



*EVEREST.*

**Solvency and Financial Condition Report  
Everest Reinsurance Company (Ireland), dac  
For the Year Ending 31 December 2019**

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# 1. SUMMARY

## Approval by the Board of Directors

This report was reviewed and approved by the Board of Directors of Everest Reinsurance Company (Ireland) dac on 30<sup>th</sup> March 2020.

## Independent auditors report

Narrative sections D, E.1, E.2 and E.6 of the Solvency and Financial Condition Report are subject to audit review by the Company's external auditors, KPMG.

The following Quantitative Reporting Templates ('QRTs'), which are included in the Appendix, are also subject to audit by KPMG.

Template ref	Template Name
S.02.01.02	Balance Sheet
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life Claims Information
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement
S.28.01.01	Minimum Capital Requirement

The Company's reporting currency is Euro.

## Key Solvency II Metrics

	€'000	€'000
	2019	2018
<b>Solvency II Balance Sheet</b>		
Assets	814,475	645,384
Technical Provisions	368,620	317,881
Other Liabilities	38,662	38,263
Excess of Assets over Liabilities	407,193	289,240
<b>Solvency Capital Requirement (SCR)</b>		
Underwriting Risk	120,203	99,798
Counterparty Risk	10,006	2,342
Market Risk	127,756	104,287
Diversification Benefit	(57,287)	(44,232)
Basic SCR	200,677	162,195
Operational Risk	9,307	8,152
<b>Solvency Capital Requirement</b>	<b>209,985</b>	<b>170,347</b>
<b>Minimum Capital Requirement (MCR)</b>	<b>52,496</b>	<b>42,587</b>
<b>Eligible Own Funds</b>		
Tier 1 Basic Own Funds	407,193	289,240
Ratio of Eligible Own Funds to SCR	194%	170%
Ratio of Eligible Own Funds to MCR	776%	679%

**1.1 Business and performance**

Everest Reinsurance Company (Ireland), dac ('ERCID', 'the Company') is an Irish designated activity company licensed by the Central Bank of Ireland (CBI) to write all classes of non-life reinsurance business. The ultimate parent company is Everest Re Group Ltd ('Everest Re', 'the Group') which is a global (re)insurance company registered on the New York Stock Exchange.

The Company commenced writing business in 2010 and focuses on the provision of general property, casualty treaty reinsurance to (re)insurance companies ('cedants') domiciled predominantly in Continental Europe. It underwrites from its Dublin headquarters and through a branch office domiciled in Zurich, Switzerland.

The Company produces annual financial statements in accordance with Financial Reporting Standard FRS 102 & 103 ('FRS'). On this basis the Company produced a pre-tax profit for the year ended 31 December 2019 of €42.6m compared to €32.3m profit in the prior period. Gross Written Premiums ("GWP") and Net Earned Premiums ('NEP') were €251.3m and €85.3m respectively compared to €220.1m & €72.3m in the prior period.

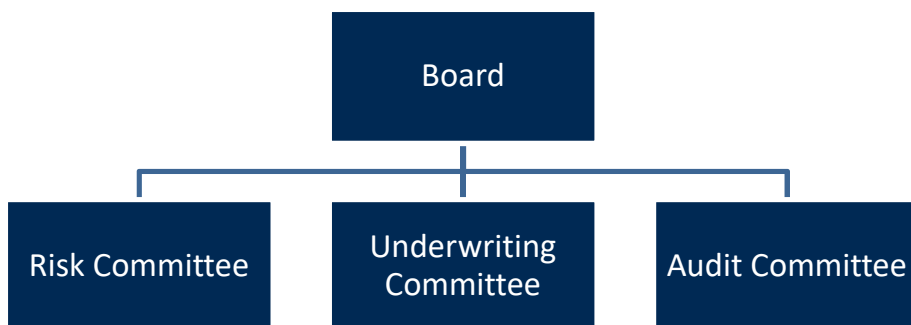
As at the period end the Company was rated 'A+ Strong' by Standard & Poor's, 'A+ Superior' by A.M Best and 'A+ Good' by Moody's.

There were no material changes to the Company's business profile in 2019 or at the time of publication.

**1.2 System of governance**

The Company is subject to the various requirements set out by the Central Bank of Ireland including the Corporate Governance Requirements for Insurance Undertakings 2015, the Probability Risk and Impact system ('PRISM') as well as those requirements imposed as part of the Everest Re Group.

The Company's Board of Directors sets corporate objectives and strategy and is responsible for ensuring that the Company's system of governance is appropriately maintained and delivered. The Company has set up a governance structure comprising of the Board and sub-committees as follows:



The Board recognizes the importance of strong corporate governance and oversees the framework and operation of the system through its Audit and Risk sub-committees.

The Chief Executive Officer ('CEO') is responsible for the day to day management of risk control within the business operations as well as delivering the strategy set by the Board and optimizing business performance within the governance and risk framework set by the Board.

The Chief Risk Officer ('CRO') and Compliance Officer ('CO') are functions independent from the operational departments and provide assurance to the Risk and Audit committees with regard to the overall operation and effectiveness of the risk management system.

Risk management, compliance, actuarial and internal audit are key functions in our system of governance. Each of these functions reports regularly to the Board, Risk Committee and/or Audit Committee.

Annual audits are carried out by the Internal Audit function. These provide the Board with an independent review of the activities of the CEO, CRO, CFO, CO and operational departments. Findings and recommendations are reported directly to the Audit Committee.

All persons who are either involved in the day to day running of the Company or hold positions in key functions are required to demonstrate that they have the appropriate level of fitness and probity to fulfill the requirements of those roles. Those persons holding positions in key functions are subject to the Central Bank of Ireland's Pre Approved Control Function (PCF) regime which requires pre-approval by the CBI before they can take up the position.

There were no material changes made to the Company's system of governance during 2019 or at the time of publication.

### 1.3 Risk profile

The Company maintains a risk register in line with the requirement of the Central Bank of Ireland's PRISM regime. The Board of Directors set the Company's risk appetite and assesses the risk profile on a regular basis. The Company carries out an Own Risk and Solvency Assessment ('ORSA') based upon its in house economic capital model which it then compares to the Solvency Capital Requirement ('SCR') output from the SII Standard Formula model.

The Company carries out a wide ranging assessment of the risks to which it is exposed. The Board has assessed these risks and considers that three key risks could either separately or in aggregate cause material impairment to capital:

- **Asset Risk**  
Asset or market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.
- **Catastrophe Risk**  
This is the risk that a single event or series of events, of major magnitude, usually over a short period could lead to a significant deviation in actual claims from the total expected claims.
- **Long Tail Reserving Risk**  
So-called Casualty classes of business carry a long settlement period and a risk of inherent volatility. Long-tail risk arises when actual claims experience differs adversely from the assumptions included in setting reserves, in large part due to the length of time between the occurrences of a loss, the reporting of the loss and the ultimate payment of the claim.

These risks are monitored on a regular basis using an internal economic risk model and management system. These are described in more detail in Section C below.

The Company purchases both whole account quota share and excess of loss reinsurance from Group affiliated entities to limit risk exposure, reduce volatility and to maintain a level of capital above the Solvency II SCR as set by the Risk Committee of the Board of Directors, which is periodically reviewed to ensure that it is aligned to Board approved risk appetite.

The Company evaluates, on an ongoing basis, loss exposures to pandemic like events such as Coronavirus/COVID-19. Our initial analysis has identified Credit and Suretyship, which includes Whole-Turnover Trade Credit ('TC') and Commercial & Political Risk ('CPR'), as the main area of exposure. The majority of policies have worldwide exposure based on the coverage provided by the major European TC & CPR Insurers which we reinsure. At the time of writing the overall impact on our Credit & Surety portfolio resulting from COVID-19 is difficult to quantify. The increase in insolvencies due to the economic slowdown may have an impact, however not all private corporate entities which may face insolvency purchase TC insurance to cover the risk. Losses to which the Company is exposed may be mitigated by risk management actions taken by credit insurers as well as individual governmental implementing schemes to support domestic economies. At the time of writing the Company considers there to be a high probability for additional losses beyond those contemplated in our plan, however there remains significant uncertainty around the potential outcome of the crisis and its ultimate impact. Based on current analysis the expected increase in loss ratio within our Credit and Surety book is within the stress scenarios considered for our overall portfolio. We maintain regular contact with our cedants in order that we are able to monitor the situation very closely.

An assessment has been made of the impacts of exit of the United Kingdom from the European Union ('Brexit'), both for internal planning and in order to respond to requests for information made from time to time by regulators. Based on current information, and with due consideration given to the high degree of uncertainty of the outcome of negotiations between the U.K. and E.U. through the so-called 'transition period', the Company does not believe that Brexit will have a material impact on the Company's business strategy or objectives. However due to the dynamic nature of the political and economic environment the Company continues to include Brexit within its risk register to ensure that it is able to react to any changes that may affect strategy or risk profile.

There were no material changes to the Company's risk profile during 2019.

#### **1.4 Valuation for solvency purpose**

In Section D below the Company sets out its approach to valuing assets and liabilities under Solvency II. The Company carried out a reconciliation of differences between the valuation of assets and liabilities made under FRS and Solvency II. These include the valuation of technical provisions and reinsurance recoveries and the exclusion of certain assets and liabilities. The reconciliation for the year ended 2019 is disclosed in section D.

There were no material changes to the Company's method of valuation for solvency purpose during 2019 or at the time of publication.



## **1.5 Capital management**

The Company aims to hold sufficient own funds in order that it maintains a margin to cover the solvency Capital Requirement and Minimum Capital Requirement ('MCR') in line with the Board approved risk appetite. Further details on capital management policies can be found in section E below.

In December 2019 the Company received a capital contribution of \$100.0m (€90.8m) from its parent Everest Dublin Insurance Holdings Limited.

As at 31 December 2019 Tier 1 Basic Own Funds were €407.2m (prior year €289.2m) with a Solvency Capital Requirement of €210.0m (prior year €170.3m) resulting in a Solvency II SCR ratio of 194% (prior year 170%). The MCR at 31 December 2019 was €52.5m (prior year €42.6m). Excluding the capital injection the year over year increase in required capital can be attributed to retained earnings resulting from planned growth in preferred business segments such as financial lines, property catastrophe and marine and aviation.

There were no material changes to the Company's method of capital management during 2019 or at the time of publication.



## A. Business and performance

### A.1 Business profile

#### A.1.a Name and legal form of the undertaking

Everest Reinsurance Company (Ireland), dac  
Incorporated in the Republic of Ireland.

Registered Address:

70 Sir John Rogerson's Quay,  
Dublin 2.

#### A.1.b Name and contact details of the supervisory authority responsible for the financial supervision of the undertaking

The Central Bank of Ireland  
New Wapping Street,  
North Wall Quay,  
Dublin 1

#### A.1.c External Auditor of the undertaking

KPMG  
1 Harbourmaster Place,  
IFSC  
Dublin 1

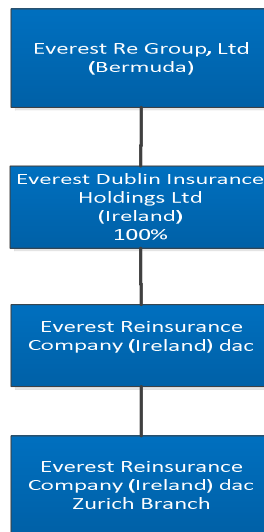
KPMG replaced PriceWaterhouseCoopers in 2019 as external auditor as a result of the EU Audit Reform Regulation No 537/2014, Public Interest Entities (PIE) which requires mandatory rotation of auditors after ten years.

#### A.1.d Description of the holders of qualifying holdings in the undertaking

Name of Related Undertaking	Legal Form	Country	Participating Undertaking	Proportion of Ownership Interest Held by the Participating Undertaking	Proportion of Voting Rights Held by the Participating Undertaking
Everest Reinsurance Company (Ireland), dac	Limited by shares	Ireland			
Everest Dublin Insurance Holdings Limited (Ireland)	Limited by shares	Ireland	Everest Reinsurance Company (Ireland), dac	100%	100%
Everest Re Group, Ltd. (Bermuda)	Limited by shares	Bermuda	Everest Dublin Insurance Holdings Limited (Ireland)	100%	100%

**A.1.e Details of the undertakings position within the legal structure of the Group**

The Company is a designated activity Company and is part of the Everest Re Group



**A.1.f Material lines of business and material geographical areas in which Business is carried out**

Gross Written Premium generated by underwriting year 2019 has been sourced as follows

<u>Line of Business €'000</u>	<b>2019</b>		<b>2018</b>	
Property	111,874	44.5%	104,447	47.4%
Marine, Aviation and Transport	60,853	24.2%	15,484	7.0%
Credit & Surety	56,639	22.5%	39,189	17.8%
Professional Lines	20,527	8.2%	29,503	13.4%
Motor	960	0.4%	31,133	14.1%
Accident & Health	418	0.2%	389	0.2%
<b>Total</b>	<b>251,271</b>	<b>100.0%</b>	<b>220,145</b>	<b>100.0%</b>
<u>Cedant Domicile €'000</u>				
	<b>2019</b>		<b>2018</b>	
France	72,915	29.0%	42,452	19.3%
Germany	53,474	21.3%	50,243	22.3%
United Kingdom	24,559	9.8%	14,145	6.4%
Spain	21,833	8.7%	18,369	8.3%
Switzerland	15,428	6.1%	21,889	9.9%
Italy	8,181	3.3%	3,555	1.6%
Belgium	7,863	3.1%	5,360	2.4%
Japan	7,247	2.9%	5,847	2.7%
Bermuda	6,672	2.7%	11,360	5.2%
Denmark	6,784	2.7%	1,007	0.5%
Other	26,315	10.5%	45,918	20.9%
<b>Total</b>	<b>251,271</b>	<b>100.0%</b>	<b>220,145</b>	<b>100.0%</b>

**A.1.g Significant business or other events over the reporting period that have had a material impact on the Company**

There were no significant business or other events over the reporting period that have had a material impact on the Company.

## A.2 Underwriting performance

### Performance by line of business

Period ending 31 December 2019	Income Protection	Motor vehicle liability	Marine Aviation and Transport	Fire and other damage to property	General liability	Credit and suretyship	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Net Earned Premium	165	2,808	17,182	37,395	10,844	16,937	85,331
Net Incurred Claims	131	2,826	14,576	17,235	7,528	7,918	50,214
Expenses Incurred	43	275	3,396	9,316	5,591	7,357	25,978
Underwriting Profit /(Loss)	<b>(9)</b>	<b>(293)</b>	<b>(790)</b>	<b>10,844</b>	<b>(2,275)</b>	<b>1,662</b>	<b>9,139</b>

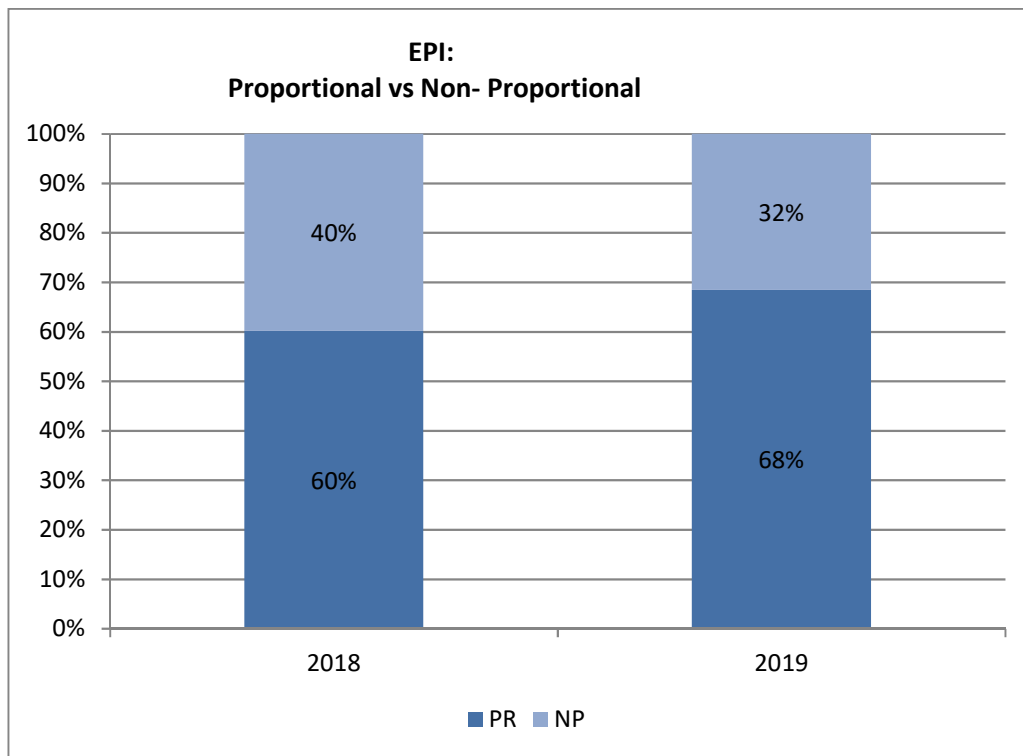
Period ending 31 December 2018	Income Protection	Motor vehicle liability	Marine Aviation and Transport	Fire and other damage to property	General liability	Credit and suretyship	Total
	€000's	€000's	€000's	€000's	€000's	€000's	€000's
Net Earned Premium	224	13,975	5,856	33,271	7,831	11,128	72,285
Net Incurred Claims	569	9,569	3,407	16,301	3,573	4,218	37,637
Expenses Incurred	98	3,845	1,447	5,780	4,085	4,703	19,958
Underwriting Profit /(Loss)	<b>(443)</b>	<b>561</b>	<b>1,002</b>	<b>11,190</b>	<b>173</b>	<b>2,207</b>	<b>14,690</b>

### Performance by geographic location - Home Country and Top 5

Period ending 31 December 2019	Ireland	France	Germany	UK	Spain	Switzerland	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Net Written Premium	414	26,709	19,588	8,996	7,997	5,651	69,355
Net Earned Premium	290	21,644	19,880	6,730	7,092	7,674	63,310
Net Incurred Claims	(83)	6,750	12,901	963	3,505	1,066	25,102

Period ending 31 December 2018	Ireland	Germany	France	Romania	Switzerland	Spain	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Net Written Premium	947	18,393	15,541	8,400	8,013	6,724	58,018
Net Earned Premium	756	17,714	13,092	8,408	4,766	6,220	50,955
Net Incurred Claims	<u>247</u>	<u>4,256</u>	<u>7,635</u>	<u>3,198</u>	<u>4,430</u>	<u>1,746</u>	<u>21,513</u>

**Proportional versus Non-Proportional 2018-2019.**



### **A.3 Investment Performance**

#### **A.3.a Income and expenses arising from investments by asset class**

The Board of directors is responsible for establishing investment policy and guidelines and, together with senior management, for overseeing their execution.

The Company’s principal investment objectives are to ensure funds are available to meet its reinsurance obligations and to maximize after-tax investment income while maintaining a high quality diversified investment portfolio. Considering these objectives, the Company views its investment portfolio as having two components:

- 1) the investments needed to satisfy outstanding liabilities (its core fixed maturities portfolio) and
- 2) investments funded by the Company’s shareholders’ equity.

For the portion needed to satisfy outstanding liabilities, the Company has invested in taxable and tax-preferenced fixed income securities with 88% rated A or higher. The portfolio is externally managed by an independent, professional investment manager using portfolio guidelines approved by the Board and is adjusted periodically, consistent with current and projected market conditions and the Company’s risk appetite.

The duration of an investment is based on the maturity of the security but also reflects the payment of interest and the possibility of early prepayments. The Company’s fixed income investment guidelines include a general duration guideline. This investment duration guideline is established and periodically revised by management, which considers economic, and business factors, as well as the Company’s

average duration of potential liabilities, based on the estimated payouts of underwriting liabilities using standard duration calculations.

For each currency in which the Company has established substantial loss and loss adjustment expense (LAE) reserves.

The Company seeks to maintain invested assets denominated in such currency in an amount approximately equal to the estimated liabilities with any surplus held in USD.

The Company's invested assets totaled €615.2m market value as per the table below.

<b>Investments</b>	<b>Market Value</b>	<b>Market Value</b>
	<b>2019</b>	<b>2018</b>
	<b>€'000</b>	<b>€'000</b>
Government Bonds	199,595	154,084
Corporate Bonds	401,552	465,565
Collective Investment undertakings	14,004	10,704
<b>TOTAL</b>	<b>615,151</b>	<b>465,565</b>

The par value of the Company's investment portfolio didn't vary significantly in the period.

The split of bonds by credit rating on a par value basis is as follows:

	<b>Par Value</b>	<b>Par Value</b>
	<b>2019</b>	<b>2018</b>
	<b>€'000</b>	<b>€'000</b>
AAA	242,854	189,924
AA+	25,507	27,092
AA-	51,080	57,970
AA	45,281	40,841
A+	61,962	42,182
A-	44,075	18,730
A	84,820	76,795
BBB+	37,210	31,240
BBB-	7,670	3,220
BBB	26,160	13,380
BB	0	1,500
	<b>626,619</b>	<b>502,874</b>

#### **A.3.b Information about any gains and losses recognized directly in equity**

The Company has no gains and losses recognized directly in equity.

#### **A.3.c Information about any investments in securitisation**

The Company does not hold any investments in securitisation



#### **A.4 Performance of other activities**

The Company has the following other material income and expenses:

	2019	2018
	€'000	€'000
Foreign exchange revaluation (losses)/gains and other costs	(2,367)	(1,123)

#### **A.5 Any other material information**

The Company does not have any other material information to disclose in regard to business and performance.

## B. System of governance

### B.1 General Information on the system of governance

#### B.1.a The structure of the Company's administrative, management or supervisory body and key functions

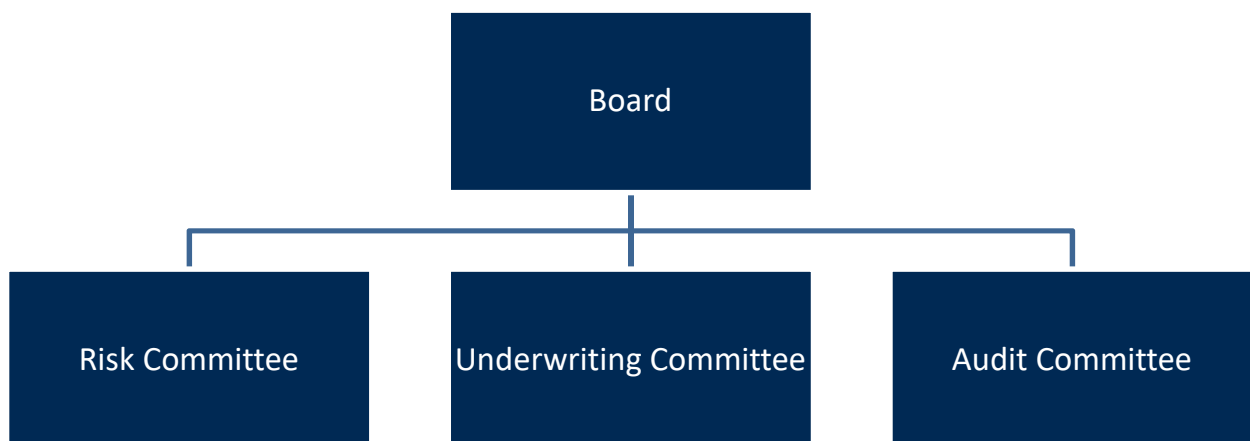
Responsibility for the design and oversight of the Company's systems of governance, in line with the Corporate Governance Requirements for Insurance Undertakings 2015 by the Central Bank of Ireland, resides with the Board of Directors.

The Board is primarily responsible for:

- Setting strategy and approval of the Company's business plan;
- ensuring that the CEO and executive management implement the strategy and report on actual performance against the business plans;
- ensuring that an appropriate system of internal control, including compliance, is in place and operating effectively;
- Assessing and monitoring the major risks facing the Company and ensuring that an appropriate risk management framework is developed and implemented by management
- Monitoring capital adequacy. Validation of the standard formula and SCR, ensuring that the minimum SCR and MCR are maintained at all times;
- ensuring that the Company complies with all relevant laws and regulations

The Board has formed a Risk Committee, Audit Committee and Underwriting Committee to which it has formally delegated specific functions. However this delegation does not remove or absolve its members of their responsibilities to the Company. Both the Board and Committees are constituted in such a way as to meet the requirements of the Central Bank of Ireland's code: *Corporate Governance Requirements for Insurance Undertakings 2015*.

#### Board committees



#### Risk committee

The Risk Committee is responsible for providing oversight and advice to the Board on current risk exposures and future risk strategy. It assists the Board in setting and monitoring the Company's risk appetite and key

risks as well as the maintenance and oversight of the risk register. It also oversees matters relating to compliance management.

The Committee is composed of two Independent Non-Executive directors ('INED's') (one of whom is its Chairman), and the CEO. It meets prior to each scheduled Board meeting and accepts presentations from the Compliance Officer and Chief Risk Officer. The Committee Chairman may call additional meetings as and when deemed appropriate, the minutes of which will be submitted to the Board at its next meeting.

The Committee's responsibilities and level of authority are set out in formal terms of reference which are annually reviewed and approved by the Board. Key responsibilities are:

- Advising the Board on risk appetite and risk tolerance taking account of the Board's overall risk appetite
- Advising the Board on proposed strategic solvency targets
- Overseeing the Company's risk management system, policies, and procedures
- Overseeing the risk management function as managed on a day to day basis by the CRO
- Liaising regularly with the CRO to ensure the development and ongoing maintenance of an effective risk management system that is effective and proportionate to the nature, scale and complexity of the risks inherent in the business
- Ensuring the effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the organisation
- Overseeing the Company's compliance with statutory and regulatory requirements
- Participating in and monitoring the ORSA process and outcomes and ensuring that the ORSA is implemented effectively within the Company
- Reviewing certain large transactions referred by the Underwriting Committee
- Monitoring compliance with legal and regulatory requirements and
- Review the annual compliance plan and reviewing the outcomes of the compliance monitoring programme of the Company.

#### **Audit committee**

The Audit Committee is responsible for oversight of financial reporting and associated internal controls as well as the performance of both internal and external audits. The Committee provides a link between the Board and the independent internal and external auditors.

The Committee is composed of three directors, two of whom are INED's (one of which is Chairman of the Committee) and one Non-Executive director ('NED's'). It meets prior to each scheduled Board meeting and accepts presentations from the CEO and CFO on operational and financial matters, as well as periodic reports from the Head of Internal Audit function and external Audit Partner. The Committee Chairman may call additional meetings as and when deemed appropriate, the minutes of which will be submitted to the Board at its next meeting.

The Committee's responsibilities and level of authority are set out in formal terms of reference which are annually reviewed and approved by the Board. Key responsibilities are:

- Monitor the effectiveness of the Companies internal controls, internal audit function and information technology ('IT') systems.



- Ensure that the findings and recommendations of both the internal and external auditors are communicated to the Board and acted upon in a timely manner.
- Approve the appointment of the internal and external auditors, assessing both their independence and effectiveness.
- Review the scope of the audit plans presented by the external and internal auditors.
- Review the Company's interim and annual financial statements in conjunction with executive management and, on an annual basis, with the external auditor.
- Assess the effectiveness of the Company's internal financial control processes, investigating any material breaches and recommending corrective action if required.
- Review the Company's accounting policies and any significant matters raised by external and internal auditors.

### **Underwriting committee**

The Underwriting Committee assists the Board in establishing and overseeing the Company's underwriting policies and procedures, and reviewing compliance with the Company's Underwriting Principles.

The Committee is composed of the Chairman of the Board, Chief Underwriting Officer, and Compliance Officer<sup>1</sup>. Meetings take place so as to coincide with scheduled Board meetings or at other such times deemed to be appropriate. The Chairman of the Committee will make a report to the Board.

To fulfil its responsibilities and duties the Underwriting Committee shall:

- Delegate to underwriters levels of acceptance, defined by Premium, limit and class.
- Set aggregate limits for in all appropriate classes and territories.
- Periodically review rating and other underwriting tools and approve or amend as necessary.
- Review and sign off of risks referred by underwriters which are outside of Chief Underwriter Officer's authority limits as stated in their Letter of Authority
- The Underwriting Committee will review all underwriting transactions which fall outside of delegated authority limits and either approve or provide underwriters with specific individual authority delegations.
- Review significant underwriting transactions where the Company's written premium exceeds a specific amount, as pre-determined by the Board on a per-cedant.
- Involve the Risk Committee in the decision process for significant signings

### **General Information on Key Functions**

The Company's risk management, compliance, actuarial and internal audit functions are the key functions in its system of governance. Each of these functions reports regularly to the Board, Risk Committee and /or Audit Committee. The functions may draw upon support from Group where appropriate but also may engage external resources (whether systems, tools or people) as required.

#### **Risk function**

Primary responsibility for the Risk function has been delegated by the Board to the Risk Committee. The Company's Chief Risk Officer ('CRO') has a standing invitation to the meetings of the Risk Committee to whom they provide a regular verbal and written report.

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<sup>1</sup> The Compliance Officer was appointed on September 13<sup>th</sup> and stepped down on March 30<sup>th</sup> to be replaced by the Chief Financial Officer

The CRO is responsible for ensuring that business decisions made by the executive management fall within the Company's risk appetite and strategy. The CRO is supported by the Group Enterprise Risk Management department based in New Jersey, USA.

#### **Compliance function**

The Company's compliance function is headed up by the Compliance Officer. The Compliance Officer provides periodic reports to the Risk and Audit committees and is independent from the executive functions. The key responsibilities of the Compliance Function are detailed in section B.4.5.b below. The function is primarily responsible for oversight and compliance with the requirements of the regulatory environment in which the Company operates; mitigation of risk of financial crime, data protection and ensuring adherence to internally published company policies and procedures.

#### **Actuarial function**

The actuarial function is headed by the Chief Risk Officer and Senior Branch Actuary in Zurich who holds the role of Head of Actuarial Function ('HoAF'), as set out by the Central Bank of Ireland's Fitness and Probity regime. The key responsibilities of the HOAF are detailed below in section B6. With effect from March 2019 the CRO assumed the role of HOAF and was approved by the CBI.

#### **Internal Audit function**

The purpose of the Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

The internal audit process is outsourced by the Company to EisnerAmper Ireland. Further oversight and support is provided by the Group Internal Audit department based in New Jersey, USA who carries out periodic audits under the direction of the Group audit committee. The Board believes that this arrangement provides an enhanced level of independent oversight both from a local and global perspective.

#### **B.1.b Material changes in the system of governance in the reporting period**

There were no material changes in the system of governance in the reporting period.

#### **B.1.c Remuneration policy**

##### **B.1.c.i Principles of remuneration policy**

The Company's remuneration program is designed to attract, retain and motivate individuals whose abilities are important to the success of the Company while also ensuring that such practice is consistent with, and promotes, sound and effective risk management. To achieve these ends, the Company's remuneration program utilizes a short-term component, consisting of a fixed base salary, plus an annual, variable, merit-based discretionary bonus. In addition to this the Company may offer a long-term component, consisting of discretionary equity awards in the form of restricted share awards of stock in Company's ultimate parent, Everest Re Group, Ltd.

Short term remuneration is designed to attract, reward and retain employees for achieving optimal performance in the current year. Long term remuneration is designed to align the interests of the

Company's senior management with those of the Group's shareholders by incentivizing employees to work towards achieving the Group's long-term goals.

Remuneration is based on the level of job responsibility, individual performance and contribution to the performance of the Company.

Remuneration awards are generally intended to be reasonably competitive with the open market so as to minimise the potential for disruptive turnover amongst key roles.

Employees are also entitled to receive additional forms of compensation including:

- Company funded pension plan;
- Company paid life insurance;
- Medical insurance and;
- Disability insurance.

**B.1.c.ii Information on the individual and collective performance criteria on which any entitlement to share options, shares or variable components of remuneration is based**

The Company offers a long-term remuneration component through the Everest Re Group, Ltd. 2010 Stock Incentive Plan, as adopted by the Group's shareholders in May, 2010 (the '2010 Stock Incentive Plan'). Awards under the 2010 Stock Incentive Plan are intended to reinforce management's long-term perspective on corporate performance, provide an incentive for key executives to remain with the Company for the long-term, and provide a strong incentive for employees to work to increase shareholder value by aligning key executives' interests with the Group's shareholders.

Awards under the 2010 Stock Incentive Plans may take the form of share options, share appreciation rights, restricted shares or share awards. To date, the Group Board of Directors has only awarded restricted shares and non-qualified share options pursuant to the Plan. In 2019 only restricted shares were awarded. Restricted shares are awarded on the day that they are granted by the Group's Board of Directors and valued as of the grant date. Restricted share awards vest over a five year period at the rate of 20% per year and are generally forfeited if the recipient leaves the Company before vesting. Generally, upon termination of employment, the recipient loses unvested options and restricted shares and has 90 days to exercise vested options. In general, equity awards are considered and granted to eligible individuals once per year by the Board of directors of Everest Re Group Ltd and are in the subjective judgment and discretion of the Group's Board of directors based upon recommendation received from the Company's executive management. The Group Board has not identified any specific factors or particular criteria that must be met by particular members of the Company's senior management and does not assign any relative weighting to any factors or criteria it considers. Rather it exercises its subjective judgment and discretion by taking into account all factors that it deems relevant. Examples of factors that the Group Board has utilised include the recipient's demonstrated past and expected future performance, the recipient's level of responsibility within the Company, his/her ability to affect shareholder value, and past awards of share options, share appreciation rights, restricted shares, or share awards.

**B.1.c.iii A description of the main characteristics of supplementary pension or early retirement schemes for members of the administrative, management or supervisory body and other key function holders**

The Company operates a pension plan for all staff, regardless of level of seniority, on a defined contribution basis. Employees are subject to the standard rules of the schemes in place at their place of work.

Independent non-executive directors of the Board receive a fixed annual fee as remuneration and are not members of the supplementary pension scheme. Members of the administrative, management or supervisory body and other key function holders who are not directly employed by the Company are subject to the schemes provided by their employer.

**B.1.d 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 and other key function holders**

There were no material transactions during the reporting period.

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

**B.2.a A description of the undertakings specific requirements concerning skills, knowledge and expertise applicable to the persons who effectively run the undertaking or have other key functions**

The Company is required to fulfil the minimum requirements as set out by the CBI in Fitness and Probity Standards 2014. The Company is required to nominate employees in specific control function ('CF') roles and in certain cases obtain the pre-approval of the CBI, by completing online individual questionnaires, before appointing individuals to Pre-approved Controlled Functions ('PCF') roles.

The Company requires that a person who holds a PCF or CF role can demonstrate that they have the necessary competence and proficiency to undertake the relevant function, have a sound knowledge of the business, and their specific responsibilities together with a clear and comprehensive understanding of the legal/ regulatory obligations to undertake that function.

### **Chief Executive Officer ('CEO')**

The CEO is designated as (PCF-8) and Executive Director (PCF-1) with overall responsibility for the operation of the Company, the CEO is the most senior executive of the Company and is the link between management and the Board. The CEO reports directly to the Chairman of the Board.

### **Head of Actuarial Function ('HoAF')**

The role of HoAF is designated at PCF-48 by the CBI and is held by the CRO and Senior Branch Actuary in ERCID's Zurich Branch Office. The HoAF has over sixteen years of industry experience and is a Fellow of the Casualty Actuarial Society. HoAF is supported by staffs that hold, or are training towards, internationally recognized actuarial qualifications. HoAF support is based mainly in Everest's London office working under the Chief European Actuary for Everest Advisors UK Ltd, a Group affiliate. The actuarial function shall possess, and be able to demonstrate, appropriate knowledge of actuarial and financial mathematics commensurate with the nature, scale and complexity of the risks of the Company and:

- have the necessary skill and experience;
- have not been disqualified by their professional body;
- be competent and capable;
- be honest, ethical, and act with integrity; and
- be financially sound.

### **Chief Risk Officer ('CRO')**

The role of CRO is designated at PCF-14 by the CBI and held by the Senior Branch Actuary of the Zurich Branch. The Board has satisfied itself that:

- The CRO must demonstrate that they have relevant expertise gained in risk management or actuarial science supported by appropriate formal qualifications. They must also demonstrate continued professional development.
- The CRO has sufficient seniority and independence to influence proposals or challenge decisions which affect an insurance undertaking's exposure to risk.

With effect from 25<sup>th</sup> March 2019 the CRO assumed the role of HOAF and was approved by the CBI.

#### **Head of Compliance ('HoC')**

The HoC is designated at PCF-12 by the CBI and held by a direct employee of the Company. The HoC is independent of the executive function. The HoC is required to demonstrate knowledge of legislation and regulatory matters impacting the Company and be able to articulate these to the Board.

#### **Head of Internal Audit ('HoIA')**

The role of HoIA is designated at PCF-13 by the CBI and held by a nominated senior officer of a firm of Dublin based Chartered Accountants and is independent of the executive function.

The internal audit plan sets out the internal audit approach and methodology which will be applied in undertaking the internal audit program. The plan facilitates:

- Production of Internal Audit Reports for the Audit Committee on the system of internal control;
- Auditing ERCID's risk management, governance and internal control arrangements through an internal audit plan, prioritised according to the key objectives and risks;
- Identifying the audit resources required to deliver the internal audit program in accordance with the required professional standards;
- Provision to senior management and the Audit Committee of recommendations resulting from audit work which are intended to improve the internal control, risk management and governance environment; and
- Co-operating and communicating effectively with ERCID's Statutory Auditors, Group Internal Audit and the CBI.

#### **Chief Financial Officer ('CFO')**

The CFO is designated at PCF-11 (Head of Finance) by the CBI and held by a direct employee of the Company, who reports to the CEO of the Company. The CFO is responsible for the financial reporting of the Company and is expected to demonstrate knowledge of accounting and regulatory matters impacting the Company and be able to articulate these to the Board.

#### **Chief Underwriting Officer ('CUO')**

The CUO is designated as PCF-18 by the CBI and is responsible for the underwriting process and strategy in the Company. The CUO is assisted in this role by a team of experienced underwriters who operate under delegated authorities overseen by the Underwriting Committee and approved by the Board.

### **B.2.b A description of the undertakings process for assessing the fitness and the propriety of the persons who effectively run the undertaking or have other key functions**

Where the Company has determined that an individual is appropriate for the role of PCF, the application process is undertaken for the submission of the individual questionnaire via the CBI Online System. The process involves:

- Completing the relevant sections of the individual questionnaire ('IQ') by both the applicant and proposer
- Documentation of supporting experience and relevant qualifications
- Declaration by the proposed holder of the PCF of the accuracy and veracity of the information provided
- Declaration by an appropriate officer confirming the checks of the individual were undertaken by the Company (e.g. appropriate due diligence with regard to qualifications and experience, previous employer reference checks etc.) and confirming that the Company is satisfied that the proposed holder of the PCF is fit and proper.

When the CBI confirms their approval of the appointment, the individual may commence their PCF role within the Company. The ongoing monitoring, including annual declarations and due diligence shall be the responsibility of the Head of Compliance.

Persons undertaking CFs roles are notified in writing by the Head of Compliance of their obligations under the Fitness and Probity standard, the letter will also identify the relevant Control Function code. The ongoing monitoring, including annual declarations and due diligence shall be the responsibility by the Head of Compliance.

In the cases where employees are not required to be nominated into control function roles the Company ensures that the employees are able to fulfil the requirements of their roles by holding such professional qualifications, knowledge and experience that would be reasonably expected by a knowledgeable third party and are of good repute and integrity.

The Company has a process in place to enable an annual confirm to the CBI that the Company is in compliance with the relevant regulatory requirements under the CBI's Fitness and Probity Standards 2014 and associated CBI Guidance (the "Fitness and Probity Standards").

These processes will ensure that all relevant persons meet, and continue to meet, the Fitness and Probity Standards and fulfil any training obligations.

The Company has in place a Fitness and Probity policy document which covers:

- Recruitment of persons undertaking PCF and CF roles
- Individuals performing PCFs and CFs on a temporary basis
- Outsourcing of PCFs and CFs
- On-going due diligence of individuals performing PCFs and CFs. Each CF and PCF holder must complete annual declarations on conflicts of interests, reputation and character, and civil and criminal record
- Addressing the consequences where a person's circumstances change and can no longer able to meet the F&P standard.

## **B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)**

### **B.3.a Description of the risk management system comprising strategies, processes and reporting procedures, and how the Company is able to effectively identify, measure, monitor, manage and report, on a continuous basis, the risks on an individual and aggregated level, to which the Company is or could be exposed**

The assumption of risk is central to the industry in which the Company operates. The Board of Directors provides direction to executive management by setting the Company's risk appetite and identifying the principal risks faced by the Company which are articulated in a risk register based on the CBI PRISM regime. The Board has identified three key risks which it believes could have the potential to cause material impairment of the Company's solvency position based on both the ECM and standard formula SCR. At the time of reporting the Company considers the following risks to be key:

- Asset Risk
- Catastrophe Risk
- Long Tail Reserving Risk

The Board delegates to the CEO and executive management primary responsibility for day to day risk management and control. The Company utilizes three lines of defense to identify, control and mitigate risk across all of its functions and to feedback information to the Board on the efficiency of the control system.

- **First line of defense:** Operational management assumes ownership of day-to-day business processes which assess, control and mitigate operational risk. These take the form of written policies and procedures.
- **Second line of defense:** the Risk Management function, Compliance function as well as expert functions, such as Actuarial and Finance, oversee the risk management framework and provide feedback to executive management and the Board.
- **Third line of defense:** the Internal Audit function provides independent assurance to the Board in respect of the effectiveness of risk management and controls.

### **B.3.b Description of how the risk management system including the risk management function are implemented and integrated into the organizational structure and decision-making processes**

The majority of the reinsurance contracts written by the Company incept 1st January and have twelve month duration. The Group Economic Capital Model generates the Company's internal capital requirement based on an annual plan prepared in Q4 subsequently revised in Q1 of the following year.

Underwriters are provided with guidelines and specific levels of authority that limit the size and type of risk written. Actual performance is monitored against plan both at entity and Group level. The Group ERM function provide regular updates on the key risk position versus appetite and prior period to enable the Board to monitor risk position against appetite and tolerance.

Asset Risk is assessed on a quarterly basis and investment decisions are controlled by investment guidelines. The Company chooses to invest in low volatility highly rated sovereign or corporate bonds.

Asset durations and currency exposures are matched to liabilities. Surplus capital is held in a currency instructed by the single member shareholder, currently USD.

Adequacy of loss reserves are assessed by the HoAF by an annual actuarial reserve study. This study is internally verified by the Group Chief Reserving Actuary and externally by a third party actuarial opinion. The appropriateness of estimated loss ratios is assessed on a quarterly basis which includes an actual versus expected analysis by underwriting year and line of business. Any variances deemed to be significant are discussed with executive management with appropriate adjustments being made. The HoAF is required by the CBI to prepare a formal report to the Board and statement of opinion to the CBI.

Catastrophic events are deemed to be events that create a loss to the Group of US\$10m or more when combining Group affiliates. These events are tracked on a quarterly basis. Exposure to Natural Catastrophe events is controlled through aggregate management by peril zone.

The Company believes that it holds an adequate surplus of capital to allow it to pursue its strategic goal of achieving market leading average ROE over the insurance cycle.

Overall volatility of solvency needs, relevant to capital is deemed to be low. ECM capital is relatively close to the SII required capital. As statutory capital stands at €500m the Board believe there is an adequate buffer in place to cover regulatory capital.

#### **B.3.4.a The ORSA assessment process**

The ORSA process can be defined as an overarching process made up of the entirety of the policies and procedures employed by business functions to:

- Identify, assess, monitor, manage and report the short and long term risks that the Company faces or may face (Risk Assessment)
- Determine the own funds necessary (Capital Requirements) to ensure that the Company's overall solvency needs are met at all times (Solvency Assessment)
- Document the outcome of the Risk Assessment and calculation of Capital Requirements in an ORSA Report.

The ORSA is the Company's own view of its future risk and solvency position. As such it is embedded into the planning and strategic decision-making process. Where large or non-standard deals are being considered, their potential quantitative impact on the Company's solvency capital position will be identified and articulated to the Underwriting Committee who will consider the output in line with the Company's strategic objectives. Any such assessments will be brought to the attention of the Board if the deal is considered to be commercially viable.

The Company's approach focuses on ensuring that the ORSA process is well integrated into the Company's strategic management and decision-making framework. Therefore the ORSA process forms part of the model for decision making in which the Company's solvency position is considered at all times. The Board and executive management adopt a risk-based approach to decision making, taking into account risk and associated capital requirements.



The Company ORSA processes are grouped into “Own Risk Assessment” processes which relate to the identification and assessment of risks faced by the Company and “Solvency Assessment” processes which are used for setting the appropriate level of capital based on the Company risk profile. These processes and their outputs are embedded in the day to day “business as usual” processes and therefore not specifically identified as “ORSA processes” or “ORSA reports”.

#### **B.3.4.b Frequency of the review and approval of the ORSA by the Company’s administrative, management or supervisory body**

The Board of Directors reviews and approves the ORSA at least annually, or at such times when a material change in business strategy would necessitate an update to more accurately illustrate the Company’s risk environment.

A “dynamic ORSA” process runs throughout the course of the year with reports being made to the Board at their regular meetings.

#### **B.3.4.c Determination of the Company’s own solvency needs given the Company’s risk profile and how capital management activities and risk management system interact with one another**

The Company, as part of the Everest Re Group, has access to, and utilises, the skill and expertise of a centralised Enterprise Risk Management department, headed by the Group CRO. The Company utilises a sub-set of the Group Economic Capital Model (ECM) when calculating current risk positions of its three key risks.

The Company’s annual business planning process takes place during the fourth quarter. The process includes the determination of capital requirements, including SCR and internal Economic Capital Requirement (ECR), resulting from the plan in line with the strategic objectives set by management and expected market conditions.

In order to ensure that the evolving nature of the risks identified in the ORSA are adequately monitored on an ongoing basis the Chief Risk Officer maintains an open and regular dialogue with the Group Emerging Risk Committee Company.

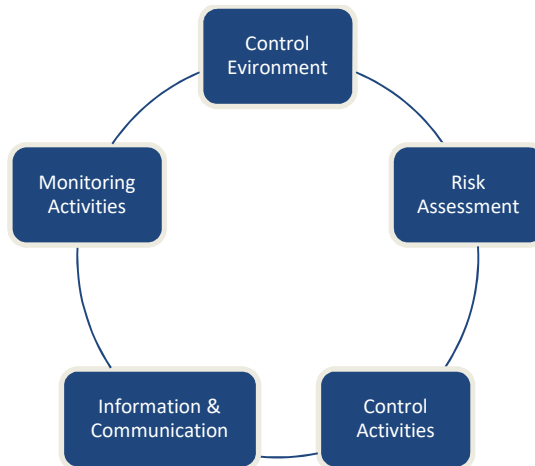
The ORSA processes and outputs used to assist Board in decision making are:

- **Risk Profile:** Assessment of the impact on the portfolio risk appetite and tolerance due to either a change in business mix or premium volumes in the proposed annual business plan.
- **Capital setting:** The SCR and ECM play a central role in calculating the necessary capital and solvency requirements resulting from the plan. The process aims to ensure that the SCR and ECR set for the following year are adequate to cover the Company’s solvency needs as set by the Board.
- **Stress and scenario testing:** This is carried out to test the effect of a range of possible outcomes and set a range of acceptable parameters to ensure that the business bound remains within the risk appetite and tolerances set by the Board.

## B.4 Internal control system

### B.4.5.a Description of the internal control system

The Company's internal control framework has been designed to cover the following processes.



The Board of Directors, through the operation of the Audit and Risk Committees ensures that the internal control framework is maintained to ensure the accuracy and timely reporting of financial and regulatory reporting. In addition to administrative and accounting procedures, the internal control framework covers the governance and oversight of:

- Underwriting;
- Calculation of technical provisions;
- Actuarial pricing and reserving;
- Claims adjustment;
- Compliance;
- Outsourcing;
- Data protection and Information Technology.

The Company's internal control framework is subject to an annual review. As part of an SEC regulated Group the Company is also subject to the requirements of Sarbanes Oxley and as such a review by the Company's external auditors on the appropriateness and effectiveness of controls. All internal controls are documented and include at least the following:

- A narrative overview of the processes and procedures;
- Identification of Key Controls;
- A risk assessment of each Key Control; and
- A management testing plan for each Key Control.

### B.4.5.b Description of how the compliance function is implemented

The compliance function acts independently from other functions and departments and provides assurance to the Board in respect of the effectiveness of the risk management framework. The Compliance Officer is

not involved in any day to day operational activities, other than those required to fulfil their duties and to ensure that no conflicts of interest arise. The Compliance Officer has been given authority to access information necessary to ensure that they fulfil their duties in respect of the oversight of the Company's internal control framework.

The Compliance function works closely with the Internal and External Audit functions to ensure that any deficiencies are noted, remediation measures are implemented and all material issues are brought to the attention of the Audit and Risk Committees.

Supervision of the Company's compliance function is achieved through Board oversight together with the interaction of senior management and the CEO.

Periodic compliance risk assessments of the Company's business activities are undertaken by the Compliance Officer in conjunction with operational management. Compliance monitoring is achieved through scheduled and unscheduled reviews, incident/issue reporting, recording regulatory developments and the logging of complaints.

The Compliance Officer undertakes an annual review of the Company's procedures and practices to determine if they are being carried out in accordance with applicable regulatory requirements and best practices. The result of this review is presented to the Board for review and consideration.

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

The purpose of the internal audit function is to determine whether the Company's risk management, internal control, and governance processes is adequate and functioning in a manner which ensures:

- Risks are appropriately identified and brought to the attention of the Board.
- Verification of the Company's assets
- The reliability and integrity of the Company's financial and regulatory information.
- Compliance with policies, standards, procedures, and applicable laws and regulations.

In addition, the internal audit function shall, as required, provide management value-added activities outside the traditional criteria of internal auditing services.

The head of internal audit function formulates an annual audit plan which is put before the Audit Committee. The plan evaluates the effectiveness of risk management and control processes across the business and selects risks in order to provide full coverage of key risks on a three year cycle. The Audit Committee and executive management may also request the inclusion of additional areas for review.

### **B.5.6.a Description of how the Company's internal audit function is implemented**

The Company outsources the Head of Internal Audit PCF function to a third party. The Head of Internal Audit reports to the Chairman of the Audit Committee who is an Independent Non-Executive Director. The internal audit report is reviewed by the Audit Committee, and presented to the Board by its Chairman.

The mission of the Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and improve the Company's operations. It helps the Company accomplish its



objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. The Company is subject to oversight by both Group and local internal functions.

#### **B.5.6.b Description of how the Company's internal audit function maintains its independence and objectivity from the activities it reviews**

By outsourcing the internal audit function to a third party which is not engaged in any executive or operational function which relate to the day-to-day running of the Company, the Board ensures an appropriate separating of duties and independence.

In addition to this the Internal Audit departments of Everest Global Services carry out the Group Internal Audit function as directed by the Audit Committee of Everest Re Group Ltd.

## **B.6 Actuarial function**

#### **B.6.7 Description of how the actuarial function of the Company is implemented**

The Company is required to meet the requirements of the Central Bank of Ireland's Domestic Actuarial Regime in respect of the Actuarial Function. The position of Head of Actuarial Function (HoAF) is held by the CRO and Senior Branch Actuary of the Zurich Branch office. The HoAF is a Fellow of the Casualty Actuarial Society and holds the controlled function PCF 48. The HoAF is supported by a team of qualified and part qualified actuaries with industry specific experience, as well actuarial and enterprise risk resource provided by Group.

Following PCF approval which was granted by the CBI with effect from 25<sup>th</sup> March 2019 the CRO assumed the role of HOAF. The HoAF role was previously outsourced to an employee of Everest Advisors (UK) Ltd.

The actuarial function is required to:

- Calculate the Technical Provisions and inform the Board on the adequacy of the calculation. In addition the HoAF is required to provide an opinion and accompanying report to the Central Bank of Ireland.
- Prepare an opinion to the Board on underwriting policy and the adequacy of any reinsurance arrangements.
- Contribute to the effective design and maintenance of the Company's risk management system.
- On an annual basis provide to the Board with a statement on data quality and controls.

The Actuarial function works separately from other operational departments and reports directly to the Company Chairman. As a Company rated as Medium Low impact under the CBI PRISM regime the Company is required to appoint a Reviewing Actuary (RA) to carry out a Peer Review and deliver a report to the Board at least once every five years. The Company has appointed the RA from an affiliated company within the Everest Re Group.

The Peer Review Report shall include at least;

- A description of the scope of the review conducted including details of;
  - the work completed,
  - the processes followed,
  - the extent to which the RA had access to relevant data, information, reports and staff of the undertaking,
- A commentary on assumptions, methodologies, and main uncertainties in the calculation of Technical Provisions as addressed in the Actuarial Opinion and Actuarial Report.
- An assessment of the reasonableness of the HoAF's conclusions within the Actuarial Opinion and Actuarial Report on Technical Provisions. The Peer Review Report shall be provided to the Board within 1 month of the Board receipt of the Actuarial report on Technical Provisions to which it relates, and to the Central Bank upon request.

The Board shall consider the results of the report in a timely manner and, where necessary, take appropriate action thereon.

The Board is required to notify the CBI when it has considered the report, highlighting any material issues raised by the report and, where necessary, setting out a plan of appropriate action or justifying why no action is to be taken.

## B.7 Outsourcing

### **Description of the outsourcing policy of the Company, any outsourcing of any critical or important operational functions or activities and the jurisdiction in which the service providers of such functions or activities are located**

With the exception of the outsourcing of the Internal Audit Function and payroll, the Company does not have any outsourcing arrangements in place with third parties outside of the Everest Re Group. All outsourcing arrangements are subject to service level agreements.

The Company is required to notify the CBI of any proposal to outsource critical or important functions or activities i.e. those activities which are essential to the operation of the Company as it would be unable to deliver its services to policyholders without them. The Company is required to carry out a detailed examination to ensure that the service provider has the necessary ability to carry out the outsourcing function or activity, taking into account the impact of the proposed outsourcing arrangement on the operations of the Company.

The Company has a comprehensive outsourcing policy in place which has been approved by the Board. The purpose of the Company's outsourcing policy is to:

- Clearly set out the roles and responsibilities within the Company in relation to outsourcing;
- Clearly set out those functions which the Board feel may be outsourced by the Company;
- Clearly set out the principles on which the Company outsources material functions;
- Provide a description of the processes and procedures which the Company carries out prior to outsourcing, including the assessment and impact of the outsourcing on its business;
- Provide a description of the processes and procedures post outsourcing including the review of service levels and the associated reporting and monitoring required by the Company to ensure that the outsourced service meets the same standard expected as if it remained within the Company.



The Company considers the following outsourced functions to be critical or important operational functions or activities:

<b>Activity</b>	<b>Service Provider</b>	<b>Jurisdiction</b>
Claims handling and adjusting	Everest Advisors (UK) Ltd	UK
Information Technology	Everest Advisors (UK) Ltd Everest Global Services	UK USA
Actuarial Pricing and Reserving	Everest Advisors (UK) Ltd Everest Global Services	UK USA
Internal Audit	Eisner Amper Everest Global Services	Ireland USA
Investment Management	Deutsche Asset Management International Everest Global Services	Germany USA
Payroll Services	Grant Thornton PRS	Ireland Switzerland

## **B.8 Any other material information regarding the system of governance of the Company**

The Company carries out a series of internal reviews as to the adequacy of the components of the systems of governance, with any deficiencies reported to the audit committee. The Board considers that the system of governance is adequate in with regard to the nature scale and complexity of the risks inherent in the Company's business.

The Company does not have any other material information to disclose in regard to system of governance.

## C. Risk Profile

The Company's risk profile directly reflects the business strategy which is to accept Property & Casualty reinsurance underwriting risk. As a consequence the Company is also exposed to a range of other risks necessary to run the business. These risks are articulated and assessed in a risk register based upon the CBI PRISM regime. The risk register describes the risks to which the Company is exposed, including: asset, catastrophe, reserving, premium, mortgage, operational, credit, market/investment, liquidity, strategic, fungibility, Eurozone, concentration and environmental risks.

The Board aligns risk appetite and tolerances with its strategic goals. On at least an annual basis the Chief Risk Officer, following consultation with executive management, produces a submission to the Board regarding the effectiveness of current risk mitigating techniques and a proposal for those required in the future. These include the level of Surplus Guaranty and proportional and excess of loss reinsurance (both with affiliated and third party companies as deemed appropriate). The Board monitors the continued effectiveness through a variety of submissions made by the Chief Risk Officer, Chief Financial Officer and Underwriting Committee at the regular Board meetings.

### Stress testing and sensitivity analysis for material risks

A number of stress and scenario tests are utilized to assist the Board in understanding how the Company risk profile would look under stressed conditions and to determining the associated impact on capital requirements. These tests and their results form part of the ORSA process. The types of testing performed by the Company include the following:

- **Stress and Scenario testing:** These are plausible scenarios performed as stresses to the Company's balance sheet and with the purpose of informing users about resulting changes to profitability and required capital.
- **Reverse Stress Testing:** This technique is used to consider combinations of extreme events that could result in the business model becoming unviable at the point when crystallising risks cause counterparties and other stakeholders to be unwilling to transact with or provide capital to the Company and, where relevant, existing counterparties may seek to terminate their contracts or the market Regulator may require the Company to be put into run-off due to exhaustion of regulatory capital. As the Company relies on provision of capital and rating from Everest Re Group, Ltd, this scenario would most likely take place where Group is unable, or unwilling, to recapitalise the Company.

There were no material changes in risk profile during the reporting period.

### C.1 Underwriting risk

#### Risk measure

€000's	2019	2018
Premium and Reserve Risk	81,561	66,527
Catastrophe Risk	70,147	59,530
Lapse Risk	3,695	2,943
Diversification Benefit	-35,200	-29,202
<b>Total Underwriting Risk</b>	<b>120,203</b>	<b>99,798</b>

Underwriting risk is the risk that the total cost of claims, claims adjustment expenses and premium acquisition expenses will exceed premiums received. It can arise as a result of numerous factors, including premium (pricing) risk, reserving risk, catastrophe risk and lapse risk (the risk of non-renewal of a material part of the portfolio).

Failure to accurately assess underwriting risk and establish adequate premium rates and terms and conditions as a result of market cycle fluctuations, competition, macroeconomic trends, and regulatory/legal issues can result in reduced earnings and capital.

#### **Premium risk**

The Company manages its premium risk through approved underwriting guidelines and specific underwriting authority limits, overseen by the Board of Directors.

The Company manages its non-catastrophe underwriting risk through a cycle of planning, underwriting/pricing and monitoring. This cycle incorporates assessing accumulated exposures, establishing underwriting guidelines that take into account exposure risk, prices and coverage, and placing aggregate exposure limits. Planning primarily involves determining how much premium will be written for each line of business segment and forecasting these out to return on equity (“ROE”) targets. Underwriting/pricing is carried out by underwriters using approved guidelines that place limits on the amount of business that can be written based on a variety of factors, including ceding company profile, line of business, geographic location and risk hazards.

Management regularly reviews these guidelines in response to changes in market conditions, risk versus reward analysis and the Company’s underwriting risk management processes. Monitoring involves tracking premium, reported and incurred but not reported (IBNR) losses and acquisition expenses.

The Company is exposed to pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses, investment income and expected profit in relation to unearned premiums. Premium deficiencies, if any, are netted against deferred acquisition costs.

#### **Reserve risk**

Reserve risk arises when actual claims experience differs adversely from the assumptions included in setting reserves, in large part due to the length of time between the occurrences of a loss, the reporting of the loss and the ultimate resolution of the claim. Provisions may ultimately develop differently from the actuarial assumptions made when initially estimating the provision for claims. To the extent reserves prove to be insufficient to cover actual losses and adjustment expenses, the Company would have to recognise such reserve shortfalls and incur a charge to earnings, which could be material in the period such recognition takes place.

The Company reserves on a best estimate basis in accordance with the requirements of Solvency II. An annual reserve study of loss development is carried out by the Head of Actuarial Function (“HoAF”). The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, including carrying out claims audits to ensure the insured is complying with all procedures as documented in reinsurance contracts and validating claims made to the Company by the reinsured.



The Company's loss reserving methodologies continuously monitor the emergence of loss and loss development trends, seeking, on a timely basis, to both adjust reserves for the impact of trends shifts and to factor the impact of such shifts into the Company's underwriting and pricing on a prospective basis.

#### **Natural Catastrophic ("Cat") risk**

The Company is exposed to unpredictable Cat events arising from man-made or natural catastrophes that could significantly impact the operating results and financial condition of the Company. The Company manages its catastrophe-exposed risks through a cycle of planning, pricing, accumulation and post-event monitoring.

Planning primarily involves determining how much capacity the Company can absorb using return on equity targets. Accumulations of cat exposures are performed using Applied Insurance Research ("AIR") catastrophe model and Risk Management Solutions ("RMS") model.

In order to mitigate the effects of Cat events, the Company has in place a Catastrophe Excess of Loss agreement with a Group affiliated company to limit exposure to Cat losses. The Company remains liable to its policyholders with respect to ceded reinsurance if any reinsurer fails to meet the obligations it assumes.

#### **Risk concentration**

The Company writes non-life reinsurance property, casualty, catastrophe, financial and marine lines of business in Continental Europe. Accumulations of risk across different lines of business are monitored regularly.

Accumulation analysis helps to ensure that the Company is not exposed to more risk in any particular area or line of business than that set by risk appetite. The Company's accumulation strategy aims to:

- Contain underwriting loss across the Company to a manageable financial level, in line with risk appetite, which minimizes the financial impact to the balance sheet.
- Manage the accumulated underwriting risk across all lines of business so that the Company's market share of a loss is not out of line with acceptable expectations.
- Manage the Company's market share of a loss to less than the market share of the premium to that loss, i.e., profitable diversification of the book.
- Continuously enhance the Company's ability to identify, mitigate and avoid shock losses.

#### **Risk mitigation**

The Company purchases a whole account quota share and an excess of loss catastrophe protection in addition to other reinsurance from Group affiliated entities to limit underwriting risk exposure and reduce volatility in underwriting results.

#### **Risk sensitivity**

The principal assumption underlying the claims liabilities estimates is that the Company's future claims development will follow similar pattern to past claims development experience. These estimates are based on various quantitative and qualitative factors including:

- average claim costs including claim handling costs;
- trends in claims severity and frequency; and
- other factors such as inflation, expected or in-force government pricing and coverage reforms, and the level of insurance fraud.

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact the Company's ability to accurately assess the risk of the insurance contracts that the Company underwrites. In addition, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company and additional lags between the time of reporting and final settlement of claims.

The Company refines its claims liabilities estimates on an ongoing basis as claims are reported and settled. Establishing an appropriate level of claims liabilities is an inherently uncertain process and the policies surrounding this are overseen by the Actuarial function.

## C.2 Market risk

### Risk measure

€'000	2019	2018
Interest Rate Risk	15,473	11,231
Equity Risk	6,851	4,567
Spread Risk	23,243	15,211
Currency Risk	112,634	94,431
Property Risk	40	66
Concentration Risk	0	2,713
Diversification Benefit	-30,485	-23,932
<b>Total Market risk</b>	<b>127,756</b>	<b>104,287</b>

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company manages its market risk through a cycle of interactions between the Board of Directors, the Group Chief Investment Officer and investment managers. The Group Chief Investment Officer monitors the performance of the Company's financial instruments and approved investment policies. When appropriate, recommendations are made to the investment managers to ensure compliance with local regulatory requirements and Company capital needs.

Assets are invested in line with Board approved investment guidelines and in accordance with the 'prudent person principle'. The Board periodically reviews and monitors the security, quality, liquidity and profitability of the portfolio as a whole to ensure that it aligns with the Company's strategic goals and risk appetite.

The Company's assets are held in cash and taxed preferred fixed income securities with 89% rated A or higher. The Board periodically adjusts investment mix consistent with current and projected market conditions and the Company's risk appetite. The Board's periodic review ensures that fixed income securities are not concentrated with individual issuer.

### Interest rate risk

Movements in interest rates affect the level and timing of cash flows for the Company and the fair value of the fixed income securities. As interest rates rise, the fair value of fixed income portfolio declines and, conversely, as interest rates decline, the fair value of fixed income portfolio rises. To minimize this risk, the Company follows investment policy guidelines in line with Company specific guidelines and objectives. The Company invests principally in fixed interest rate bonds.

### **Equity Risk**

Equity risk arises from the level or volatility of market prices for equities. Exposure to equity risk arises in respect of all assets and liabilities whose value is sensitive to changes in equity prices. The Company generally does not invest in the equity markets and is, therefore, only mildly exposed in this area.

### **Spread risk**

The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The risk is managed by the Company maintaining an appropriate mix of investment instruments.

### **Property Risk**

Property Risk arises from the volatility of real estate investments made by the Company. Similar to equity markets, the Company does not invest heavily in real estate and is not exposed to any great degree in Property Risk.

### **Currency risk**

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and produce an adverse effect on net income and capital when measured in the Company's functional currency. The Company's cash flow and earnings are subject to fluctuations due to exchange rate variation. Foreign currency risk exists by nature of the Company's global reinsurance programme and its investment strategy where it invests in non-euro assets and cash. The Company's principal transactions are carried out in Euro though it has exposure to foreign exchange risk principally with respect to Sterling and US Dollars. The Company's financial assets are denominated in Euro, Sterling and US Dollars currencies which mitigate the foreign currency exchange rate risk. For each currency in which the Company has established substantial loss and LAE reserves, the Company seeks to maintain invested assets denominated in such currency in an amount approximately equal to the estimated liabilities in order to mitigate foreign currency exposure.

### **Concentration risk**

The Company continues to maintain an investment portfolio that is well diversified both geographically and by sector. The Company's investment mix is similar to that of a typical EU undertaking, consisting of significantly more bonds than equities. This strategy will carry forward, while limiting any concentration risks in the investment space.

### **Risk mitigation**

While no specific risk mitigation technique is employed to decrease the Company's solvency capital requirement in regards to Market Risk, the risk itself is managed thoroughly as described above per sub-risk.

### **Risk sensitivity**

The material portion of Market Risk for the Company is the Currency Risk. This risk is justifiably significant as the Company holds its surplus in USD. Sensitivity and stress analyses are performed by the CIO on a quarterly basis and reported to the Board. Based on economic scenario generator output in regards to foreign exchange rates, distributions are created and analysed at various return periods. As of the date of this report, the Company remains well within its Board-approved risk appetite at a 1 in 200 return period for this risk.

### **C.3 Credit risk**

#### **Risk measure**

€'000	2019	2018
Counterparty Risk	<b>10,006</b>	<b>2,342</b>

Credit risk is the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, of counterparties and any debtors to which the Company is exposed. The Company's credit risk exposure is concentrated primarily in its debt securities, fixed income bonds, reinsurance assets and reinsurance premium receivable.

#### **Risk concentration**

The major concentration within Credit Risk lies in the Company's reinsurance arrangements with affiliated companies. Because of the Group's robust balance sheet and rating strength, the Company does not view this concentration as a significant exposure.

#### **Risk mitigation**

The Company manages the bond portfolio credit risks by ensuring adherence to its investment policy, which is regularly reviewed by the Board of Directors and through the use of approved investment guidelines that restrict quality and diversification of bond holdings that mitigate risk. The Company policies limit and monitor its exposure to individual issuers and classes of issuers of investment securities by currency, duration, asset class and credit rating. The requirements of the Company's investment policy were met at all times during the year.

Reinsurance assets are reinsurers' share of outstanding claims, UPR and IBNR. As the Company mainly engages in internal reinsurance with affiliates and the credit risk of its affiliate is A rated, the Company does not regard the recoverability of reinsurance assets as a material credit risk. There is an immaterial reinsurance recoverable amount due from Mount Logan, an unrated external reinsurer.

The Company holds cash deposits with Barclays Bank Ireland plc, (A rated), Deutsche Bank (A), Bank of New York Mellon (AA) and HSBC France (AA).

#### **Risk sensitivity**

As the Company relies on provision of capital and rating from Everest Re Group, Ltd, reverse stress testing is performed as affiliated companies constitute a concentration within Credit Risk. This scenario would most likely take place where Group is unable, or unwilling, to recapitalise the Company. According to the ECM, the likelihood of this is quite remote.

### **C.4 Liquidity risk**

#### **Risk measure**

€'000	2019	2018
EPIFP	<b>6,302</b>	<b>4,643</b>

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

The Company has to meet its liabilities as and when they fall due, notably from claims arising from its general reinsurance contracts. There is therefore a risk that the cash and cash equivalents held will not be

sufficient to meet its liabilities when they become due. Given the credit quality of the Company’s financial assets as per the tables above, and with 65% of the portfolio having a maturity of 5 years or less, the Company is able to quickly liquidate its investments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In addition, the Company holds cash to assist in meeting its liquidity requirements, if necessary. The portfolio is externally managed by an independent, professional investment manager using portfolio guidelines approved by the Company.

**Risk concentration**

The Company strives to maintain a balanced, diversified, non-correlating book of business along with a well-diversified investment portfolio. The Company ensures liquid surplus is available at hand and continues Surplus Guaranty with affiliated companies. In this way, the Company does not have a significant concentration of liquidity risk.

**Risk mitigation**

The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims and expense outflows over time and maintains its short term cash commitments as readily available bank deposits with highly rated financial institutions.

**Risk sensitivity**

The Company performs stress scenario testing to ensure it retains sufficient Own Funds to meet both internal and external capital requirements. These tests consider the adverse impact of events across a range of measures including catastrophe loss, interest rate movement, loss reserve development and equity devaluation. In the case of simultaneous events, the Company remains within its Board-approved risk appetite.

**Expected profit included in future premiums**

The total amount of expected profit included in future premiums, calculated pursuant to Article 260(2) of Delegated Regulation (EU) 2015/35, amounts to €6.302m.

**C.5 Operational risk**

€'000	2019	2018
Operational Risk	<b>9,307</b>	<b>8,152</b>

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel, systems or other external events. The Company has identified and mitigated against a number of operational risks including fraud, business interruption, failure of outsourcing providers, internal control failure and loss of key personnel. A wide range of checks and controls further help mitigate Operational Risk. This section is divided into four parts:

**(i) Information Technology (IT)**

The Company has in place a Board approved IT Policy as well as adopting the standards and policies of Group. The Company has set technical, physical, logical and procedural security defenses that include:

- Perimeter and internal defenses such as firewall products; anti-virus, anti-spam, and anti-spyware software; as well as encryption technology for laptops, backup tapes & data transmissions over the Internet.
- Physical security of hardware assets, locked facilities, and data centre environmental controls.
- Logical security over hardware, software, data and remote access, restricting access to only the appropriate people and enforcing strict password rules, including two-factor authentication.
- Procedural defenses such as documented security policies, automatic system “time-outs”, and regular monitoring of areas at risk.
- An extensive Business Contingency Plan (BCP) has been developed with Group which is updated annually. In addition to internal security reviews, a Group Network Vulnerability Assessment is conducted annually by an external third party. The Company tests BCP on an annual basis.
- To mitigate the possibility of damage and loss to Everest Systems from a cyber-attack, employees are required to undergo annual cyber awareness training.

#### **(ii) Legal**

Ethical behavior by all employees is the key to reducing a number of risks, in particular, Reputation Risk and Legal / Litigation Risk. Every employee is expected to always adhere to the highest ethical standards. Local legal expertise can be accessed by ERCID as required. In addition to this, Group provides legal support in business risk (including reputational risk), regulatory, transactional and litigation contexts. All legal matters are brought to the attention of the Group’s General Counsel and managed in coordination with senior management.

All materially significant legal matters are brought before the Board.

#### **(iii) Internal Audit**

Internal Audit (IA) which assists management by providing objective assurance that the major operational risks are being managed appropriately and by providing assurance that the risk management and internal control framework is operating effectively.

The mission of the Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and improve the Company’s operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. The Company is subject to oversight by both Group and local internal functions

The Internal Audit function is co-sourced by Group Internal Audit and a local Irish firm of chartered accountants who holds the Pre-Approval Controlled title of Head of Internal Audit.

#### **(iv) Compensation and key role succession planning**

The Company compensates relevant employees with a mixture of salary, bonus and stock based awards commensurate with their level of seniority, job responsibility, individual performance and contribution to the performance of the Company.

The Company has a policy in place concerning succession planning.

## **C.6 Other material risks**

The Risk Committee of the Board discusses emerging risks during the regular assessments of the risk register. In addition, risk identification, analysis, evaluation and monitoring of emerging risks are carried out by the Group Emerging Risk Committee. The Committee will identify new and developing risks that could lead to material adverse consequences for the Group, and then will translate those insights into actionable strategic recommendations for consideration by the ERCID Risk Committee and Board. Any recommendations, which will include the perceived size of the impact and likelihood of such emerging risks affecting the Everest Group and the Company; thereby ensuring key individuals are kept up to date on current developments. Following the risk analysis at Group level the outputs are considered by the Company and the Risk Register updated where applicable.

## **C.7 Any other information**

The Company evaluates, on an ongoing basis, loss exposures to pandemic like events such as Coronavirus/COVID-19. Our initial analysis has identified Credit and Suretyship, which includes Whole-Turnover Trade Credit ('TC') and Commercial & Political Risk ('CPR'), as the main area of exposure. The majority of policies have worldwide exposure based on the coverage provided by the major European TC & CPR Insurers which we reinsure. TC policies provide cover to the suppliers (policy holder) in case of the non-payment of goods and services by a customer's (risk). It is a short-term product that is triggered by the default of the customer. Trade Credit policies are usually on annual basis and follow payment terms of original receivables that are commonly 60 to 180 days. CPR policies cover specific transactions. There are different types of policies that cover a range from pure political risk (confiscation, expropriation, nationalization, currency inconvertibility etc.) to non-honoring of contractual obligations or non-payment by a public/sovereign/sub-sovereign obligor (the risk) or by a private obligor. Most of these transactions are strategic for various involved parties and have multi-year tenor. These transactions are usually secured against assets. At the time of writing the overall impact on our Credit & Surety portfolio resulting from COVID-19 is difficult to quantify. The increase in insolvencies due to the economic slowdown may have an impact, however not all private corporate entities which may face insolvency purchase TC insurance to cover the risk. Losses to which the Company is exposed may be mitigated by risk management actions taken by credit insurers as well as individual governmental implementing schemes to support domestic economies. At the time of writing the Company considers there to be a high probability for additional losses beyond those contemplated in our plan, however there remains significant uncertainty around the potential outcome of the crisis and its ultimate impact. Based on current analysis the expected increase in loss ratio within our Credit and Surety book is within the stress scenarios considered for our overall portfolio. We maintain regular contact with our cedants in order that we are able to monitor the situation very closely.

## D. Valuation for solvency purposes

The Company values assets and liabilities, other than technical provisions, according to the risk-based approach prescribed under Solvency II valuation rules and Irish GAAP.

Valuations are at fair value, being the amount which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, using market consistent valuation methods.

Assets and liabilities are recorded in the Solvency II Market Consistent Balance Sheet ('MCBS') according to the value of expected future cash flows.

The following summarized balance sheet as at 31 December 2019 analyses the differences in valuation between the Company's annual financial statements produced under Irish GAAP and the MCBS.

		Statutory accounts value	Adjustment	Solvency II value
		€'000	€'000	€'000
<b>Assets</b>				
Deferred acquisition costs	R0020	9,640	(9,640)	0
Deferred tax assets	R0040	140	(140)	0
Property, plant & equipment held for own use	R0060	161	0	161
Government Bonds	R0140	197,933	1,662	199,595
Corporate Bonds	R0150	398,452	3,100	401,552
Collective Investments Undertakings	R0180	14,004	0	14,004
Reinsurance recoverable	R0270	206,197	(60,627)	145,570
Deposits to cedants	R0350	5,912	0	5,912
Insurance and intermediaries receivables	R0360	110,370	(96,752)	13,618
Reinsurance receivables	R0370	0	352	352
Receivables (trade, not insurance)	R0380	115	0	115
Cash and cash equivalents	R0410	33,577	0	33,577
Any other assets, not elsewhere shown	R0420	4,762	(4,743)	19
<b>Total assets</b>	R0500	<b>981,263</b>	<b>(166,788)</b>	<b>814,475</b>
<b>Liabilities</b>				
Best Estimate	R0540	281,773	26,844	308,617
Risk Margin	R0550	0	58,050	58,050
Best Estimate	R0580	0	1,623	1,623
Risk Margin	R0590	0	330	330
Other technical provisions	R0730	95,827	(95,827)	0
Deposits from reinsurers	R0770	3,312	0	3,312
Deferred tax liabilities	R0780	(4)	4	0
Insurance & intermediaries payables	R0820	18,811	(10,725)	8,086
Reinsurance payables	R0830	74,637	(54,693)	19,944
Payables (trade, not insurance)	R0840	4,996	(1,416)	3,580
Any other liabilities, not elsewhere shown	R0880	2,293	1,448	3,741
<b>Total liabilities</b>	R0900	<b>481,645</b>	<b>(74,362)</b>	<b>407,283</b>
<b>Excess of assets over liabilities</b>	R1000	<b>499,618</b>	<b>(92,426)</b>	<b>407,192</b>



## **D.1 Assets**

### **D.1.a Solvency II valuation for each material class of asset expressed in €'000:**

#### **Deferred acquisition costs**

Deferred acquisition costs are costs relating to contracts in force at the balance sheet date arising from the unexpired period of risk at the reporting date but which relate to a subsequent reporting period and are carried forward to subsequent reporting periods. Deferred acquisition costs are valued at nil for Solvency II purposes as it does not have a future cash flow.

#### **Investments - Government bonds, corporate bonds and collective investment undertakings**

Valuation for solvency purposes **€615,151**

For fair valuation purposes investments may be classified into three levels of fair value hierarchy based on the characteristics of inputs available in the marketplace.

- Level 1: value based on a readily and regularly available quoted price for an identical asset in an active market. The quoted price is usually the current bid price.
- Level 2: when Level 1 prices are not available the price of a recent transaction for an identical asset, as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.
- Level 3: when Level 1 and 2 are not available a valuation technique can be applied to estimate what the transaction price would have been on the measurement date in an arms-length exchange motivated by normal business considerations.

The Company chooses to invest in low volatility, highly rated government or corporate bonds. No equities are held in the portfolio. Government bonds are those issued by central and regional governments and supra-national institutions. Corporate bonds are those issued by corporations. Both Government and Corporate bond investments are valued at level 2. The investment in collective investment undertakings (mutual fund) is valued as Level 1. Further details relating to these investments are given in section A.3.a.

Accrued investment income disclosed under Irish GAAP as 'Any other assets, not elsewhere shown' has been reclassified to Government and Corporate bonds in the MCBS.

Investment in collective investment undertakings consist of French Government 'C' bonds held in a mutual fund as collateral by a third-party custodian at the request of several ceding companies. These are contractually required to cover outstanding reserves under the terms of a collateral agreement between the Company and the cedant companies. These investments are valued under hierarchy Level 1.

#### **Reinsurance recoverable**

Valuation for solvency purposes **€ 145,570**

Reinsurance recoverable balances represent recoveries due to the Company under outwards reinsurance agreements. A recalculation of the value is required under Solvency II as part of the calculation of technical provisions.

#### **Deposits to cedants**

Valuation for solvency purposes **€5,912**

This balance represents cash funds held by cedants as security against future claim payments. Such balances are considered to be held at fair value under Solvency II.

**Insurance and intermediaries receivables**

Valuation for solvency purposes	<b>€13,618</b>
Valuation in financial statements	<b>€110,370</b>

These represent debtor balances which are greater than 90 days past due. Balances which are less than 90 days past due are deemed to be future cash flows and reclassified as part of technical provisions. Under Solvency II amounts receivable in respect of premium accruals are excluded and subsequently included as part of technical provisions calculation.

**Cash and other cash equivalents**

Valuation for solvency purposes	<b>€33,577</b>
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Cash and cash equivalents are monies held as cash on hand, cash and short-term deposits held on call with banks. Such balances are considered to be held at fair value under Solvency II.

**Any other assets, not elsewhere shown**

Under Irish GAAP accrued investment income is included under the category 'Any other assets, not elsewhere shown'. This has been reclassified to Government and Corporate bonds in the MCBS.

Valuation for solvency purposes	<b>€19</b>
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- D.1.b** There are no material differences between the bases, methods and main assumptions used by the Company for the valuation for solvency purposes and those used for its valuation in financial statements.

## D.2 Technical provisions

### D.2.abc

The Head of Actuarial Function is responsible for the oversight of the calculation of technical provisions. As at 31 December 2019 the gross technical provisions are €368.6m. The technical provisions net of reinsurance as at 31 December 2019 are €223.1m. The table below lists the Company's technical provisions by line of business.

<b>Gross Technical Provisions - 31 December 2019 - € 000's</b>	<b>Gross Technical Provisions</b>	<b>Gross Best Estimate</b>	<b>Risk Margin</b>
<b>Direct business and accepted proportional reinsurance</b>			
Income protection insurance	1,429	1,223	206
Motor vehicle liability insurance	11,862	10,090	1,772
Marine, aviation and transport insurance	33,698	28,894	4,804
Fire and other damage to property insurance	72,925	61,904	11,021
General liability insurance	28,606	23,499	5,106
Credit and suretyship insurance	52,106	44,168	7,937
	<b>200,625</b>	<b>169,779</b>	<b>30,846</b>
<b>Accepted non-proportional reinsurance</b>			
Non-proportional health reinsurance	524	400	124
Non-proportional casualty reinsurance	95,479	78,144	17,335
Non-proportional marine, aviation and transport reinsurance	34,658	29,760	4,899
Non-proportional property reinsurance	37,334	32,158	5,176
	<b>167,995</b>	<b>140,461</b>	<b>27,533</b>
<b>Total</b>	<b>368,620</b>	<b>310,240</b>	<b>58,379</b>

The Company's reserving process uses generally accepted actuarial methods to estimate the amount of technical provisions required as part of an annual reserves review exercise. The process includes a detailed review by actuarial, underwriting and claims staff of each line of business and of development patterns and loss ratios.

Due to the inherent uncertainty and differences between lines of business and claims payment patterns there is an acceptable range of uncertainty included in the calculation of technical provisions. This can vary year on year depending on various factors including the nature of the underlying business and its volatility, the current economic climate, the frequency and severity of claims reported during the year, historical patterns and managements view on any of these factors.

- Best Estimate uncertainty due to future claims experience is caused by a number of external factors (i.e. legal, economic and social) which are considered during the Company's reserving process. The Company's provisions for its 3-pillared approach in Property, Casualty and Financial Lines can be impacted by, for example, catastrophe model uncertainty, litigation reform and political environment, respectively.
- WBNI (written but not incepted) uncertainty exists in the estimate of premium per the Company's definition of contract boundaries. As the major renewal date for the Company is January 1 of each year, this assumption's sensitivity is not significant, but can have a slight impact.

- As Solvency II requires payment of future claims and receipt of future premiums is discounted to present value, assumptions on payment and earning patterns can cause uncertainty. Patterns are developed based on historical information and assumed to be consistent with future cash flows. Semi-annual studies are conducted by ERM in order to develop appropriate patterns for use in SII calculations and elsewhere within the Group.
- Expense estimate uncertainty exists as historically incurred expenses are used to predict future expenses on a SII basis. Using past experience and expert judgment, operating expenses are allocated accordingly.

There is no allowance provided for any unexpired risk. Adjustments are made where the modelled calculation is thought to give unreasonable answers. These can arise where:

- The default calculated pattern for a given line of business is inadequate, distorting the expected amount, or
- Material premium or claim data is reported after the event, the omission of which may distort the actual amount.

#### **Data and grouping of risks**

Technical information relating to each treaty written, including the class grouping to which they are allocated and underwriting year written is held within the Company's underwriting and accounting systems. Reserving data is grouped by underwriting year. Claims and premiums relating to contracts written in a calendar year i.e. policies where cover commenced in that calendar year, are grouped together, irrespective of when they reported or paid, or received or due for premiums, and irrespective of the year in which the loss occurred or the period of exposure which the premium covered.

Within each year, written premium, paid claims and reported claims information is recorded on a quarterly basis. The projection methods used by the Company make the implicit assumption that future inflation is equal to the weighted average of past inflation. This simplification is deemed to be the most robust and appropriate approach to be applied to reinsurance data, which is often less detailed and more volatile than direct insurance data.

Claims data is converted into the Company's functional currency (Euro) at the exchange rate effective at the end of the reporting period. It is then grouped by reserving product and underwriting year. This enables the Company to utilise larger volumes of data for analysis.

Wherever possible the same groupings are used for calculations required for statutory reporting and Solvency II purposes. This allows for close reconciliation of both the underlying inputs and data outputs. Catastrophe losses are monitored separately by event, with quarterly updates in the loss ultimate presented to management.

#### **Best estimate calculation**

The best estimate is a discounted probability-weighted average of future cash flows.

This estimate is based on technical items ultimate amounts that do reflect an actuarial analysis of experience to date and projections of future development using patterns and assumptions derived from internal data and/or industry information.

The claims ultimate is typically selected after considering indications from several established actuarial methods:

- Paid and reported chain ladder (CL)
- Initial expected ultimate loss ratio (IEULR)
- Reported Bornhuetter-Ferguson (BF)

The best estimate calculation is based on assumptions, models and methods that have no known bias to underestimation or overestimation (since defined as expected value) and that are internally consistent. Assumptions may be either implicit or explicit and involve interpreting past data or projecting future trends.

The ultimate is determined based on facts and circumstances known to, or reasonably foreseeable, by the Head of Actuarial Function and management at the time of the estimation.

The discount of future cash-flows is performed using the risk-free interest rate term structure provided by EIOPA.

#### **Risk margin**

The approach to calculate the risk margin is the simplification Method 2 disclosed in the hierarchy of methods presented by EIOPA.

#### **Simplifications**

The risk margin is allocated by line of business using the best estimate technical provisions, as they are deemed to be an adequate reflection of the contribution of each line of business to the overall Solvency Capital Requirement.

#### **Governance**

The HoAF is required by the Central Bank of Ireland, the Company's regulatory authority, to provide them with an annual Actuarial Opinion on Technical Provisions ("AOTPs). This provides an opinion on the compliance of the technical provisions, as reported in the annual QRT's with all relevant Solvency II requirements. In addition the HoAF is required to provide an Actuarial Report on Technical Provisions ("ARTPs") to the Board on an annual basis. The Company is required to engage a reviewing actuary to conduct a peer review of the technical provisions and the related AOTPs and ARTPs.

Details of these requirements are provided by the Central Bank of Ireland document *Domestic Actuarial Regime and Related Governance Requirements under Solvency II*.

#### **Identification of deficiencies and recommendations on areas of improvement**

The reserving framework is set by the Head of Actuarial Function and is deemed to be robust and well documented. The integrity of the data used is verified by a documented control system is regularly tested by the Compliance and Internal Audit functions. The methods used, and assumptions made, in calculating the technical provisions are deemed by the Board to be reasonable and appropriate to the nature scale and complexity of the Company. Any deficiencies identified by the peer review will be addressed by the audit committee and Board.

**D.2.d** The matching adjustment referred to in Article 77b of Directive 2009/138/EC is not applied

**D.2.e** The volatility adjustment referred to in Article 77d of Directive 2009/138/EC is not used.



EVEREST

**D.2.f** The transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC is not applied.

**D.2.g** The transitional deduction referred to in Article 308d of Directive 2009/138/EC is not applied.

**D.2.h.i Recoverables from Reinsurance Contracts and Special Purpose Vehicles**

The Company purchases both quota share and excess of loss reinsurance from Group affiliated entities. The recoverable amounts from these contracts are calculated separately from the gross best estimate in accordance with Article 81 of Directive 2009/138/EC. The Company has no recoverable from Special Purpose Vehicles.

**D.2.h.ii** There have been no material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period.

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

The Company values other liabilities according to the risk-based approach of the Solvency II Directive. Valuations are at fair value being the amount which an asset could be exchanged between knowledgeable, willing parties using market consistent valuation methods.

**D.3.a Solvency II valuation for each material class of other liabilities expressed in €'000:**

**Deposits from reinsurers**

Valuation for solvency purposes **€3,312**

These balances represent funds held due to reinsurers and are held at fair value.

**Insurance and intermediaries payables**

Valuation for solvency purposes **€8,086**

These balances represent claims payable to cedants not yet paid. These represent creditor balances which are greater than 90 days past due.

**Reinsurance payables**

Valuation for solvency purposes **€19,944**

Reinsurance payable balances represent balances due to companies in respect of outwards quota share reinsurance arrangements. Creditor balances which are aged 0 – 90 days are deemed to be future cash flows and reclassified as part of technical provisions.

**Payables (trade not insurance)**

Valuation for solvency purposes **€3,580**

These balances represent non-insurance related payables: investment and custody fees, trade and accounts payables to service providers and suppliers.

**Any other liabilities, not elsewhere shown**

Valuation for solvency purposes **€3,741**

These balances represent inter-group payables and taxes due.

**D.3.b Material differences between the valuation of other liabilities for solvency purposes and those used for valuation in financial statements**

**Insurance and intermediaries payables**

Valuation for solvency purposes	<b>€8,086</b>
Valuation in financial statements	<b>€18,811</b>

Creditor balances which are aged 0 – 90 days are deemed to be future cash flows and reclassified as part of technical provisions. In the annual financial statements the Company has included contingent commissions payable to cedants in this category. Under Solvency II contingent commissions payable are included as part of technical provisions calculation. The balance has therefore been excluded and subsequently included as part of technical provisions calculation.

**Reinsurance payables**

Valuation for solvency purposes	<b>€19,944</b>
Valuation in financial statements	<b>€74,637</b>

Reinsurance payable balances represent balances due to companies in respect of outwards quota share reinsurance arrangements. Creditor balances which are aged 0 – 90 days are deemed to be future cash flows and reclassified as part of technical provisions. Under Solvency II amounts payable in respect of ceded premium accruals are excluded and subsequently included as part of technical provisions calculation.

**D.4 Alternative methods of valuation**

The Company does not use any alternative methods for valuation.

**D.5 Any other information**

The Company does not have any other material information to disclose in regard to valuation for solvency purposes.

## E. Capital management

### E.1 Own funds

Basic Own Funds is the excess of assets over liabilities as determined by the Solvency II MCBS.

The Company maintains own funds at a level which provides it with the opportunity to take advantage of profitable growth opportunities whilst maintaining an adequate level of cover of both SCR and MCR. It is the intention of the company to hold Tier 1 Capital as Own funds and to maintain a low risk, well diversified liquid portfolio of assets.

Throughout the period the Company has eligible own funds available to meet the SCR and MCR comprising of Capital contribution and retained earnings adjusted by the reconciliation reserve described in section E.1e & E.1.f below. The own funds ratio to SCR and MCR at the reporting period end are 194% and 776%, respectively.

#### E1.a Objectives, policies and processes employed by the Company for managing own funds

Ultimate responsibility for maintenance of own funds lies with the Board of Directors. The Company aims to maintain sufficient own funds to cover SCR and MCR at all times. The CRO and CFO periodically report to the Board on the level of eligible own funds and the ratio of cover over the SCR and MCR. Capital adequacy is also monitored at Group level in order that, if required, the Company is able to source financial resources sufficient to cover the capital requirements of Solvency II Standard Formula, the ORSA, and major rating agencies.

The Company uses a twelve month time horizon for business planning and carries out an annual assessment of reserve adequacy.

There have been no material changes over the reporting period.

#### E.1.b Own funds classification

At the end of the current and previous reporting periods the entire balance of own funds is available as Tier 1 unrestricted own funds.

As at 31 December 2019 the Company's excess of assets over liabilities is comprised of issued share capital of €2, basic own funds of €291m plus a reconciliation reserve of €116m.

	<b>2019</b>	<b>2018</b>
	<b>€'000</b>	<b>€'000</b>
Capital contribution	290,873	200,137
Reconciliation Reserve	116,320	89,103
Total basic own funds after deductions	<b>407,193</b>	<b>289,240</b>

There were no significant changes in own funds by tier over the reporting period.



**E.1.c Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers**

The Company's Own Funds cover 100% of the Solvency Capital Requirement.  
Own Funds are represented by 100% Tier 1 unrestricted capital.

**E.1.d Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers**

The Company's Own Funds cover 100% of the Minimum Capital Requirement.  
Own Funds are represented by 100% Tier 1 unrestricted capital.

**E.1.e Explanation of material differences between equity as shown in the Company's financial statements and the excess of assets over liabilities as calculated for solvency purposes**

	<b>2019</b>	<b>2018</b>
	<b>€'000</b>	<b>€'000</b>
Capital Contribution	290,873	200,137
Retained Earnings	208,746	172,874
Equity per financial statements	<b>499,619</b>	373,011
Technical Provisions Adjustment	(659)	(8,277)
Premium Receivables	(30,982)	(24,409)
Reinsurance Recoverable	(60,628)	(50,982)
Deferred Tax	(157)	(103)
Solvency II Own Funds	<b>407,193</b>	<b>289,240</b>

**E.1.f Key elements of the reconciliation reserve**

The reconciliation reserve is calculated as follows

	<b>2019</b>	<b>2018</b>
	<b>€'000</b>	<b>€'000</b>
Retained Earnings	208,883	173,011
Technical Provisions Adjustment	(659)	(8,277)
Premium Receivables	(30,982)	(24,409)
Reinsurance Recoverable	(60,628)	(50,982)
Deferred Tax	(157)	(103)
Solvency II Own Funds	<b>116,457</b>	<b>89,240</b>

**E.1.g Ancillary own funds**

The Company does not hold ancillary own funds.

**E.1.h Items deducted from own funds**

No items were deducted from own funds.

## **E.2 Information regarding the Solvency Capital Requirement and Minimum Capital Requirement**

The SCR covers at least the major risks, insurance, market, credit, and operational risk, and will take full account of any risk mitigation techniques that can be demonstrated and would be applied in times of stress.

MCR is designed to be the lower solvency calculation, corresponding to a solvency level, below which policyholders and beneficiaries would be exposed to an unacceptable level of risk, if the insurer were allowed to continue its operations.

### **E.2.a The amounts of the Company's Solvency Capital Requirement and the Minimum capital Requirement at the end of the reporting period**

The Solvency Capital Requirement as at 31 December 2019 was €209.9m

The Minimum Capital Requirement as at 31 December 2019 was €52.5m

### **E.2.b The amount of the Company's Solvency Capital Requirement split by standard formula risk modules**

	<b>2019</b>	<b>2018</b>
	<b>€000's</b>	<b>€000's</b>
<b>Underwriting Risk</b>		
Premium and Reserve Risk	81,561	66,527
Catastrophe Risk	70,147	59,530
Lapse Risk	3,695	2,943
Diversification Benefit	<u>(35,200)</u>	<u>(29,202)</u>
	<b>120,203</b>	<b>99,798</b>
<b>Counterparty Risk</b>	<b>10,006</b>	<b>2,342</b>
<b>Market Risk</b>		
Interest Rate Risk	15,473	11,231
Equity Risk	6,851	4,567
Spread Risk	23,243	15,211
Currency Risk	112,634	94,431
Property Risk	40	66
Concentration Risk	0	2,713
Diversification Benefit	<u>(30,485)</u>	<u>(23,932)</u>
	<b>127,756</b>	<b>104,287</b>
<b>Diversification Benefit</b>	<b>-57,287</b>	<b>-44,232</b>
<b>Basic SCR</b>	<b>200,677</b>	<b>162,195</b>
<b>Operational Risk</b>	<b>9,307</b>	<b>8,152</b>
<b>SCR</b>	<b>209,985</b>	<b>170,347</b>

In comparing the year-end 2019 SCR to that at year-end 2018, we can see a general increase in risk across the board. Premium growth continued to strengthen during 2019. This causes increases in premium, reserve and catastrophe risk charges as additional business is added to the portfolio. Market Risk has increased due to increased invested assets. This is due to both retained earnings from a profitable 2019 and the capital injection received in December of 2019.

**E.2.c Information on whether and for which risk modules and sub-modules of the standard formula that the Company is using simplified calculations**

The Company calculates the SCR and MCR using the Standard Formula model without simplifications.

**E.2.d Information on whether and for which parameters of the standard formula that the Company is using specific parameters**

The Company calculates the SCR and MCR using the Standard Formula model without using specific parameters.

**E.2.e** This section is not applicable

**E.2.f** The Company does not make use of undertaking-specific parameters. The Company's own funds include only Tier 1 unrestricted funds, without imposed capital add-ons.

**E.2.g Information on the inputs used by the undertaking to calculate the Minimum Capital Requirement**

The MCR has been calculated as prescribed by the Directives. A linear MCR is calculated based on parameters supplied in Annex XIX of the Directives and applied to net technical provisions without a risk margin and net written premium in the last twelve months. This value is compared to the 25% of the SCR and then the maximum of those compared to 45% of the SCR, of which the minimum is selected. This combined MCR is then compared to the AMCR (absolute floor), prescribed by the Directives according to type of company and the maximum is selected.

**E.2.h** There has been a material change to the SCR (2019: €209.9m; 2018 €170.3m) and the MCR (2019: €52.5m; 2018: €42.6m) over the reporting period. SCR has increased by 23% whereas available capital has increased by over 40%. The reasons for the increase in SCR can be found in the earlier section E.2.b. Available capital has increased due to retained earnings from a profitable 2019 and a capital injection received from Group in December 2019.

## **E.3 Use of duration-based equity risk sub-module for the calculation of the Solvency Capital Requirement**

The Company did not make use of the duration-based equity sub-module in the reporting during the reporting period.

## **E.4 Differences between the standard formula and any internal model used**

The Company has elected to use the Standard Formula, excluding undertaking specific parameters to calculate the Solvency Capital Requirement. As a consequence no differences exist.

## **E.5 Non-compliance**

The Company complied with the Solvency II Minimum Capital Requirement and Solvency Capital Requirement throughout the reporting period.



The Company held Own Funds in excess of both the Minimum Capital Requirement and Solvency Capital requirement throughout the reporting period.

## **E.6 Any other material information regarding the capital management of the Company**

The Company does not have any other material information to disclose in regard to capital management.

## Appendix

### 1. Quantitative Reporting Templates (QRT)

The following QRT templates, applicable to the Company, are required for the Solvency and Financial Condition Report.

Template ref	Template Name
S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by line of country
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life Claims Information
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement
S.28.01.01	Minimum Capital Requirement

**Annex I****S.02.01.02****Balance sheet**

	<b>Solvency II value</b>
	<b>C0010</b>
<b>Assets</b>	
Intangible assets	<b>R0030</b>
Deferred tax assets	<b>R0040</b>
Pension benefit surplus	<b>R0050</b>
Property, plant & equipment held for own use	<b>R0060</b> 161
Investments (other than assets held for index-linked and unit-linked contracts)	<b>R0070</b> 615,151
Property (other than for own use)	<b>R0080</b>
Holdings in related undertakings, including participations	<b>R0090</b>
Equities	<b>R0100</b>
Equities - listed	<b>R0110</b>
Equities - unlisted	<b>R0120</b>
Bonds	<b>R0130</b> 601,147
Government Bonds	<b>R0140</b> 199,595
Corporate Bonds	<b>R0150</b> 401,552
Structured notes	<b>R0160</b>
Collateralised securities	<b>R0170</b>
Collective Investments Undertakings	<b>R0180</b> 14,004
Derivatives	<b>R0190</b>
Deposits other than cash equivalents	<b>R0200</b>
Other investments	<b>R0210</b>
Assets held for index-linked and unit-linked contracts	<b>R0220</b>
Loans and mortgages	<b>R0230</b>
Loans on policies	<b>R0240</b>
Loans and mortgages to individuals	<b>R0250</b>
Other loans and mortgages	<b>R0260</b>
Reinsurance recoverables from:	<b>R0270</b> 145,570
Non-life and health similar to non-life	<b>R0280</b> 145,570
Non-life excluding health	<b>R0290</b> 144,877
Health similar to non-life	<b>R0300</b> 693
Life and health similar to life, excluding health and index-linked and unit-linked	<b>R0310</b>
Health similar to life	<b>R0320</b>
Life excluding health and index-linked and unit-linked	<b>R0330</b>
Life index-linked and unit-linked	<b>R0340</b>
Deposits to cedants	<b>R0350</b> 5,912
Insurance and intermediaries receivables	<b>R0360</b> 13,618
Reinsurance receivables	<b>R0370</b> 352
Receivables (trade, not insurance)	<b>R0380</b> 115
Own shares (held directly)	<b>R0390</b>
Amounts due in respect of own fund items or initial fund called up but not yet paid in	<b>R0400</b>
Cash and cash equivalents	<b>R0410</b> 33,577
Any other assets, not elsewhere shown	<b>R0420</b> 19
<b>Total assets</b>	<b>R0500</b> 814,475

**Annex I****S.02.01.02****Balance sheet****Liabilities**

Technical provisions – non-life

Technical provisions – non-life (excluding health)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - health (similar to non-life)

TP calculated as a whole

Best Estimate

Risk margin

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

Technical provisions - health (similar to life)

TP calculated as a whole

Best Estimate

Risk margin

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

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions – index-linked and unit-linked

TP calculated as a whole

Best Estimate

Risk margin

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 &amp; intermediaries payables

Reinsurance payables

Payables (trade, not insurance)

Subordinated liabilities

Subordinated liabilities not in BOF

Subordinated liabilities in BOF

Any other liabilities, not elsewhere shown

**Total liabilities****Excess of assets over liabilities**

	<b>Solvency II value</b>
	<b>C0010</b>
<b>R0510</b>	368,620
<b>R0520</b>	366,667
<b>R0530</b>	
<b>R0540</b>	308,617
<b>R0550</b>	58,050
<b>R0560</b>	1,953
<b>R0570</b>	
<b>R0580</b>	1,623
<b>R0590</b>	330
<b>R0600</b>	
<b>R0610</b>	
<b>R0620</b>	
<b>R0630</b>	
<b>R0640</b>	
<b>R0650</b>	
<b>R0660</b>	
<b>R0670</b>	
<b>R0680</b>	
<b>R0690</b>	
<b>R0700</b>	
<b>R0710</b>	
<b>R0720</b>	
<b>R0740</b>	
<b>R0750</b>	
<b>R0760</b>	
<b>R0770</b>	3,312
<b>R0780</b>	
<b>R0790</b>	
<b>R0800</b>	
<b>R0810</b>	
<b>R0820</b>	8,086
<b>R0830</b>	19,944
<b>R0840</b>	3,581
<b>R0850</b>	
<b>R0860</b>	
<b>R0870</b>	
<b>R0880</b>	3,741
<b>R0900</b>	407,282
<b>R1000</b>	407,193

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

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of business for:				Total	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport		Property
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150		C0160
<b>Premiums written</b>																	
Gross - Direct Business	R0110																
Gross - Proportional reinsurance accepted	R0120		330		960		44,350	49,372	3,915	56,639							155,567
Gross - Non-proportional reinsurance accepted	R0130												88	16,612	16,502	62,502	95,704
Reinsurers' share	R0140		196		577		26,602	29,255	2,336	33,894			53	10,188	9,399	46,727	159,228
Net	R0200		134		383		17,748	20,117	1,579	22,745			35	6,424	7,103	15,775	92,043
<b>Premiums earned</b>																	
Gross - Direct Business	R0210																
Gross - Proportional reinsurance accepted	R0220		317		7,143		27,344	50,907	5,198	42,049							132,958
Gross - Non-proportional reinsurance accepted	R0230												88	22,497	13,473	62,552	98,610
Reinsurers' share	R0240		187		4,335		16,438	30,439	3,092	25,113			53	13,758	7,196	45,626	146,237
Net	R0300		129		2,808		10,906	20,468	2,105	16,937			35	8,738	6,277	16,927	85,331
<b>Claims incurred</b>																	
Gross - Direct Business	R0310																
Gross - Proportional reinsurance accepted	R0320		242		6,671		21,636	36,336	2,263	19,782							86,930
Gross - Non-proportional reinsurance accepted	R0330												60	15,690	15,539	5,072	36,361
Reinsurers' share	R0340		138		3,845		12,958	21,656	1,705	11,864			34	8,721	9,641	2,516	73,077
Net	R0400		105		2,826		8,678	14,680	558	7,918			26	6,970	5,898	2,556	50,214
<b>Changes in other technical provisions</b>																	
Gross - Direct Business	R0410																
Gross - Proportional reinsurance accepted	R0420																
Gross - Non-proportional reinsurance accepted	R0430																
Reinsurers' share	R0440																
Net	R0500																
<b>Expenses incurred</b>																	
Gross	R0550		16		275		2,381	7,582	1,557	7,357			28	4,033	1,015	1,734	25,978
Other expenses	R1200																
Total expenses	R1300																25,978

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

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other	Health reinsurance	Life-reinsurance	
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
<b>Premiums written</b>									
Gross	R1410								
Reinsurers' share	R1420								
Net	R1500								
<b>Premiums earned</b>									
Gross	R1510								
Reinsurers' share	R1520								
Net	R1600								
<b>Claims incurred</b>									
Gross	R1610								
Reinsurers' share	R1620								
Net	R1700								
<b>Changes in other technical provisions</b>									
Gross	R1710								
Reinsurers' share	R1720								
Net	R1800								
<b>Expenses incurred</b>									
Gross	R1900								
Other expenses	R2500								
Total expenses	R2600								



## Annex I

## S.05.02.01

## Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations						Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	
	R0010		FR	DE	GB	CH	JP	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120	740	45,999	32,693	16,788	18,752	282	115,254
Gross - Non-proportional reinsurance accepted	R0130	390	26,917	20,781	7,772	3,081	15,146	74,086
Reinsurers' share	R0140	716	46,206	33,886	15,563	13,835	9,777	119,983
Net	R0200	414	26,710	19,588	8,996	7,998	5,651	69,357
<b>Premiums earned</b>								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220	397	31,863	32,802	11,064	15,859	546	92,530
Gross - Non-proportional reinsurance accepted	R0230	390	26,874	21,148	7,199	3,387	20,281	79,279
Reinsurers' share	R0240	497	37,093	34,070	11,533	12,154	13,153	108,499
Net	R0300	290	21,644	19,880	6,730	7,092	7,675	63,310
<b>Claims incurred</b>								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320	-203	17,177	30,971	1,669	7,797	1,491	58,902
Gross - Non-proportional reinsurance accepted	R0330		-603	705	697	808	1,125	2,732
Reinsurers' share	R0340	-120	9,823	18,775	1,402	5,101	1,551	36,532
Net	R0400	-83	6,750	12,901	964	3,505	1,066	25,102
<b>Changes in other technical provisions</b>								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
<b>Expenses incurred</b>	R0550	117	7,538	5,528	2,539	2,257	1,595	19,575
<b>Other expenses</b>	R1200							
<b>Total expenses</b>	R1300							19,575

## Annex I

## S.05.02.01

## Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations						Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
<b>Premiums written</b>								
Gross	R1410							
Reinsurers' share	R1420							
Net	R1500							
<b>Premiums earned</b>								
Gross	R1510							
Reinsurers' share	R1520							
Net	R1600							
<b>Claims incurred</b>								
Gross	R1610							
Reinsurers' share	R1620							
Net	R1700							
<b>Changes in other technical provisions</b>								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
<b>Expenses incurred</b>	R1900							
<b>Other expenses</b>	R2500							
<b>Total expenses</b>	R2600							

Annex I  
S.17.01.02  
Non-life Technical Provisions

	Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
<b>Technical provisions calculated as a whole</b>																	
Total Recoverables from reinsurance-SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole																	
<b>R0050</b>																	
<b>Technical provisions calculated as a sum of BE and RM</b>																	
<b>Best estimate</b>																	
Premium provisions																	
Gross																	
Total recoverable from reinsurance-SPV and Finite Re after the adjustment for expected losses due to counterparty default																	
<b>R0060</b>		56		343		950	5,929	961	3,584				-8	3,306	830	-9,297	6,654
Net Best Estimate of Claims Provisions																	
<b>R0140</b>		32		159		616	3,448	394	1,739				-5	2,018	525	-7,950	976
Net Best Estimate of Premium Provisions																	
<b>R0150</b>		23		183		334	2,481	568	1,845				-4	1,288	306	-1,347	5,678
<b>Claims provisions</b>																	
Gross																	
<b>R0160</b>		1,167		9,748		27,044	55,974	22,538	40,554				408	74,838	28,929	-41,455	303,586
Total recoverable from reinsurance-SPV and Finite Re after the adjustment for expected losses due to counterparty default																	
<b>R0240</b>		610		4,934		14,728	27,368	8,703	20,041				56	27,229	15,417	25,508	144,594
Net Best Estimate of Claims Provisions																	
<b>R0250</b>		558		4,814		13,217	28,606	13,835	20,543				353	47,609	13,512	15,947	158,993
<b>Total Best estimate - gross</b>		1,223		10,090		28,894	61,804	23,499	44,168				400	78,144	29,760	32,138	310,240
<b>Total Best estimate - net</b>		581		4,997		13,550	31,087	14,403	22,389				349	48,896	13,818	14,600	164,670
<b>Risk margin</b>		206		1,772		4,804	11,021	5,106	7,937				124	17,335	4,899	5,176	58,379
<b>Amount of the transitional on Technical Provisions</b>																	
Technical Provisions calculated as a whole																	
Best estimate																	
Risk margin																	
<b>R0310</b>																	
<b>Technical provisions - total</b>																	
<b>R0320</b>		1,429		11,862		33,698	72,925	28,606	52,106				524	95,479	34,658	37,334	368,620
Recoverable from reinsurance contract-SPV and Finite Re after the adjustment for expected losses due to counterparty default - total																	
<b>R0330</b>		642		5,093		15,344	30,816	9,097	21,780				51	29,247	15,941	17,558	145,570
Technical provisions minus recoverables from reinsurance-SPV and Finite Re - total																	
<b>R0340</b>		787		6,769		18,354	42,109	19,509	30,326				473	66,231	18,717	19,776	223,080

Annex I  
S.19.01.21  
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	<b>Z0020</b>	Underwriting year [UWY]
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Gross Claims Paid (non-cumulative)  
(absolute amount)

Year	Development year											In Current year	Sum of years (cumulative)
	C0010	1	2	3	4	5	6	7	8	9	10 & +		
Prior													
2010	R0100											R0100	1,324
	R0160	-74	20,432	6,218	1,396	874	328	401	1,460	552	43	R0160	43
2011	R0170	-1,655	24,035	7,253	4,332	1,597	735	351	425	646		R0170	646
2012	R0180	1,862	19,615	4,005	2,079	1,477	1,613	2,428	286			R0180	286
2013	R0190	2,908	27,180	10,293	3,814	3,436	729	682				R0190	682
2014	R0200	-1,746	32,391	12,027	5,648	5,325	1,269					R0200	1,269
2015	R0210	2,123	83,874	21,629	8,226	4,294						R0210	4,294
2016	R0220	-3,334	36,783	11,876	5,024							R0220	5,024
2017	R0230	-2,296	48,271	11,333								R0230	11,333
2018	R0240	-2,095	63,989									R0240	63,989
2019	R0250	-2,221										R0250	-2,221
	<b>Total</b>											<b>R0260</b>	<b>86,668</b>

Gross undiscounted Best Estimate Claims Provisions  
(absolute amount)

Year	Development year											Year end (discounted data)	
	C0200	1	2	3	4	5	6	7	8	9	10 & +		C0360
Prior	R0100											R0100	28,048
2010	R0160						6,537	4,279	3,234	3,156		R0160	3,083
2011	R0170					10,198	8,942	7,326	4,804			R0170	4,726
2012	R0180				12,859	12,308	8,214	5,941				R0180	5,805
2013	R0190			15,464	10,995	8,574	6,455					R0190	6,260
2014	R0200		21,603	17,061	14,747	10,462						R0200	10,163
2015	R0210	55,745	26,621	23,290	17,761							R0210	17,288
2016	R0220	53,258	38,693	20,889	18,868							R0220	18,244
2017	R0230	91,948	73,200	56,272								R0230	54,932
2018	R0240	91,958	78,707									R0240	76,117
2019	R0250	83,374										R0250	81,308
	<b>Total</b>											<b>R0260</b>	<b>303,586</b>

Annex I  
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 (EU) 2015/35**

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	0	0			
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	116,457	116,457			
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	290,736	290,736			

**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					
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**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 available own funds to meet the SCR	407,193	407,193			
Total available own funds to meet the MCR	407,193	407,193			
Total eligible own funds to meet the SCR	407,193	407,193			
Total eligible own funds to meet the MCR	407,193	407,193			

**SCR**

**MCR**

**Ratio of Eligible own funds to SCR**

**Ratio of Eligible own funds to MCR**

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	0	0			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	116,457	116,457			
R0140					
R0160					
R0180	290,736	290,736			
R0220					
R0230					
R0290	407,193	407,193			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	407,193	407,193			
R0510	407,193	407,193			
R0540	407,193	407,193			
R0550	407,193	407,193			
R0580	209,985				
R0600	52,496				
R0620	193,92%				
R0640	775,66%				

**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	6,302				

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

	C0060
R0700	407,193
R0710	
R0720	
R0730	290,736
R0740	
R0760	116,457
R0770	
R0780	6,302
R0790	6,302

**Annex I**

**S.25.01.21**

**Solvency Capital Requirement - for undertakings on Standard Formula**

Market risk  
 Counterparty default risk  
 Life underwriting risk  
 Health underwriting risk  
 Non-life underwriting risk  
 Diversification  
 Intangible asset risk  
**Basic Solvency Capital Requirement**

**Calculation of Solvency Capital Requirement**

Operational risk  
 Loss-absorbing capacity of technical provisions  
 Loss-absorbing capacity of deferred taxes  
 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

**Solvency capital requirement excluding capital add-on**

Capital add-on already set

**Solvency capital requirement**

**Other information on SCR**

Capital requirement for duration-based equity risk sub-module  
 Total amount of Notional Solvency Capital Requirement for remaining part  
 Total amount of Notional Solvency Capital Requirements for ring fenced funds  
 Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios  
 Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
<b>R0010</b>	127,756		
<b>R0020</b>	10,006		
<b>R0030</b>			
<b>R0040</b>	488		
<b>R0050</b>	119,715		
<b>R0060</b>	-57,287		
<b>R0070</b>			
<b>R0100</b>	200,677		
	<b>C0100</b>		
<b>R0130</b>	9,307		
<b>R0140</b>			
<b>R0150</b>			
<b>R0160</b>			
<b>R0200</b>	209,985		
<b>R0210</b>			
<b>R0220</b>	209,985		
<b>R0400</b>			
<b>R0410</b>			
<b>R0420</b>			
<b>R0430</b>			
<b>R0440</b>			

**Annex I**

**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	R0010 36,193

	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>
	<b>R0020</b>	
Medical expense insurance and proportional reinsurance	<b>R0030</b>	581
Income protection insurance and proportional reinsurance	<b>R0040</b>	134
Workers' compensation insurance and proportional reinsurance	<b>R0050</b>	4,997
Motor vehicle liability insurance and proportional reinsurance	<b>R0060</b>	383
Other motor insurance and proportional reinsurance	<b>R0070</b>	13,550
Marine, aviation and transport insurance and proportional reinsurance	<b>R0080</b>	17,748
Fire and other damage to property insurance and proportional reinsurance	<b>R0090</b>	31,087
General liability insurance and proportional reinsurance	<b>R0100</b>	20,117
Credit and suretyship insurance and proportional reinsurance	<b>R0110</b>	14,403
Legal expenses insurance and proportional reinsurance	<b>R0120</b>	22,389
Assistance and proportional reinsurance	<b>R0130</b>	22,745
Miscellaneous financial loss insurance and proportional reinsurance	<b>R0140</b>	349
Non-proportional health reinsurance	<b>R0150</b>	35
Non-proportional casualty reinsurance	<b>R0160</b>	48,896
Non-proportional marine, aviation and transport reinsurance	<b>R0170</b>	13,818
Non-proportional property reinsurance	<b>R0170</b>	14,600
	<b>R0170</b>	15,775

**Linear formula component for life insurance and reinsurance obligations**

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

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

**Overall MCR calculation**

	<b>C0070</b>
Linear MCR	R0300 36,193
SCR	R0310 209,985
MCR cap	R0320 94,493
MCR floor	R0330 52,496
Combined MCR	R0340 52,496
Absolute floor of the MCR	R0350 3,600
	<b>C0070</b>
<b>Minimum Capital Requirement</b>	<b>R0400</b> 52,496