service providers of such functions or activities are located:

Critical Outsourcing Arrangements				
Outsourced Provider	Service Outsourced	Internal/External	Jurisdiction	Outsourcing Oversight
Marsh Management Services (Dublin) Limited	Captive Manager	External	European Union	Chairman ( PCF-3)
	Compliance Function			
	Internal Audit Function			
KPMG	Head of Actuarial Function	External	European Union	

## Risk Profile

The following table outlines the material risks to which the Company is exposed as well as the undiversified capital charge associated with those risks as at 31 December 2016.

Risk	Capital Charge €
Non-life underwriting risk	1,164,470
Health underwriting risk	1,686,148
Life underwriting risk	2,210,675
Market risk	8,646,227
Counterparty default risk	1,302,328

These risks are described in further detail in Section C of this report.

## Valuation for Solvency Purposes

The Company's assets and liabilities are valued on a best estimate basis under Solvency II methodology. This differs in some respects from the GAAP valuations presented in the financial statements. In particular, the technical provisions in the Solvency II balance sheet represent the present value of all future cash flows required to settle the insurance and reinsurance obligations over the lifetime of those obligations. A risk margin is also included within the Solvency II technical provisions, which represents the cost to the Company of holding an amount of eligible own funds equal to the Solvency Capital Requirement ("SCR") necessary to support insurance and reinsurance obligations over the lifetime of those obligations. Section D of this report compares in detail the Solvency II balance sheet with that included in the financial statements

## Capital Management

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the basis of the ORSA contains a three year projection of funding requirements and helps focus actions for future funding.

The Company is a single shareholder entity whose ordinary shares are fully paid up. It has no debt financing nor does it have plans to raise debt or issue new shares capital over the three year time horizon used for business planning.

The company solvency position including the individual risks is as follows:

At the end of 2016, the Company had a surplus of assets over liabilities of €13.6m on a solvency II valuation basis. This compares to a SCR requirement of €11.4m and indicates a solvency cover ratio of 119%. The MCR coverage ratio is 476%.

## **A BUSINESS and PERFORMANCE**

### **A.1 Business**

#### **A.1.1 Name and legal form of the undertaking**

Classic Brand Europe DAC (hereinafter “the Company”) is incorporated in the Republic of Ireland and is a private company limited by shares.

#### **A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking**

The Company is regulated by the Central Bank of Ireland (CBI). The CBI can be contacted at: Central Bank of Ireland, PO BOX 559, New Wapping Street, North Wall Quay, Dublin 1, Ireland.

#### **A.1.3 External auditor of the undertaking**

The independent auditors of the Company are:  
Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Street, Dublin 2, Ireland.

#### **A.1.4 Holders of Qualifying Holdings in the Undertaking**

The Company is wholly owned by Coca-Cola European Partners Luxembourg SARL, a company incorporated in Luxembourg.

#### **A.1.5 Legal Structure of the Group**

The ultimate parent undertaking is Coca-Cola European Partners plc, a company incorporated in the United Kingdom.

#### **A.1.6 Material lines of business and geographical areas**

The Company is a non-life captive reinsurance undertaking (life and non-life), reinsuring the property damage/business interruption, private medical insurance and employee benefits risks of Coca-Cola European Partners plc.

The material geographical area in which the Company operates is the EU.

#### **A.1.7 Significant Business events during the reporting period**

Effective 01 January 2016, the Company changed its functional and presentational currency from USD to Euro. The Company has determined its functional currency to be the Euro due to the increased exposure to Euro from the employee benefit programmes.

## A.2 Underwriting Performance

The premium income written by the Company was derived from the coverage of the life and non-life risks of Coca-Cola European Partners.

The Company reinsures the following lines of business: Property Damage/Business Interruption, private medical insurance and employee benefits. For the purposes of capital reporting these are categorised as:

Class of Business as per Local GAAP	Solvency II Class of Business
Non- Life: Property Damage/Business Interruption	Non- Life: Non Proportional Property
Non-Life : Private Medical Insurance	Health (Non-Similar to Life) – Proportional Reinsurance
Employee Benefit – (Life)	Life Reinsurance
Employee Benefit – (Disability)	Health (Similar to Life) Reinsurance

The Company has determined that the Euro (“€”) is the functional currency.

The tables below show summaries of the technical (underwriting) account for the year ended 31 December 2016 by material Line of Business and Geographical area (based on Irish GAAP):

Underwriting performance by material Line of Business and Geographical areas (including aggregate performance).

Aggregate UW Performance	31/12/2016	31/12/2015
	€'000	€'000
Gross premiums written	13,181	3,417
Gross premiums earned	12,800	5,661
Gross claims incurred	11,054	(7,997)
Gross operating expenses	(1,999)	(717)
Reinsurance balance	-	(12,052)
Allocated Investment Return	32	17
<b>Net Technical (loss)/profit</b>	<b>(222)</b>	<b>906</b>



2016	Life €	Non-Life €	Total €
Gross premiums written:			
Risks located in:			
Europe	5,652,952	7,527,740	13,180,692
Gross premiums earned	5,109,977	7,689,883	12,799,860
Gross claims incurred	(5,291,023)	(5,763,856)	(11,054,879)
Gross operating expenses	(631,197)	(1,367,902)	(1,999,099)
Gross technical result	(812,243)	558,125	(254,118)
Reinsurance balance	-	-	-
	(812,243)	558,125	(254,118)
Allocated investment return	13,554	18,049	31,603
<b>Net technical result</b>	<b>(798,689)</b>	<b>576,174</b>	<b>(222,515)</b>

2015	Life €	Non-Life €	Total €
Gross premiums written:			
Risks located in:			
Europe	555,971	2,861,066	3,417,037
Gross premiums earned	555,971	4,804,634	5,360,605
Gross claims incurred	(549,606)	8,546,683	7,997,077
Gross operating expenses	(157,841)	(559,097)	(716,938)
Gross technical result	(151,476)	12,792,220	12,640,744
Reinsurance balance	-	(11,751,597)	(11,751,597)
	(151,476)	1,040,623	889,147
Allocated investment return	2,747	14,136	16,883
<b>Net technical result</b>	<b>(148,729)</b>	<b>1,054,758</b>	<b>906,029</b>

The large increase in premium accepted is due to the inception of French and Belgian employee benefit programs in 2016. The loss in 2016 is mainly driven by loss reserves on the employee benefit business.

## A.3 Investment Performance

### A.3.1 Income and expenses arising by asset class

The Company has an investment strategy which complies with the requirements of “the prudent person principle”.

As at 31 December 2016 the Company's investment portfolio comprised the following material asset classes:

Asset Class	31/12/2016		31/12/2015	
	Amount €'000	% of portfolio	Amount €'000	% of portfolio
Cash at Bank	7,340	38%	16,996	100%
Intercompany Loan	12,000	62%	-	0%
<b>Total</b>	<b>19,340</b>	<b>100%</b>	<b>16,996</b>	<b>100%</b>

The table below sets out the investment returns by asset class:

Asset Class	31/12/2016	31/12/2015
	€'000	€'000
Cash at Bank	4	75
Intercompany Loan	62	-
<b>Total</b>	<b>66</b>	<b>75</b>

### A.3.2 Gains and losses recognised directly in equity

No gains and losses have been recognised directly in equity.

### A.3.3 Investments in securitisation

There are no investments in securitisation.

## TEMPLATES

QRT ref	QRT Template name
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses
S.05.02	Premiums, claims and expenses by country
S.12.01	Technical Provisions - Life
S.17.01	Technical Provisions – Non-life
S.19.01	Insurance claims
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement

The above templates are included at the end of the report.

## **A.4 Performance of Other Activities**

A.4.1 There have been no other significant activities undertaken by the company other than its reinsurance and related activities.

## **A.5 Any Other Information**

There are no other material matters in respect of the business and performance of the Company.

## **B SYSTEM of GOVERNANCE**

### **B.1 General information on the system of governance**

#### **B.1.1 Role and responsibilities of the administrative, management or supervisory body and key functions**

The Company is classified as a Low Risk firm under the Central Bank of Ireland's risk-based framework for the supervision of regulated firms, known as PRISM or Probability Risk and Impact System and is subject to the Central Bank of Ireland's Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015 ("The Requirements").

##### Board of Directors:

The Company's Board of Directors carries responsibility for the effective, prudent and ethical oversight of the business and set its business strategy and risk appetite. The Board of Directors is also responsible for ensuring that risk and compliance are properly managed in the company.

The current composition of the Board of Directors is as follows:

M. McEwan (Chairman)

J. King-Lavinder

J. Marshall

J.P. Lacroute

F. Govaerts

B. McDonagh

##### Independent Control Functions:

The Company has established the four key control functions in line with Solvency II requirements: risk management, actuarial, compliance and internal audit. These functions, each possessing distinct responsibilities, are tasked with providing oversight of and challenge to the business and for providing assurance to the Board in relation to the Company's control framework.

#### **Risk Management Function**

The role of the Company's risk management function is to identify and evaluate the major risks facing The Company and to facilitate the implementation of the risk management system. Having considered the nature, scale and complexity of the Company, the Board determined that the role of the RMF shall be undertaken by the captive Manager, Marsh Management Services (Dublin) Limited ("the Manager"), as approved by the Board of Directors.

The roles and responsibilities of the risk management function are set out within the risk management policy.

### **Compliance Function**

In order to effectively monitor and report on The Company's requirement to be in compliance with all applicable laws and regulatory requirements the Board of Directors has outsourced the compliance function to the Manager and an employee of the Manager has been appointed as Compliance Officer. The Compliance Officer reports to the Board.

### **Actuarial Function**

To ensure compliance with Solvency II obligations, the role of the Head of Actuarial Function ("HoAF") is outsourced to a third party provider. The HoAF reports to the Board.

### **Internal Audit Function**

The internal audit function is outsourced to the Manager. The scope of internal audit activities includes the examination and evaluation of the effectiveness of the internal control, risk management and governance systems and processes of the entire licensed entity, including the Company's outsourced activities. The Internal Audit function reports to the Board.

#### **B.1.2 Material changes in the system of governance that have taken place over the reporting period.**

No material changes regarding the system of governance of the Company took place, aside from the fact that certain functions, including actuarial function, internal audit function and risk management functions were finalised and approved by the CBI in line with Solvency II requirements.

#### **B.1.3 Remuneration policy for the administrative, management or supervisory body and employees**

##### **B.1.3.1 Remuneration policy for the administrative, management or supervisory body and employees**

The Company does not have any employees. Day to day running of the Company is handled by the Manager under a third party administrative agreement.

Hence the Company's remuneration policy refers only to the remuneration of non-group executive directors should circumstances dictate that it is necessary to appoint external Executive Directors to the Board.

The Board of Directors of the Company includes Group Directors who are remunerated via their service agreements with Coca-Cola European Partners.

##### **B.1.3.2 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body**

The Company is a non-life captive reinsurance undertaking (life and non-life), reinsuring the property damage/business interruption, private medical insurance and employee benefits risks of Coca-Cola European Partners.

There is a loan agreement in place with Bottling Holdings Luxembourg and the loan balance to the Company as at 31 December 2016 was €12m (2015: € Nil).

The Company did not enter into any transactions with key management personnel in Coca-Cola European Partners during the year ended 31 December 2016.

Mr. B. McDonagh, a director of the Company, is also a director of the Captive Administration Manager, Marsh Management Services (Dublin) Limited.

## **B.2 Fit and Proper requirements**

### **B.2.1 Requirements for skills, knowledge and expertise**

On 1 October 2010, Part 3 of the Central Bank Reform Act 2010 introduced a harmonised statutory system for the regulation by the CBI of persons performing Controlled Functions ('CFs') and Pre-Approval Controlled Functions ('PCFs') in regulated financial service providers.

On 1 December 2011 the CBI issued the Fitness & Probity Standards under Section 50 of the Central Bank Reform Act 2010 which all persons performing Controlled Functions or Pre-Approval Controlled Functions should, at a minimum, comply with.

Guidance for (Re)Insurance Undertakings on the Fitness & Probity Amendments 2015 further assist companies in complying with their obligations brought in by the Solvency II (European Union (Insurance and Reinsurance) Regulations 2015 S.I. 485 of 2015).

The Company has adopted a Fitness and Probity Policy (reviewed by the Board on an annual basis) with the purpose of ensuring that:

- persons holding key positions within the Company are assessed in terms of their fitness and probity in relation to a proposed role and on an ongoing basis;
- effective procedures are in place to undertake this assessment;
- the results of such an assessment are documented;
- the Board is satisfied that it can conclude that persons holding key positions are fit and proper;
- responsibility is assigned to ensure fitness and probity is monitored on a continuous basis;
- approval is sought from the Central Bank of Ireland ('CBI') prior to the appointment of persons performing Pre-Approval Control Functions.

### **B.2.2 Process for assessing the fitness and the propriety of the persons who effectively run the undertaking or have other key functions**

The Policy outlines the procedures that must be followed for assessing the fitness and probity of persons performing CFs and PCFS while also stipulating the requirements for instances when either of these functions are outsourced to a regulated or unregulated entity.

It also focuses on the documentation, controls and governance that are required to be in place to ensure compliance with the abovementioned Regulations.

This is achieved in the main by means of internal checklists, documentary evidence of qualifications proving suitability for the role in question, references, regulatory authority, companies' office and police authority checks and self-certifications from the applicant in the form of Curricula Vitae and the CBI Individual Questionnaires.

## **B.3 Risk management system including the own risk and solvency assessment**

### **B.3.1 Risk management system**

The Company's risk management system is set out as follows:

1. The Board sets the Company Strategy.
2. The Board sets the Risk Strategy. The Risk Strategy describes and addresses the management of all material risks that the Company is exposed to in pursuit of the Company Strategy.
3. The Board sets the Risk Appetite. The Risk Appetite sets out the desired level of risk and the maximum level of variation from its risk appetite that it is willing to accept.
4. The Board has approved a Risk Policy and other individual risk policies necessary for the implementation of its Risk Strategy, consistent with its Risk Appetite.

The Company uses the Standard Formula to assess the solvency and capital requirements.

The Company performs an Own Risk and Solvency Assessment ("ORSA") at least annually. The main purpose of performing the ORSA is to ensure that the Company engages in a process of assessing all risks inherent in the business and determining the corresponding capital needs.

In order to ensure effective risk governance, the system has been designed to identify, assess, manage and monitor and report exposure to risk. This is a continuous process subject to continuous review and development.

#### Identify

The board reviews the risk profile of the Company at least annually and the Risk Management Function reviews the risk profile on an ongoing basis to ensure that the material risks of the Company are identified and recorded in the risk register.

#### Assess

Risks identified in the risk register are then quantified by the Board with input from the Risk Management Function and tolerances are established through the development of a risk appetite statement.

#### Manage

The Board determines the minimum standards to be maintained by the Company in order to manage the risks in a way that is consistent with its risk appetite by developing suitable individual risk policies.

#### Monitor/Report

Monitoring and reporting to the Board is undertaken at least quarterly from a number of sources including the Risk Management Function, Compliance Officer and the Internal Audit Function.

Findings from the development of the risk register are considered by the Board in the preparation of the annual internal audit plans.



The result is a risk management strategy, which is led by the Board of Directors whilst being embedded in the Company's business systems, strategy and policy setting processes and the activities of the Company.

### B.3.2 Implementation of the Risk Management System

The Company recognises the need to have appropriate governance, monitoring and reporting processes and procedures which enable the Company to identify, assess, manage, monitor and report the risks it is or might be exposed to.

Responsibility for risk management is spread throughout the Company and the wider Coca-Cola European Partners group. Appropriate internal reporting procedures and feedback loops ensure that information on the risk management framework is actively monitored and managed by all relevant functions and the Board.

The Company adopts a "3 lines of defence" approach for the overall governance of its risk management system.

The Board of Directors is ultimately responsible for the risk management framework and internal control, including approval of the Company strategy and business planning.

#### 1st Line of Defence – Day to Day:

Operations – the Manager: The Manager provides day to day operations, accounting, financial reporting and administrative support services and company secretarial and regulatory reporting services on an outsourced basis to the Company.

#### 2nd Line of Defence – Oversight:

**Risk Management Function ("RMF"):** The RMF is responsible for the oversight of the ongoing development, implementation and operation of the risk management framework, strategy, related resource plan and making recommendations to the Board thereon.

**Compliance Function:** The Compliance Function is recognised as a key part of the Company's internal control system which should identify, assess, monitor and report on the compliance risk exposure of the Company. The Compliance Function also shares its responsibilities with other Company Functions which are responsible for their specific areas.

In order to help achieve its compliance objective the Board has appointed a Compliance Officer. The role of the Compliance Officer is set out in the Company's Board approved Compliance Policy.

#### 3rd Line of Defence – Independent Assessment:

**Internal Audit Function:** The Board has established an Internal Audit Function that is an independent function within the Company with a remit to examine and evaluate the functioning, effectiveness and efficiency of the internal control system and other elements of the system of governance of the Company.

The responsibilities of the Internal Audit function are set out in the Company's Board approved Internal Audit Policy. The Internal Audit Function reports to the Board.

**External Audit:** The Board recognises that the independent external auditor has an important role in the effectiveness of the governance and risk management systems of the Company. The Company is required by law to appoint an external auditor on an annual basis.

**Actuarial Function:** The role of the Actuarial Function is outsourced to third party provider via the terms of a written SLA.

### B.3.3 ORSA

#### B.3.3.1 ORSA process

The Company prepares an ORSA on an annual basis and on an ad-hoc basis, if circumstances materially change. The objective of the ORSA process is to enable the Board to assess its capital adequacy in light of the assessments of its risks and the potential impacts of its risk environment, and to enable the Company to make appropriate strategic decisions.

The ORSA process is a rolling project plan of how the ORSA is completed, the interaction and contributions from different stakeholders, the process timetable, the audit trail and the monitoring and reporting cycle.

The Company has adopted the following approach for the conduction of the ORSA process:



**Risk Management System:** Board puts in place an effective risk management framework comprising of strategies, tolerances, policies, governance, monitoring and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis, the risks to which the company is or could be exposed in pursuing its Company strategy.

**Risk Identification:** Board initiates an organised identification of all actual risks as well as emerging risks, taking into account the Company's strategy and business planning horizon.

**Risk Appetite:** Appetites and tolerance limits for the risks identified are set by the Board, which provide a basis for allocating risk capacity against the Company's exposure to particular risk categories.

**Current Business Activities, Risk Profile, Capital and Solvency:** Analysis of the current business activities, risk profile (quantitative and qualitative), calculation and analysis of regulatory

and economic capital, analysis of solvency margin cover and description and assessment of risk mitigation techniques.

**Forecast Business Activities, Risk Profile, Capital and Solvency:** Analysis of the forecast business activities, risk profile (quantitative and qualitative), calculation and analysis of regulatory and economic capital, analysis of solvency margin cover and description and assessment of risk mitigation techniques.

**Stress and Scenario Analysis:** Board assesses the effect of different stresses (including reverse stress testing) and scenarios.

**Impact on Strategy:** Output of the ORSA process is reviewed and challenged by the Board and is being continuously embedded into the Company strategy and system of governance.

#### B.3.3.2 ORSA review and approval process

The risk management process and ORSA is performed on an annual basis, after the SCR calculation or when there is a significant shift in The Company's business plan. The risk monitoring is performed on an on-going basis and the Risk Register is annually reviewed and updated during the ORSA review process.

The Board requires that the ORSA process produces meaningful reports on the adequacy of the Company's capital and that it includes 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;
- Reassessment of investment strategy.

Under the following circumstances, a non-scheduled ORSA shall be performed immediately (in addition to the scheduled ORSA):

- Significant change in the risk profile of the Company which can be defined as a major change to the business strategy/business activity/insurance program etc. ( i.e. business activities other than the Company's current underwriting activity)
- Significant changes to Non-Financial matters - Operational/Regulatory and Legal/Strategic/Group Risks.
- Significant changes in Other categories - Capital Shortage Risks/quality of capital etc.

#### B.3.3.3 Statement explaining how the undertaking has determined its own solvency needs given its risk profile and how its capital management activities and its risk management system interact with each other.

The Company determines the solvency capital and assesses the overall solvency needs using the Solvency II standard formula.

A three year base case projection of the Solvency II Balance Sheets and Solvency Capital Requirements position is produced using the standard formula, as well as actuarial assumptions. The results are subjected to 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

The Company has sufficient capital to meet its base case SCR for its current and projected business activities over the 3 year business planning horizon. The Company also exceeds its strategic minimum SCR coverage over the period.

The results of the ORSA show that the Company has sufficient eligible capital own funds to:

- Maintain a comfortable margin over its Overall Solvency Needs for its current and projected business activities over the business planning horizon;
- Continue to meet internal and regulatory solvency targets for capital management;
- Continue its business on a going concern basis over the business planning horizon.

## **B.4 Internal Control System**

### **B.4.1 Description of the internal control system**

The Board of Directors is ultimately responsible for the internal control framework, including approval of the Company strategy and business planning. Board level controls include the Board charter, Company policies, reports and minutes of Board meetings.

The Internal Control Framework of the Company has three other elements, as previously detailed in section B3.2:

First line of defence: "Day to day" operations and associated controls/  
Second Line of defence: oversight from Compliance, Risk Management functions  
3rd Line of Defence – Independent Assessment, internal audit and actuarial functions (and also external audit).

### **B.4.2 Implementation of the compliance function**

The Board of the Company has ultimate responsibility for its compliance objective.

To help achieve this aim the Board has established a Compliance Function, staffed by an appointed Compliance Officer, to supplement not supplant, the responsibilities of the Board to ensure compliance with legislation and applicable requirements.

The role of the Board appointed Compliance Officer is to:

- assist the Board with ensuring ongoing compliance with legislation and applicable requirements;
- enhancing the Company's awareness of compliance matters;
- monitor the Company's compliance with (re)insurance legislation and applicable requirements and guidelines;

- document any breaches identified, how they were addressed and whether any third party reporting of the breach is required;
- ensure that the Board is kept informed of any amendment to the applicable regulations, legislation and guidelines or the addition of any new requirements and the potential impact on the Company;
- provide opinions, recommendations, supervision and independent controls;
- provide reasonable assessment of the effectiveness and consistency of the internal processes used to control the compliance of the Company's operations and protect its reputation.

The Compliance Officer presents a Compliance Officer report to the Board at each board meeting which outlines the following:

- Details of regulatory correspondence with the Company
- Details of regulatory developments
- Details of which controls were tested since the last report and the results of the tests
- Conclusions and recommendations on the Company's compliance with reinsurance legislation and guidelines.

## **B.5 Internal audit function**

### **B.5.1 Implementation of the internal audit function**

The Company has outsourced its Internal Audit Function to the Manager. The internal audit function possesses a remit to examine and evaluate the functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance.

To this end, the Internal Audit Function is mandated to:

- establish, implement and maintain an audit plan setting out the audit work to be undertaken in the upcoming years, taking into account all activities and the complete system of governance of the Company;
- take a risk-based approach in deciding its priorities;
- report the audit plan to Board of Directors;
- issue recommendations based on the result of work carried out in accordance with (the audit plan and submit a written report on its findings and recommendations to the Board of Directors on at least an annual basis.

### **B.5.2 Independence of the internal audit function**

The internal audit function provides independent and objective assurance services, via an Internal Audit Agreement between the Company and the Manager.

### B.6 Actuarial function

The role of the Actuarial Function is outsourced to third party provider, KPMG, via the terms of a written SLA.

The key role of the Head of Actuarial Function (HoAF) is to provide the following services:

- Opinion on Underwriting Policy
- Opinion on Technical Provisions
- Opinion on Reinsurance Arrangements
- Contribution to the Risk Management System
- Contribution to calculation of capital requirements
- Opinion on the ORSA process

### B.7 Outsourcing

The Company has established an Outsourcing Policy which sets out the requirements for identifying, justifying and implementing material outsourcing arrangements. This Policy has been adopted by the Company and includes following:

- Definition of outsourcing and critical outsourcing;
- Risk Mitigation strategies;
- Board and Management responsibility;
- Due Diligence;
- Business Continuity Management (BCM);
- Contractual Arrangements;
- Management and control of the Outsourcing Relationship;
- Intra-Group Outsourcing;
- Final approval

The Company’s outsourcing arrangements are subject to annual review and the findings of the report, along with the Outsourcing Policy are reviewed by the Board.

The following is a list of the important outsourced operational functions together with the jurisdiction in which the service providers of such functions or activities are located:

Critical Outsourcing Arrangements				
Outsourced Provider	Service Outsourced	Internal/External	Jurisdiction	Outsourcing Oversight
Marsh Management Services (Dublin) Limited	Captive Manager	External	European Union	Chairman ( PCF-3)
	Compliance Function			
	Internal Audit Function			
KPMG	Head of Actuarial Function	External	European Union	

## **B.8 Assessment of the adequacy of the system of governance of the insurance or reinsurance undertaking to the nature, scale and complexity of the risks**

The Company has assessed its corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of operations of the Company.

## **B.9 Any other material information regarding the system of governance of the Company**

No material changes regarding the system of governance of the Company took place, aside from the fact that certain functions, including actuarial function, internal audit function and risk management functions were finalised and approved by the CBI in line with Solvency II requirements.



## C RISK PROFILE

### C.1 Underwriting risk

#### C.1.1 Key underwriting risks

The table below outlines the material components of the underwriting risk modules as at 31 December 2016.

Underwriting Risk	% of undiversified basic SCR
Non-Life	14%
Health (Non-Similar to Life)	19%
Life	25%
Health (Similar to Life)	8%

Underwriting risk arises from two sources – premium risk (pricing) and adverse claims development (reserve risk). There are a number of material risks that are considered as a result of the Company's (re)insurance underwriting.

The company accepts reinsurance risk through its reinsurance contracts whereby it assumes various risks of Coca-Cola European Partners. The company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The risks associated with non-life reinsurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The company uses several statistical techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

For premium risk, the Company has considered the risk of under-pricing of premiums resulting in higher loss ratios than expected. Pricing is determined by negotiation with the fronting insurers and is based on the performance of the business.

For reserve risk, the Company has considered the risk of over- and under-reserving of actual and expected claims. In this case the Company has sufficient historical premium and claims data to demonstrate a very stable insurance business written and has determined the appropriate loss ratio for the risks written.

The Company has no appetite for the underwriting of risks outside of its approved underwriting policy.

#### **Catastrophe Risk**

The risk of a major natural or man-made catastrophe event occurring while not listed in the Company's risk register has been considered but has been determined as highly unlikely given the nature and execution of the business.

### C.1.2 Assessment and risk mitigation techniques used for underwriting risks

The Company monitors and controls risks via various methods, including:

- Having in place clear underwriting and reserving philosophies and procedures and controls in relation to pricing and reserving;
- Assessing reinsurance risks with quality underwriting and claims expertise and information;
- Retaining risk within an approved risk appetite and solvency requirements;
- Transferring risk if required, through retrocession with high credit quality entities;
- Diversifying and limiting reinsurance risk through ongoing review and management;
- Monitoring changing environment and market conditions that affect risk;
- Reporting of actual positions against the Company's risk appetite metrics takes place on a quarterly basis as part of the Company's regulatory reporting process;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions;
- Independent opinion on the reasonableness and adequacy of the overall underwriting policy is provided by the Head of Actuarial Function on an annual basis.

### C.1.3 Material risk concentrations

The Company seeks to avoid concentration of risks by accepting reinsurance of risks which are sourced across several countries in Europe and across a number of lines of business.

## C.2 Market risk

### C.2.1 Material market risks

Market risk is the risk arising from the level of volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, real estate prices and exchange rates. Market risk is arrived at using the assumptions and calculations methods contained in the Standard Formula.

Investment objectives are outlined in the Company's Investment and Asset Liability Policy.

The table below outlines the material components of the market risk module as at 31 December 2016.

Market Risk sub-module	€000
Concentration	8,629
Spread	360
Currency	322

Concentration Risk: the risk that excessive exposure to counterparty will impact on the solvency of Company.

Concentration risk of EUR8.6m is the most significant market risk charge and arises from the intercompany deposit (No rating).

Spread Risk: the sensitivity of the value of investments, primarily bonds and deposits in respect of the Company, to changes in the level or in the volatility of credit spreads. Spread risk is linked to the credit rating of assets held and the effect of a market change in the credit curve.

Interest rate risk: the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates.

Interest and spread risk are not considered largely material given the nature and structure of the Company's investments. The Company has allocated an interest rate charge of €59k and a spread risk charge of €360k.

Currency risk: the risk that the Company is exposed to higher or lower returns as a direct or indirect result of fluctuations in the value of, or income from, specific assets or liabilities arising from changes in underlying exchange rates.

Currency risk arises mainly on the UK Employee Benefits and Medical lines of business which are written in GBP and is considered a material risk. The Company has allocated a currency charge of €322k.

#### C.2.2 Prudent person principle applied to market risks

The high quality and conservative investments are a consequence of the investment assets being prudently invested, taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

#### C.2.3 Assessment and risk mitigation techniques used for market risks

The Company monitors and controls market risks via various methods, including:

- Compliance with the Investment and Asset Liability Policy as approved by the Company's Board of Directors;
- Retaining risk within an approved risk appetite and solvency requirements;
- Diversifying and limiting investment risk through ongoing review and management;
- Monitoring changing environment and market conditions that affect risk;
- Reporting of actual positions against the Company's risk appetite metrics takes place on a quarterly basis as part of the Company's regulatory reporting process;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.

#### C.2.4 Material risk concentrations

Market risk concentration arises in respect of the inter-company deposit (No rating).

## C.3 Credit risk

### C.3.1 Material credit risks

Credit risk at 31 December comprises 9% of the undiversified basic SCR.

Credit risk is the risk that the Company is exposed to lower returns or loss if another party fails to perform its financial obligations towards the Company.

The counterparty default risk module in the Standard Formula is driven by cash at bank, the escrow fund and reinsurance balances receivable.

### C.3.2 Prudent person principle applied to credit risks

Counterparties are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty.

### C.3.3 Assessment and risk mitigation techniques used for credit risks

The Company monitors and controls credit risks via various methods, including:

- Minimum rating criteria for the placing of deposits and opening of bank accounts, in line with the Investment and Asset Liability Policy.
- Monitoring the credit ratings of counterparties;
- Reporting of cash, investment and liquidity positions takes place monthly as part of the Company's management accounts reporting process;
- Reporting of actual positions against the Company's risk appetite metrics takes place on a quarterly basis as part of the Company's regulatory reporting process;
- Retaining risk within an approved risk appetite and solvency requirements;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.

### C.3.4 Material risk concentrations

The credit risk exposure is concentrated in that all of the cash at bank is held with one institution. Reinsurance receivables are spread amongst a number of fronting companies.

## C.4 Liquidity risk

### C.4.1 Material liquidity risks

Liquidity risk refers to the risk that undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.

It is the Company's policy that liquidity and concentration risk is minimised as much as possible

The Company has considered the risk of a lack of liquidity available to pay insurance liabilities in its risk register. No specific allocation of capital is considered necessary for this risk.

The Company's cash in-flow is generated from premium income. Its cash out-flow consists mainly of claims payments and a small volume of administration expenses

#### C.4.2 Prudent person principle applied to liquidity risks

The investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

#### C.4.3 Assessment and risk mitigation techniques used for liquidity risks

The Company monitors and controls risks via various methods, including:

- Compliance with the Liquidity and Concentration Policy as approved by the Company's Board of Directors;
- Retaining risk within an approved risk appetite and solvency requirements;
- The Manager monitors cash movements and performs cash flow forecasting which are regularly reported to the Company;
- Reporting of cash, investment and liquidity positions takes place monthly as part of the Company's management accounts reporting process.

### C.5 Operational risk

#### C.5.1 Material operational risks

Operational risk is the risk of loss resulting from failed internal processes, people and systems or from external events. Operational risks which can result in losses include internal fraud, external fraud, employments practices, system failures and disregard of company policies.

The Company seeks to limit all operational risk through the implementation of a robust system of internal controls and procedures.

For such non-quantifiable risks, the Company has set a strategic surplus (target) as a prudent buffer to the Standard Formula calculation.

Operational risks are also addressed in the capital requirement as an addition to the BSCR to the extent that they have not been explicitly covered in other risk modules. The operational risk capital charge as at 31 December 2016 is €600k.

#### C.5.2 Assessment and risk mitigation techniques used for operational risks

The Company monitors and controls operational risks via various methods, including:

- Identifying and analysing risk through a disciplined risk assessment process;
- Mitigating or avoiding risks that do not fit within the Company's business objectives;
- Implementing a robust system of internal controls and procedures;
- Segregation of duties;
- Monitoring and internal reporting;
- Outsourcing its management to an experienced management company;
- Setting a strategic surplus target above the SCR;
- Commitment of effective corporate governance.

## C.6 Other material risks

The Company has included a range of non-quantifiable risks in its ORSA process. Documented associated actions exist for each of these risks and they are reviewed on a quarterly basis by the Board of Directors.

Sample risks include:

- Regulatory and Compliance;
- Loss of key personnel/director's resignation;
- Outsourcing.

The Company has no appetite for regulatory risk. It is the objective of the Company to be at all times in compliance with Insurance Acts and Regulations, and with Guidelines issued by the insurance supervisory authority and other applicable legislation in accordance with good corporate governance and codes of conduct.

The Board is satisfied that the Company has a succession plan in place and in the event that a director resigns or intends to resign the parent Company will provide a replacement nominee for that position as soon as possible.

The Board recognises that the Company operates on a basis of an outsourced model, whereby the day to day operations and number of key functions are outsourced; the Board is satisfied that all outsourcing agreements include an appropriate period notice.

This would provide the Company with sufficient time to find an alternative professional services provider. Additionally, performance of outsourced providers is reviewed on an annual basis and such review would flag any potential deficiencies of the individual service provider.

The Board considers that these non-quantifiable risks that are not captured by the standard model are covered by the application of a specified strategic solvency target.

## C.7 Amount of expected profit included in future premiums as calculated in accordance with Article 260(2)

N/A

## C.8 Stress and sensitivity tests

The Company's ORSA contains 4 scenarios. Stress testing is based on the largest risks per the Company's risk register, which have been determined to be:

1. Credit rating downgrade of financial institution counterparties and intercompany loan;
2. Increased loss ratio over all lines of business throughout the projection period.;
3. Impact of a 25% FX shock to the non-Euro assets and liabilities;
4. Impact of incorrect data used in modelling the SCR results of the Company.

Robust risk mitigation practices and remediation plans are in place to address these risks.

As a part of 2016 ORSA the Company considered a reverse stress test. This can be defined as a stress test that requires assessment of scenarios and circumstances that would render its business model unviable, thereby identifying potential business vulnerabilities.

In this scenario, a combination of the following stresses was tested:

- Credit rating of assets falls to "B"
- Increase in loss ratios as per Scenario 2
- Adverse movement in FX rates

This combination of stresses would cause a breach in the SCR of the Company. This is managed through the capital management policy which recognises the continued support required from the shareholder for any future capital needs the Company may have.

The results of the stress testing evidence that the Company is well capitalised at present and will have sufficient own funds to meet its overall solvency needs throughout the projection period. No further general management actions are required outside of the existing reporting and monitoring controls are in place.

## C.9 Any Other Information

The Company has identified all material risks through its risk register and there is no other material information regarding the risk profile of the Company that warrants disclosure.

## D VALUATION for SOLVENCY PURPOSES

### D.1 Assets

#### D.1.1-2 Local GAAP and Solvency II Valuations

The table below sets out the value of the Company's material assets as at 31 December 2016:

	31/12/2016		31/12/2015	
	Assets per GAAP	Assets per Solvency II	Assets per GAAP	Assets per Solvency II
	Total €'000	Total€'000	Total €'000	Total €'000
Cash and Cash Equivalents	7,340	7,647	16,996	16,996
Intercompany Loan	12,000	12,000	-	-
Reinsurance Debtors	7,595	7,595	2,075	2,075
Other debtors – escrow fund	307	-	357	357
Other Assets	121	135	71	71
Deferred Acquisition Costs	162	-	54	-
<b>Total assets</b>	<b>27,524</b>	<b>27,377</b>	<b>19,553</b>	<b>19,499</b>

The Company's assets are recognised and valued using the following principles:

#### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at fair value. Adjustment for solvency purposes relates to the reclass of the escrow fund to cash and cash equivalents.

#### Intercompany Loan

Loan to Group undertaking is measured at fair value. These assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows. The contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Deferred acquisition costs

Commissions, which are related to the acquisition of new insurance contracts and the renewal of existing insurance contracts, are deferred in the balance sheet to the extent that they are attributable to premiums unearned at the balance sheet date.

Adjustment for solvency purposes relates to the removal these deferred acquisition costs as there is no concept of deferred acquisition costs in Solvency II; future acquisition cost cash flows are valued in Solvency II technical provisions.



## D.2 Technical Provisions

### D.2.1 Local GAAP and Solvency II Valuations

The valuation of liabilities for Solvency II has been determined in accordance with Articles 75 to 86 of the Solvency II Directive 2009/138/EC and related guidance.

The table below shows an analysis of the technical provisions as at 31 December 2016:

Insurance Class	31/12/2016	
	TPs per GAAP	TPs per Solvency II
	€'000	€'000
<b>Non- Life: Property Damage/Business Interruption</b>		
Best estimate of liabilities (BEL)	3,026	1,038
Risk margin	-	49
<b>Non-Life : Private Medical Insurance</b>		
Best estimate of liabilities (BEL)	4,607	7,774
Risk margin	-	366
<b>Employee Benefit – (Life)</b>		
Best estimate of liabilities (BEL)	3,869	1,968
Risk margin	-	93
<b>Employee Benefit – (Disability)</b>		
Best estimate of liabilities (BEL)	1,211	1,173
Risk margin	-	55
<b>Total technical provisions</b>	<b>12,713</b>	<b>12,516</b>

Solvency II classes of business: Classes of business have been allocated to Solvency II line of business on the following basis:

Class of Business as per Local GAAP	Solvency II Class of Business
Non- Life: Property Damage/Business Interruption	Non- Life: Non Proportional Property
Non-Life : Private Medical Insurance	Health (Non-Similar to Life) – Proportional Reinsurance
Employee Benefit – (Life)	Life Reinsurance
Employee Benefit – (Disability)	Health (Similar to Life) Reinsurance

The GAAP accounts of the Company include provisions for claims incurred and claims incurred but not reported, which consider all reasonably foreseeable best estimates. An unearned premium reserve (“UPR”) is also included, relating to gross premiums written that have not yet expired by the end of the financial period by reference to the full term of the insurance policies to which such premiums written relate.

A number of adjustments were made to the GAAP provisions in order to obtain the Solvency II technical provisions. Key points to note are as follows:

Under Solvency II, the IFRS UPR is replaced by the SII premium provision. The premium provision relating to the unexpired period of risk is estimated by applying a loss ratio to future premium reserve. Loss ratio assumptions (which include acquisition expenses) are based on historic loss ratio experience which are and monitored quarterly for emerging claims experience during the year.

In addition an allowance is made for expected profits in future premiums by reflecting an allowance for expected future profits for business which is bound as at the valuation date and hence should be 'recognised' within the technical provisions in line with Article 17 of the Delegated Acts.

Under Solvency II, the IFRS IBNR and OSLR are transformed into Solvency II Claims Provisions. The Claims Provision is estimated as follows:

- For the PDBI treaty the Solvency II Claims Provisions is set equal to the IFRS IBNR + OSLR and they represent a best estimate view of expected future claims development
- The IFRS IBNR reserves held for the EB and PMI treaties are derived cumulatively from inception. The PMI IFRS OSLR is also derived cumulatively from inception. For Solvency II purposes any prudence built into these reserves is released to reflect a "probability-weighted average of future cash-flows". The Solvency II Claims Provision is derived from historical underwriting experience.

The Standard Model then applies half a year of discounting using the relevant EIOPA yield curves and includes an allowance for ongoing maintenance expenses.

#### Risk Margin

The risk margin has been calculated separately by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations

The annual cost of capital is taken to be 6% of the capital estimated at each future point. The risk margin is calculated without simplification.

#### D.2.2 Uncertainty associated with the value of Technical Provisions

All estimates of unpaid loss reserves are inherently uncertain. The key areas of uncertainty of the technical provisions are driven by the uncertainty of the underlying booked reserves. Hence, the key area of particular uncertainty relating to the Company's liabilities is:

The volatility of underlying experience and new trends are sources of risk within the assumption setting process.

#### D.2.3 Solvency II and local GAAP valuation differences of Technical Provisions by material line of business

See analysis in Section D2.1.

D.2.4 The Company does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

D.2.5 The Company does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

D.2.6 The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

D.2.7 The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.2.8 Recoverables from reinsurance and special purpose vehicles

There were no recoverables from reinsurance or special purpose vehicles at 31 December 2016 (2015: € Nil).

D.2.9 Material changes in relevant assumptions made in the calculation of technical provisions

No changes were introduced to the recognition and valuation bases used or to estimates during the year.

### **D.3 Other liabilities**

Other liabilities at 31 December 2016 were €1.3m (2015: €1.7m) and are composed of losses payable, trade creditors, accrued expenses and deferred tax liabilities.

Difference between the Local GAAP and Solvency II valuation is due to the inclusion of a deferred tax liability of €86k that arose on the Solvency II valuation of the technical provisions.

### **D.4 Alternative Methods for Valuation for other liabilities**

The Company does not use any alternative methods for valuation.

### **D.5 Any Other Information**

There are no other material matters in respect of the valuation of assets and liabilities.

## E CAPITAL MANAGEMENT

### E.1 Own funds

#### E.1.1 Objective, policies and processes for managing own funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the basis of the ORSA contains a three year projection of funding requirements and helps focus actions for future funding.

The Company is a single shareholder entity whose ordinary shares are fully paid up. It has no debt financing nor does it have plans to raise debt or issue new shares capital over the three year time horizon used for business planning.

The medium-term capital management plan set by the Board is as follows:

- Own funds to be maintained at an agreed level in excess of the SCR;
- Dividends will not be paid or will be deferred if doing so would cause the Company to breach its legal and regulatory requirements or fall below the abovementioned target SCR cover;
- The Company's own funds are primarily invested in cash at bank and an intercompany loan in line with the Board approved Investment and Asset Liability Policy.

#### E.1.2 Own funds analysed by tiers

An analysis of own funds is shown below:

Date	Description	Tier 1 EUR'000	Total EUR'000
1 January 2016	Opening balance comprising: Ordinary share capital Reconciliation Reserve	1,099 12,839	<b>1,099</b> <b>12,839</b>
	Movement in the Reconciliation reserve for the year ended 31 December 2016	(350)	<b>(350)</b>
31 December 2016	Closing balance	13,588	<b>13,588</b>
	<b>Represented by:</b>		
	Ordinary share capital	1,099	<b>1,099</b>
	Reconciliation reserve (comprising retained earnings and Solvency II adjustments)	12,489	<b>12,489</b>
	Total Basic own funds after deductions	13,588	<b>13,588</b>

The Company's ordinary share capital, preference shares and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a)(1) of the Delegated Regulation. The positive reconciliation reserve equals the excess of assets over liabilities less other basic own fund items, as at the reporting date. There are no foreseeable dividends or own shares held.

Effective 01 January 2016, the Company changed its functional and presentational currency from USD to Euro. The Company has determined its functional currency to be the Euro due to the increased exposure to Euro from the employee benefit programmes. The Company has no tier 1 restricted own funds and no tier 2 funds.

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

The eligible amount of own funds to cover the Solvency Capital Requirement is EUR13.588m. This is comprised of Tier 1 unrestricted Basic Own Funds of EUR13.588m.

E.1.4 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

The eligible amount of own funds to cover the Minimum Capital Requirement is EUR13.588m. This is comprised of Tier 1 unrestricted Basic Own Funds of EUR13.588m.

E.1.5 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

<b>Reconciliation of Basic Own Funds to Equity as per financial statements as at 31 December 2016</b>	
	<b>€'000</b>
Solvency II - Basic Own Funds	13,588
Total Equity as per financial statements	13,624
<b>Difference:</b>	(36)
<u>Represented by:</u>	
Difference between Net Technical Provisions and BEL	760
Risk Margin	(563)
Deferred Tax Liability	(86)
Deferred Acquisition Costs	(162)
Adjustment to other assets	15
<b>Difference:</b>	<b>(36)</b>

E.1.6 None of the Company's own funds are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC.

E.1.7 Tier 3 funds are made up of an amount equal to the value of net deferred tax assets.

E.1.8 No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

### E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the total SCR and MCR at 31 December 2016:

	€'000
SCR	11,420
MCR	2,855

The final amount of the SCR remains subject to supervisory assessment.

### E.2.2 Solvency Capital Requirement split by risk modules

The table below shows the SCR components by risk module (using the Standard Formula) at 31 December 2016.

	€
Market Risk	8,646,228
Health Underwriting Risk	1,686,149
Non-Life Underwriting Risk	1,164,470
Life Underwriting Risk	2,210,675
Default Risk	1,302,329
<b>BSCR pre Diversification</b>	<b>15,009,851</b>
Overall Diversification Benefit	-4,102,609
<b>Basic Solvency Requirements ('BSCR')</b>	<b>10,907,241</b>
Operational Risk	598,584
Deferred Tax Adjustment	-85,547
<b>SCR</b>	<b>11,420,278</b>

E.2.3 Simplified calculations are not used for any of the risk modules or sub-modules.

E.2.4 The Company does not use undertaking specific parameters in its computation.

E.2.5 The Minimum Capital Requirement is calculated using the Standard Formula specifications.

The table below shows the inputs into the MCR calculation as at 31 December 2016.

<b>MCR Overview</b>	<b>EUR'000</b>
Linear MCR	2,040
SCR	11,420
MCR cap	5,139
MCR floor	2,855
Combined MCR	2,855
Absolute floor of the MCR	1,200
<b>Minimum Capital Requirement</b>	<b>2,855</b>

E.2.6 There were no material changes to the Solvency Capital Requirement and to the Minimum Capital Requirement over the reporting period.

### **E.3 Any use of the equity risk sub-module in the calculation of the Solvency Capital Requirement.**

The Company has not opted to use the duration-based equity risk sub-module set out in Article 304 of Directive 2009/138/EC.

### **E.4 Internal model information.**

The Company applies the Standard Formula model and does not use an internal model to calculate the Solvency Capital Requirement.

### **E.5 Non compliance with the Minimum Capital Requirement and significant non-compliance with the Solvency Capital Requirement.**

There were no breaches of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

### **E.6 Any other information.**

There are no other material matters in respect of the valuation of capital management.

## TEMPLATES

QRT ref	QRT Template name
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses
S.05.02	Premiums, claims and expenses by country
S.12.01	Technical Provisions - Life
S.17.01	Technical Provisions – Non-life
S.19.01	Insurance claims
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement

The above templates are included at the end of the report.



## S.02.01.02

## Balance sheet

	Solvency II value	
	C0010	
<b>Assets</b>		
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	12,000,000
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	12000000
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	7,901,842
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	134,152
Own shares (held directly)	R0390	
	R0400	
Amounts due in respect of own fund items or initial fund called up but not yet paid in		
Cash and cash equivalents	R0410	7,340,397
Any other assets, not elsewhere shown	R0420	733
<b>Total assets</b>	<b>R0500</b>	<b>27,377,124</b>

S.02.01.02

Balance sheet

**Liabilities**

Technical provisions – non-life  
 Technical provisions – non-life (excluding health)  
     Technical provisions calculated as a whole  
     Best Estimate  
     Risk margin  
 Technical provisions - health (similar to non-life)  
     Technical provisions calculated as a whole  
     Best Estimate  
     Risk margin  
 Technical provisions - life (excluding index-linked and unit-linked)  
     Technical provisions - health (similar to life)  
         Technical provisions calculated as a whole  
         Best Estimate  
         Risk margin  
     Technical provisions – life (excluding health and index-linked and unit-linked)  
         Technical provisions calculated as a whole  
         Best Estimate  
         Risk margin  
 Technical provisions – index-linked and unit-linked  
     Technical provisions 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  
 Financial liabilities other than debts owed to credit institutions  
 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
<b>R0510</b>	9,227,289
<b>R0520</b>	1,087,328
<b>R0530</b>	
<b>R0540</b>	1,038,405
<b>R0550</b>	48,923
<b>R0560</b>	8,139,961
<b>R0570</b>	
<b>R0580</b>	7,773,716
<b>R0590</b>	366,245
<b>R0600</b>	3,288,733
<b>R0610</b>	1,227,816
<b>R0620</b>	
<b>R0630</b>	1,172,572
<b>R0640</b>	55,244
<b>R0650</b>	2,060,917
<b>R0660</b>	
<b>R0670</b>	1,968,189
<b>R0680</b>	92,728
<b>R0690</b>	
<b>R0700</b>	
<b>R0710</b>	
<b>R0720</b>	
<b>R0730</b>	
<b>R0740</b>	
<b>R0750</b>	
<b>R0760</b>	
<b>R0770</b>	
<b>R0780</b>	85,547
<b>R0790</b>	
<b>R0800</b>	
<b>R0810</b>	
<b>R0820</b>	879,876
<b>R0830</b>	
<b>R0840</b>	
<b>R0850</b>	
<b>R0860</b>	
<b>R0870</b>	
<b>R0880</b>	307,763
<b>R0900</b>	13,789,208
<b>R1000</b>	13,587,916





**S.05.02.01.01 Home Country - non-life obligations**

Z Axis:

Home country
Home country
C0080

Premiums written	Gross - Direct Business	R0110	0
	Gross - Proportional reinsurance accepted	R0120	0
	Gross - Non-proportional reinsurance accepted	R0130	0
	Reinsurers' share	R0140	0
	Net	R0200	0
Premiums earned	Gross - Direct Business	R0210	0
	Gross - Proportional reinsurance accepted	R0220	0
	Gross - Non-proportional reinsurance accepted	R0230	0
	Reinsurers' share	R0240	0
	Net	R0300	0
Claims incurred	Gross - Direct Business	R0310	0
	Gross - Proportional reinsurance accepted	R0320	0
	Gross - Non-proportional reinsurance accepted	R0330	0
	Reinsurers' share	R0340	0
	Net	R0400	0
Changes in other technical provisions	Gross - Direct Business	R0410	0
	Gross - Proportional reinsurance accepted	R0420	0
	Gross - Non-proportional reinsurance accepted	R0430	0
	Reinsurers' share	R0440	0
	Net	R0500	0
Expenses incurred		R0550	0
Other expenses		R1200	
Total expenses		R1300	

S.05.02.01.02 Top 5 countries (by amount of gross premiums written) - non-life obligations

Z Axis:

		Other than home country		
		Country (by amount of gross premiums written) - non-life		
		BELGIUM	FRANCE	UNITED KINGDOM
		C0090_22	C0090_76	C0090_233
Premiums written	Gross - Direct Business	R0110		
	Gross - Proportional reinsurance accepted	R0120	69,038	4,476,474
	Gross - Non-proportional reinsurance accepted	R0130		
	Reinsurers' share	R0140		
	Net	R0200	69,038	4,476,474
Premiums earned	Gross - Direct Business	R0210		
	Gross - Proportional reinsurance accepted	R0220	69,038	4,476,474
	Gross - Non-proportional reinsurance accepted	R0230		
	Reinsurers' share	R0240		
	Net	R0300	69,038	4,476,474
Claims incurred	Gross - Direct Business	R0310		
	Gross - Proportional reinsurance accepted	R0320	46,326	4,019,516
	Gross - Non-proportional reinsurance accepted	R0330		
	Reinsurers' share	R0340		
	Net	R0400	46,326	4,019,516
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	30,245	1,077,939	259,717
Other expenses	R1200			
Total expenses	R1300			

**S.05.02.01.03 Total Top 5 and home country - non-life obligations**

Z Axis:

Non-life and Health non-SLT
Total Top 5 and home country
C0140

Premiums written	Gross - Direct Business	R0110	0
	Gross - Proportional reinsurance accepted	R0120	7,527,740
	Gross - Non-proportional reinsurance accepted	R0130	0
	Reinsurers' share	R0140	0
	Net	R0200	7,527,740
Premiums earned	Gross - Direct Business	R0210	0
	Gross - Proportional reinsurance accepted	R0220	7,689,883
	Gross - Non-proportional reinsurance accepted	R0230	0
	Reinsurers' share	R0240	0
	Net	R0300	7,689,883
Claims incurred	Gross - Direct Business	R0310	0
	Gross - Proportional reinsurance accepted	R0320	5,763,857
	Gross - Non-proportional reinsurance accepted	R0330	0
	Reinsurers' share	R0340	0
	Net	R0400	5,763,857
Changes in other technical provisions	Gross - Direct Business	R0410	0
	Gross - Proportional reinsurance accepted	R0420	0
	Gross - Non-proportional reinsurance accepted	R0430	0
	Reinsurers' share	R0440	0
	Net	R0500	0
Expenses incurred		R0550	1,367,901
Other expenses		R1200	0
Total expenses		R1300	1,367,901

**S.05.02.01.04 Home Country - life obligations**

Z Axis:

Home country
Home country
C0220

Premiums written	Gross	R1410	0
	Reinsurers' share	R1420	0
	Net	R1500	0
Premiums earned	Gross	R1510	0
	Reinsurers' share	R1520	0
	Net	R1600	0
Claims incurred	Gross	R1610	0
	Reinsurers' share	R1620	0
	Net	R1700	0
Changes in other technical provisions	Gross	R1710	0
	Reinsurers' share	R1720	0
	Net	R1800	0
Expenses incurred		R1900	0
Other expenses		R2500	
Total expenses		R2600	



**S.05.02.01.05 Top 5 countries (by amount of gross premiums written) - life obligations**

Z Axis:

		Other than home country			
		Country (by amount of gross premiums written) - life			
		BELGIUM	FRANCE	UNITED KINGDOM	
		C0230_22	C0230_76	C0230_233	
Premiums written	Gross	R1410	1,239,136	3,155,276	1,258,540
	Reinsurers' share	R1420			
	Net	R1500	1,239,136	3,155,276	1,258,540
Premiums earned	Gross	R1510	933,596	3,155,276	1,021,105
	Reinsurers' share	R1520			
	Net	R1600	933,596	3,155,276	1,021,105
Claims incurred	Gross	R1610	871,303	3,389,082	1,030,638
	Reinsurers' share	R1620			
	Net	R1700	871,303	3,389,082	1,030,638
Changes in other technical provisions	Gross	R1710			
	Reinsurers' share	R1720			
	Net	R1800			
Expenses incurred		R1900	202,708	276,405	152,082
Other expenses		R2500			
Total expenses		R2600			

**S.05.02.01.06 Total Top 5 and home country - life obligations**

Z Axis:

Life and Health SLT
Total Top 5 and home country
C0280

Premiums written	Gross	R1410	5,652,952
	Reinsurers' share	R1420	0
	Net	R1500	5,652,952
Premiums earned	Gross	R1510	5,109,977
	Reinsurers' share	R1520	0
	Net	R1600	5,109,977
Claims incurred	Gross	R1610	5,291,023
	Reinsurers' share	R1620	0
	Net	R1700	5,291,023
Changes in other technical provisions	Gross	R1710	0
	Reinsurers' share	R1720	0
	Net	R1800	0
Expenses incurred		R1900	631,195
Other expenses		R2500	0
Total expenses		R2600	631,195





S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010
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Gross Claims Paid (non-cumulative)  
(absolute amount)

Year	Development year											In Current year C0170	Sum of years (cumulative) C0180	
	0	1	2	3	4	5	6	7	8	9	10 & +			
Prior	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	R0100		
N-9												R0160		
N-8												R0170		
N-7												R0180		
N-6												R0190		
N-5												R0200		
N-4												R0210	810269	
N-3												R0220	195455	
N-2												R0230	1395665	
N-1												R0240	8020913	
N												R0250	95605	
													R0260	10517907
														17743878

Total



S.23.01.01  
Own funds

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

Ordinary share capital (gross of own shares)  
Share premium account related to ordinary share capital  
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings  
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 basic own funds not specified above

**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

**Deductions**

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  
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand  
Unpaid and uncalled preference shares callable on demand  
A legally binding commitment to subscribe and pay for subordinated liabilities on demand  
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC  
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC  
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

**Total ancillary own funds**

**Available and eligible own funds**

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	1,098,901	1,098,901			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	12,489,015	12,489,015			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	13,587,916	13,587,916			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					

**S.23-01.01**

**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**

R0500	13,587,916	13,587,916		
R0510	13,587,916	13,587,916		
R0540	13,587,916	13,587,916		
R0550	13,587,916	13,587,916		
R0580	11,420,278			
R0600	2,855,070			
R0620	119%			
R0640	476%			

**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 Expected profits included in future premiums (EPIFP)**

C0060				
R0700	13,587,916			
R0710				
R0720				
R0730	1,098,901			
R0740				
R0760	12,489,015			
R0770				
R0780				
R0790				



S.25.01.01.21  
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplification
		C0110	C0090	C0090
Market risk	R0010	8,646,228		
Counterparty default risk	R0020	1,302,329		
Life underwriting risk	R0030	2,210,675		
Health underwriting risk	R0040	1,686,149		
Non-life underwriting risk	R0050	1,164,470		
Diversification	R0060	-4,102,609		
Intangible asset risk	R0070			
<b>Basic Solvency Capital Requirement</b>	R0100	<b>10,907,242</b>		
		C0110		
Operational risk	R0130	598,584		
Loss-absorbing capacity of technical provisions	R0140			
Loss-absorbing capacity of deferred taxes	R0150	-85,548		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			
<b>Solvency Capital Requirement excluding capital add-on</b>	R0200	<b>11,420,278</b>		
Capital add-on already set	R0210			
Solvency capital requirement	R0220	11,420,278		
<b>Other information on SCR</b>				
Capital requirement for duration-based equity risk sub-module	R0400			
Total amount of Notional Solvency Capital Requirements for remaining part	R0410			
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430			
Diversification effects due to RFF nSCR aggregation for article 304	R0440			

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

	<b>C0010</b>
MCR <sub>NL</sub> Result	<b>R0010</b> 1,034,101

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	<b>C0020</b>	<b>C0030</b>
Medical expense insurance and proportional reinsurance	<b>R0020</b> 8,139,961	6,136,645
Income protection insurance and proportional reinsurance	<b>R0030</b>	
Workers' compensation insurance and proportional reinsurance	<b>R0040</b>	
Motor vehicle liability insurance and proportional reinsurance	<b>R0050</b>	
Other motor insurance and proportional reinsurance	<b>R0060</b>	
Marine, aviation and transport insurance and proportional reinsurance	<b>R0070</b>	
Fire and other damage to property insurance and proportional reinsurance	<b>R0080</b> 1,087,328	1,391,095
General liability insurance and proportional reinsurance	<b>R0090</b>	
Credit and suretyship insurance and proportional reinsurance	<b>R0100</b>	
Legal expenses insurance and proportional reinsurance	<b>R0110</b>	
Assistance and proportional reinsurance	<b>R0120</b>	
Miscellaneous financial loss insurance and proportional reinsurance	<b>R0130</b>	
Non-proportional health reinsurance	<b>R0140</b>	
Non-proportional casualty reinsurance	<b>R0150</b>	
Non-proportional marine, aviation and transport reinsurance	<b>R0160</b>	
Non-proportional property reinsurance	<b>R0170</b>	

Linear formula component for life insurance and reinsurance obligations

	<b>C0040</b>
MCR <sub>L</sub> Result	<b>R0200</b> 1006277

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	<b>C0050</b>	<b>C0060</b>
Obligations with profit participation - guaranteed benefits	<b>R0210</b>	<del>                    </del>
Obligations with profit participation - future discretionary benefits	<b>R0220</b>	<del>                    </del>
Index-linked and unit-linked insurance obligations	<b>R0230</b>	<del>                    </del>
Other life (re)insurance and health (re)insurance obligations	<b>R0240</b> 3,288,733	<del>                    </del>
Total capital at risk for all life (re)insurance obligations	<b>R0250</b>	1,379,000,000

Overall MCR calculation

	<b>C0070</b>
Linear MCR	<b>R0300</b> 2,040,378
SCR	<b>R0310</b> 11,420,278
MCR cap	<b>R0320</b> 5,139,125
MCR floor	<b>R0330</b> 2,855,070
Combined MCR	<b>R0340</b> 2,855,070
Absolute floor of the MCR	<b>R0350</b> 1,200,000
	<b>C0070</b>
Minimum Capital Requirement	<b>R0400</b> 2,855,070