PartnerRe Ireland Insurance dac

2016

Solvency and Financial Condition Report

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SUMMARY

PartnerRe Ireland Insurance dac (the "Company" or "PRIIdac") is an Irish based multi-class insurance company capable of writing worldwide risks with multi-national access. The Company is regulated by the Central Bank of Ireland ("CBI"). It is part of the PartnerRe Group. On 18 March 2016 the PartnerRe Group was acquired by EXOR N.V ("EXOR"), a Dutch public limited liability company which is listed on the Borsa Italiana's Italian Stock Exchange. See section A.1. of this report for further details about the business of the Company.

The Company made a post tax loss of €6 million in 2016, which included an underwriting loss, after expenses, of €7 million. Excluding administration and investment expenses the Company made an underwriting profit of €11 million in 2016. See sections A.2., A.3. and A.4. for a discussion of the performance of the Company during the year. The Company's gross written premium was stable year on year, however the net premium earned decreased in 2016 due to the change in the Company's reinsurance programs. All of the Company's lines of business faced increased competition mainly due to the macro economic environment, the absence of large market losses and increased availability of alternative capital.

Section B of this report discussed the Company's system of governance which includes; the role of the Board and Committees, delegation of roles and responsibilities, fit and proper requirements, risk management system, internal control system, internal audit function, actuarial function and use of outsourcing. Notwithstanding the change in ownership of the PartnerRe Group there were no significant changes to the Company's systems of governance during the year. Although Solvency II came into full effect on 1 January 2016, the Company had implemented the majority of the risk and governance requirements in previous years.

The core of the Company's business model is the assumption and management of risk. The Company is exposed to underwriting, market, credit, liquidity and operational risks. The Company manages its underwriting risk through the use of reinsurance, with the most significant protections being an 85% (70% for 2011 to 2014 underwriting years) quota share agreement with Partner Reinsurance Europe SE ("PRESE") and a stop loss agreement, attaching at 120%, with Partner Reinsurance Company Ltd ("PRCL"), both of which are Group companies. See section C of this report for details of the Company's risk profile and reinsurance protections. There were no significant changes in the Company's risk profile during the period.

The Company had Own Funds of €38 million in its Solvency II balance sheet at 31 December 2016. The assets and liabilities in the Solvency II balance sheet were valued using Solvency II valuation rules. The Solvency II valuation rules are different, in some areas, than those used in the Company's IFRS financial statements, with the valuation of technical provisions being the major area of difference. See section D for more detail on the valuation methods, bases and assumptions of assets and liabilities in the Solvency II balance sheet as well as a comparison to IFRS. There were no significant changes to the valuation basis of the Company's assets and liabilities during the year.

The Company's Solvency II Own Funds were as follows at 31 December 2016:

	Tier 1 €'000	Tier 3 €'000	Total €'000
Ordinary share capital	2,249	—	2,249
Reconciliation reserve	(27,176)	—	(27,176)
Net deferred tax assets	—	1,868	1,868
Other own funds approved by the supervisory authority	61,463	—	61,463
Total Solvency II Own Funds	**36,536**	**1,868**	**38,404**

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

The Company uses the Standard Formula to calculate the SCR. The Company's MCR, SCR, Solvency II Own Funds and Ratio of Eligible Own Funds to SCR were as follows as at 31 December 2016:

	€'000
MCR	11,793
SCR	47,172
Solvency II Own Funds	38,404
Ratio of Eligible Own Funds to SCR	**81.4%**

At 31 December 2016, the Company did not have sufficient Own Funds to cover the SCR, as calculated using the Solvency II Standard Formula. The Company had assumed that the application of the Standard Formula could take into account the significant economic protection from the stop loss reinsurance agreement with PRCL, indicating a significantly higher Ratio of Eligible Own Funds to SCR than if the stop loss was excluded from the calculation.

When the Company calculated the Solvency II balance sheet and SCR, excluding the impact of the stop loss agreement, as at 31 December 2016, the movements in the valuation of assets and liabilities and the update of other Solvency II application assumptions resulted in the Ratio of Eligible Own Funds to SCR being lower than 100%.

The Company's parent injected €10 million in January 2017 which remediated the breach and €20 million in March 2017 to further strengthen the capital position. Following these capital injections the Company has sufficient capital to cover the SCR, bringing the Ratio of Eligible Own Funds to SCR to 145%.

It is important to note that even though it is excluded from the Solvency II Standard Formula calculation, the stop loss agreement continues to offer significant economic protection to the Company.

See section E.2. for further details of the breakdown of the SCR between the different risk modules and details of the calculation of the MCR.

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

PartnerRe Ireland Insurance dac is a private company limited by shares incorporated and domiciled in Ireland.

The Company through its head office and United Kingdom branch (London) is a multi-class insurance company capable of writing worldwide risks with multi-national access. The Company underwrites non-life business within its six main lines of business: aviation, energy, property, engineering, marine and casualty. The Company's business strategy is to underwrite a well-managed, well diversified, multi-class and worldwide insurance business that supports our clients' needs while ensuring that the Company retains underwriting discipline and focus on underwriting profitability.

The Company writes wholesale financial lines ("Wholesale Business") offering Professional Indemnity, Directors & Officers and PI /GL ("General Liability") package insurance products to small and medium sized enterprises mainly through Managed General Agents ("MGAs"). During the year the Company decided to not to sign any new MGA agreements. The existing MGA agreements continue to write business until their existing contracts expire, over the next couple of years.

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

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

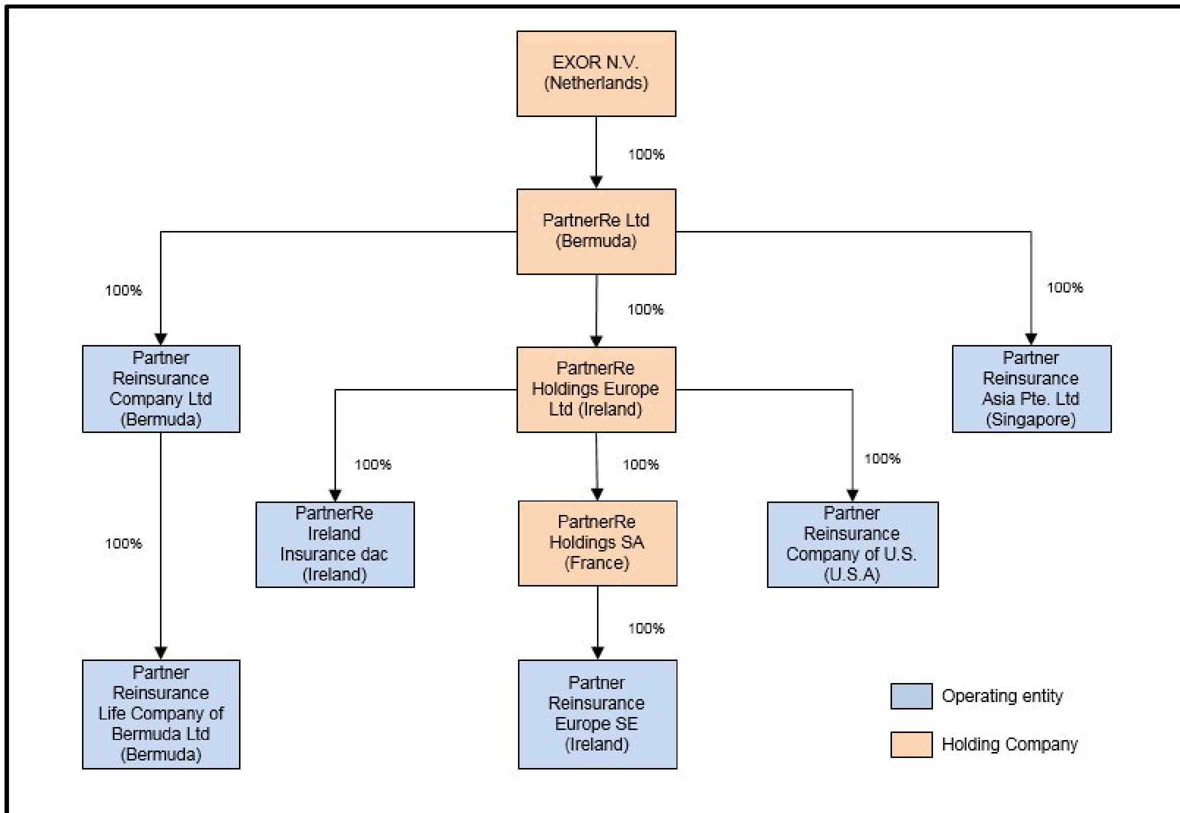
The immediate parent company is PartnerRe Holdings Europe Limited ("PRHEL"), a company incorporated in Ireland. It owns 100% of the Company's ordinary share capital.

The Company is a fully owned subsidiary of the PartnerRe Group ("Group"), the parent company of the PartnerRe Group is PartnerRe Ltd. ("the Group parent"), a company incorporated in Bermuda. The PartnerRe Group is supervised by the Bermuda Monetary Authority.

The ultimate parent is EXOR, a Dutch public limited liability company which is listed on the Borsa Italiana's Italian Stock Exchange.

On 18 March 2016, the PartnerRe Group was acquired by the EXOR Group. This was completed through a merger of PartnerRe Ltd. with Pillar Ltd., a Bermuda exempted company and a wholly owned subsidiary of EXOR, a Dutch public limited liability company (naamloze vennootschap), whereby Pillar Ltd merged with and into PartnerRe Ltd., with PartnerRe Ltd. surviving as a subsidiary of EXOR.

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



Group companies located in various jurisdictions, but principally in Bermuda, USA, Switzerland, France, Asia and Ireland, provide services (including, inter alia, Human Resources, Investment Management, I.T. and Claims) to various operating companies within the Group, including PRIIdac.

A.2. UNDERWRITING PERFORMANCE

The following table outlines the Company's underwriting performance for 2016:

	€'000
Gross premium written	181,646
Net premium written	20,874
Net premium earned	22,623
Net claims incurred	16,267
Expenses incurred, excluding investment expenses	13,194
Total underwriting result	**(6,838)**
Investment expenses	196
Underwriting result as reported in the QRT	**(7,034)**

The table below outlines the Solvency II lines of business: marine, aviation and transport includes aviation and energy offshore exposures; fire and other damage to property includes exposures from property, energy and

engineering risks, and General liability includes exposures from casualty risks.

	Marine, aviation and transport	Fire and other damage to property	General liability	Total
	€'000	€'000	€'000	€'000
Net premium earned	8,518	7,098	7,007	**22,623**
Total underwriting result	(4,291)	(2,061)	(682)	**(7,034)**

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

The Company's gross premium income was stable for the year with the positive impact of continued growth in the casualty line of business being offset by reductions due to challenging market conditions in the energy offshore line of business.

The main drivers of the non-life underwriting performance during 2016 were as follows:

- Mid-sized loss activity during the year, particularly on the offshore, property and energy lines of business, partially offset by;
- Favourable prior years' reserve development in the energy offshore, property and engineering lines of business;
- Over-rider commission received as a result of business ceded within the Group; and
- Administrative expenses in line with expectations.

Expenses incurred are comprised of administration expenses, mainly amounts recharged from related parties for the provision of employees and services, including the provision of certain underwriting, claims handling and other administrative services, and investment expenses partially offset by net commission income.

Geographical Analysis

		Top 5 countries by location of cedant						
	Ireland	United States	United Kingdom	Italy	Norway	Germany	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	4,688	84,445	30,017	7,519	5,932	4,766	44,279	**181,646**
Net premium written	539	9,704	3,449	864	682	548	5,088	**20,874**
Net premium earned	233	8,426	4,378	848	923	604	7,211	**22,623**
Net claims incurred	903	6,289	5,299	13	363	429	2,971	**16,267**
Expenses incurred (including investment expenses)	(28)	6,017	1,895	283	602	449	4,172	**13,390**
Total underwriting result	**(642)**	**(3,880)**	**(2,816)**	**552**	**(42)**	**(274)**	**68**	**(7,034)**

Given the nature of the commercial insurance business, where the location of the insured is not representative of the location of the risk, the Company does not manage its underwriting result by geography.

A.3. INVESTMENT PERFORMANCE

The following table outlines the investment income and expenses for 2016:

	€'000
Interest and income	811
Net realised gains	1,172
Net unrealised gains	2,148
Investment management and other related expenses	(196)
Total net of expenses	**3,935**

The Company's investments are primarily allocated to fixed income securities and accordingly interest income from fixed income securities accounts for substantially all of the income arising from investments. Realised and unrealised gains and losses include both gains and losses due to changes in market prices on fixed income securities and those due to changes in foreign exchange rates. Included within the net unrealised gains for 2016 are net unrealised foreign exchange gains of €2.5 million due to changes in foreign exchange rates partially offset by net unrealised market loss of €0.4 million.

The Company's fixed income securities were almost exclusively invested in U.S. and European government bonds in the financial year ending 31 December 2016.

The Company did not recognise any gains or losses directly in Other Comprehensive Income (equity) during the year. The Company did not have any investments in securitizations.

A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company recognised a €2 million foreign exchange loss in the income statement during the period. This loss was offset by a foreign exchange gain on investments of €3 million.

The Company recognised a total income tax expense of €1 million during the period. The tax expense was mainly due to the removal of a deferred tax asset relating to the wholesale business, due to the decision not to sign any new MGA agreements.

The Company leases primarily office space under non-cancellable operating lease arrangements. The Company incurred lease expenses of €1 million during the period.

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

GENERAL GOVERNANCE STANDARDS AND STRUCTURE

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

The Board has delegated some of its key functions through the establishment of an Audit Committee and Risk Committee. This enables effective management and facilitates the Board in carrying out its responsibilities and overall stewardship of the Company. These Committees are accountable for clearly defined terms of references as stated in the Committee Charters.

Key elements of the Company's system of governance

Governance and Oversight

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

The Board is supported in this regard by the Company's Management team and its Audit Committee and Risk Committee. The shared cross membership of these Committees serves to enhance the Board's consideration of risk related issues. In addition, the Company has a clearly defined structure of key functions (comprising Risk Management, Legal & Compliance, Finance, Actuarial and Internal Audit) who report to the Committees, as appropriate, on a quarterly basis. The Company's General Manager has oversight of all activities of the Company (including the London branch).

The Board sets the Company's risk strategy, which is reviewed annually. It also sets the Company's risk appetite and risk tolerances annually, in the light of the Company's risk strategy and overall strategy. In this context the Board seeks to ensure there are sound risk management processes to effectively identify, manage and report on the risks to which the Company is exposed.

Identification, evaluation and management of risks and controls objectives

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. By way of example, there are strong internal controls in place in respect of accounting and I.T. systems and the Company's wider policies and practices. The Company has a documented Remuneration Policy which prohibits the promotion of excessive risk taking.

The Company has adopted the Group's Outsourcing Principles to mitigate risks associated with the outsourcing of the Company's activities. Adherence to these Outsourcing Principles is monitored through the performance and delivery of the service level arrangements in place with the relevant outsourced provider. Moreover the Company adheres to the CBI's outsourcing requirements and the notification process outlined therein.

Control Environment

The Board is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. The Board has adopted the Group Code of Ethics and Business Conduct which provides practical guidance for all employees along with supporting Group guidelines and processes in the areas of anti-fraud, anti-bribery, anti-competition, anti-money laundering and terrorism financing. There are employee procedures for the reporting and resolution of suspected fraudulent activities and/or violations of rules, laws, regulation and/or Group Policies.

Furthermore, the Company has a Business Continuity Plan ("BCP") which is reviewed and updated annually.

Information and Communication Processes

The Group carries out an annual strategic review which includes consideration of financial projections and the evaluation of business alternatives. The outputs of these reviews are reflected in the Company's annual plan. The performance of the business is continually monitored, risks are identified, their financial implications are assessed, control procedures are re-evaluated and corrective actions are agreed and implemented.

The Company's governance structure, risk policies and guidelines are articulated clearly and communicated to all appropriate employees within the Company. Associated training is provided to employees as required which includes face to face training.

Processes for monitoring the effectiveness of the system of governance

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

Board Governance and Oversight

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

Role of Board Committees

The Audit Committee and Risk Committee are responsible and authorised to identify any issues within their scope of control and escalate such issues to the Board along with recommendations. The Board, however, has ultimate responsibility on all matters.

Review of Board and Committee Roles and Responsibilities

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

Assessment of Board and Committee Performance

The Board formally reviews its overall performance and that of its individual directors, relative to the Board's objectives, on an annual basis. This includes a review of the Audit Committee and the Risk Committee in relation to their respective performances.

Compliance Reporting

The Board receives quarterly updates from the Company's Legal & Compliance function in respect of monitoring of the Company's compliance activities. As and when new regulatory and legal requirements are identified, these updates are supported by evidence of a detailed gap analysis compiled by the Legal & Compliance function which documents the Company's compliance with such new requirements.

Such reporting is designed to provide the Board with sufficient comfort that the Company has complied with all requisite regulatory and legal requirements and where necessary to highlight any occasions on which the Company has deviated (in a material and/or non-material manner) from such requirements.

Internal Audit Plan

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

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

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

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

The Board, with the assistance of the Audit Committee, annually undertakes a detailed review of the Company's audited Financial Statements and Directors' Report. Prior to such review a number of meetings outside of the Audit Committee and Board meetings are held to ensure the accuracy of the detail contained in the Financial Statements and Director's Report. The stakeholders of these meetings are the external auditors, INEDs, members of the Company Senior Management team, Company Reserving Actuaries and Internal Audit.

Financial Reporting Framework

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

DELEGATION OF RESPONSIBILITIES, REPORTING LINES AND ALLOCATION OF FUNCTIONS

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

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

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

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

Key delegations include underwriting authority, which is delegated in accordance with the Company's Underwriting Guidelines (approved annually by the Board) to the heads of the various underwriting departments and thereafter to identified underwriters in accordance with procedures set out in the said Underwriting Guidelines and the specific departmental underwriting guidelines. The Board has delegated ultimate underwriting decisions to the General Manager in cases where a referral must be escalated under the relevant underwriting guidelines.

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

The General Manager receives quarterly reporting from the London branch on production, results and operational activities. In the fulfillment of the Branch Manager role, the General Manager is provided with regular updates on matters associated with branch operations.

The General Manager reports as appropriate to the Board with reference to the branch in the quarterly board presentations. The Board requires that all policies, processes and controls applicable to the Company equally apply to its branch in addition to any local legal and regulatory requirements. Arrangements for business continuity and contingency planning similarly extend and apply to the branch. The job descriptions for these functions set out clearly the reporting structures, so as to ensure the reporting lines within the Company are uncompromised.

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

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

BOARD STRUCTURE, COMPOSTION AND COMMITTEES

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

The General Manager is the sole Executive Director.

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

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

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

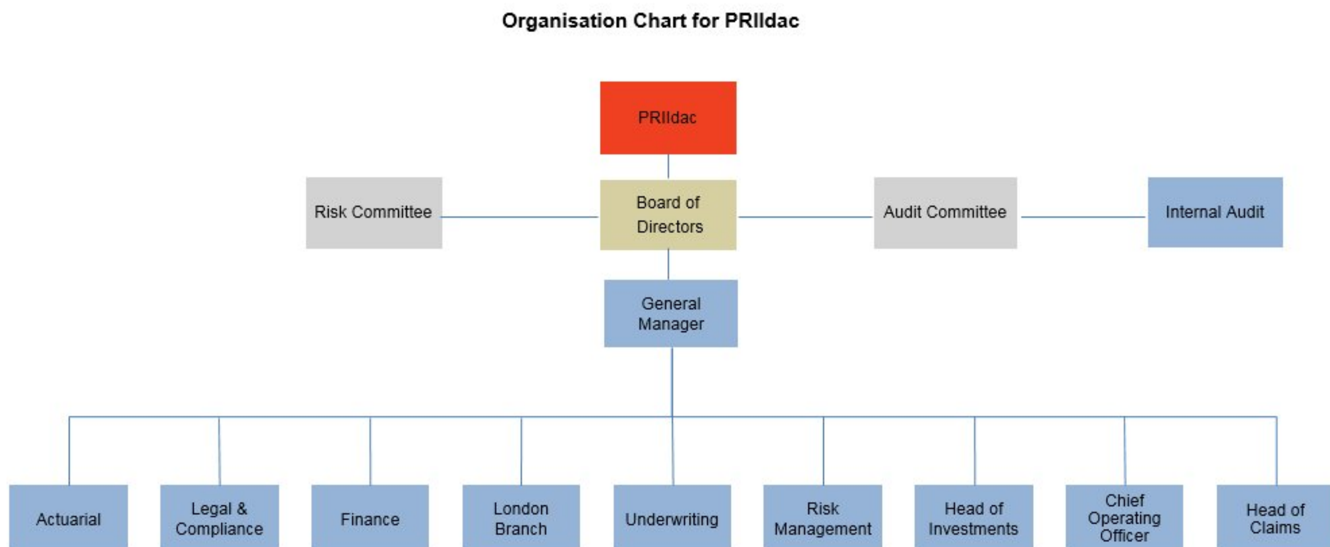
The Risk Committee oversees the management of risk within the Company. Accordingly it oversees the underwriting processes and in particular the development of the Company's risk appetite. There is significant liaison with the Company's CRO (who reports to the Risk Committee on a quarterly basis) and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

The Board and its Committees meet quarterly and at such other times as deemed necessary to discharge their respective roles and responsibilities effectively. Board and Committee members are required to devote such time as deemed necessary to understand the issues to be discussed. The Company Secretary issues Board and

Committee packs to Board and Committee members one week in advance of meetings and maintains a formal record of Board and Committee proceedings. The minutes of each Board and Committee meeting contain sufficient detail to evidence Board attention and document the decisions (including dissenting or negative votes), discussions and points for further action.

COMPANY STRUCTURE

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



REMUNERATION POLICIES

The remuneration policy is set by the Board and updated on annual basis. It is the intention of the Company to ensure that the ways in which it remunerates its officers and directors meet good practice standards as well as applicable regulatory requirements. The Company does not have any direct employees.

In particular, it intends to ensure that remuneration structures do not promote excessive risk taking. The remuneration policies are designed to meet the following objectives:

- align the long-term interests of Company's participants and shareholders;
- establish competitive pay levels on a total compensation basis;
- clearly link pay with performance;
- provide flexibility in form and structure to meet individual time horizons;
- demonstrate good governance and corporate responsibility; and
- encourage the retention of the Company's participants.

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

- The philosophy is to remunerate at the median of the appropriate market;

- Remuneration is comprised of base salary and Annual Incentive ("AI"); and
- Local requirements relating to remuneration structures will be respected as appropriate.

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

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

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

The 2016 LTI program consisted of cash awards made in local currencies with a two-year cliff vest. Upon vesting, target awards will be adjusted based on the Company's performance measure which is a two-year compound return on underwriting capital metric. Since the acquisition by EXOR there have been no share based incentive awards.

Pension entitlements are typically paid on a contribution basis and are based on a percentage of the participant's base salary depending upon competitive local market practice and vesting provisions meeting legal compliance standards and market trends. There is also a hybrid pension plan, which contains elements of a defined benefit and defined contribution plan.

B.2. FIT AND PROPER POLICIES AND PROCEDURES

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

The policy is supported by detailed documented procedures. These processes and procedures enable the Company to annually confirm to the CBI that the Company is in compliance with the relevant regulatory requirements under the CBI's Fitness and Probity Standards 2014 and associated CBI Guidance (the "Fitness and Probity Standards").

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

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

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

The Company maintains records in relation to individuals performing PCF or CF roles on behalf of the Company. The records include evidence of the due diligence undertaken in respect of that individual prior to appointment and evidence of the PCF's and CF's ongoing compliance with the Fitness and Probity Standards.

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

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

In the insurance industry, the core of the business model is the assumption and management of risk. A key challenge is to create economic value through the intelligent and optimal assumption and management of insurance, capital market and investment risks while limiting and mitigating those risks that can destroy tangible as well as intangible value, those risks for which the organisation is not sufficiently compensated, and those risks that could threaten the ability of the Company to achieve its objectives. While many companies start with a return goal, the Company starts with a capital-based risk appetite, a critical element of the Company's Enterprise Risk Management ("ERM") framework and then looks for risks that meet its return targets within that framework. Management believes that this construct allows the Company to balance the policyholders' need for certainty of claims payment with the shareholders' need for an adequate total return.

The assumption and management of risk are at the core of the Company's value proposition and operating principles. All business decisions entail a risk/return trade-off, and these decisions are applicable to the Company's risks. In the context of assumed business risks, this requires an accurate evaluation of risks to be assumed, and a determination of the appropriate economic returns required as fair compensation for such risks. In the context of other than voluntarily assumed business risks, the decision relates to comparing the probability and potential severity of a risk event against the costs of risk mitigation strategies. In many cases, the potential impact of a risk event is so severe as to warrant significant, and potentially expensive, risk mitigation strategies. In other cases, the probability and potential severity of a risk does not warrant extensive risk mitigation.

The Company's results are primarily determined by how well it understands, prices, manages and diversifies assumed risk. Additionally, every organisation faces numerous risks that could threaten the successful achievement of a company's goals and objectives. These include choice of strategy and markets, economic and business cycles, competition, changes in regulation, data quality and security, fraud, business interruption and management continuity; all factors which can be viewed as either strategic, financial, or operational risks that are common to any industry.

The Company has a clearly defined governance structure for risk management. The Board sets the Company's risk strategy, which is reviewed annually. It also sets the Company's risk appetite and risk tolerances annually, in the light of the Company's risk strategy and overall strategy. The Company's Risk Appetite Framework ("RAF") is aligned with the Group policies and the Company's specific guidelines. The RAF sets the limits of risk appetite associated with the Company's strategic objectives within the overall appetite and limits established at Group level.

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

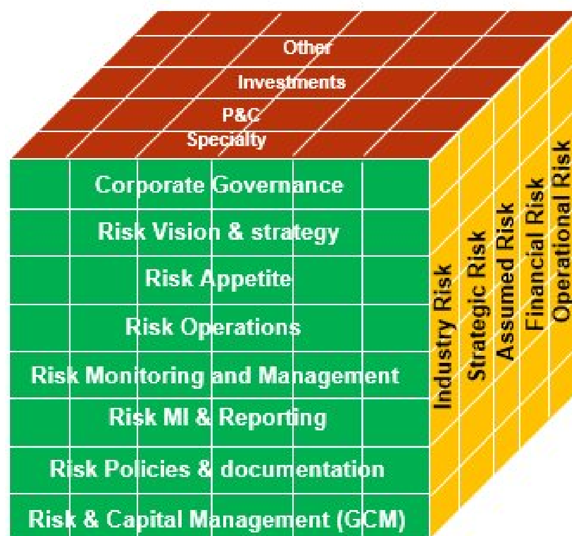
In addition, the Risk Committee monitors the Company's risk management activities within the strategies approved by the Board. It ensures that the risk appetite is appropriate and adhered to, monitors the capital requirements, makes regular reports to the Board and recommends material changes within the existing risk framework.

The Company utilises a multi-level risk management structure, whereby critical exposure limits, return requirement guidelines, capital at risk and key policies are established by the Executive Management and Board, but day-to-day execution of risk assumption activities and related risk mitigation strategies are delegated to the Business Units and Support Units. Reporting on risk management activities is integrated within the Company's annual planning process, quarterly operations reports, periodic reports on exposures and large losses, and presentations to the Executive Management and Board. Individual Business Units and Support Units employ, and are responsible for reporting on, operating risk management procedures and controls, while Internal Audit periodically evaluates the effectiveness of such procedures and controls.

The Company has fully embedded the PartnerRe ERM framework, which from an overall governance prospective, is overseen and approved by the Board of Directors of Partner Re Ltd.

The description of the ERM Framework in this document refers to the existing ERM framework as of 1 January 2016.

Risk Management Framework



The Capital and Risk Department represents the consolidation of significant functions of the Group which evaluate, measure and report on the risks inherent in our business model. These functions provide relevant feedback concerning risk assessment and measurement to the business units and executive management and have direct interaction with regulators, the Company's Board and the PartnerRe Board of Directors.

The Capital and Risk Department is ultimately led by the Group Chief Risk & Actuarial Officer ("CRAO").

On a daily basis, the CRAO is assisted by the Head of Capital and Risk and the Legal Entity Chief Risk Officers. Those help shaping an appropriate ERM Framework generally and specifically. They apply the CRAO’s Risk Strategy, implement all the required policies and processes for a sound and safe risk environment and cascade down at legal entity level the appropriate measures.

Risk Monitoring and Management

The Company thinks of risk in multiple dimensions:

- Meta or Industry level risks: those risks driven by multi-year, secular trends, which the Company has little or no influence on. For those risks, the Company maintains its awareness, closely follows their trends and pace and takes them into account in the strategic business planning process.
- Company Risks that are specific to its business model and strategic objectives: here, the Company has an opportunity to adopt the right responses through its risk-assuming activities, its operational structure, its governance and risk management, which allow a mix of risk avoidance, risk acceptance and/or mitigation in order to optimise the risk/reward profile, all within Board-approved risk appetite and risk limits.

The Company’s Risk universe is updated as a result of the annual risk assessment process. The universe describes the risk landscape that the Company is exposed to, with a certain granularity that allows sufficient details while keeping a broader perspective.

Risks identified in the Risk Universe are subsequently mapped onto Risk Heat Maps according to their estimated likelihood and impact potential.

Risk Policies and Documentation

A key component of ERM is the risk policy framework which facilitates the following:

- Consistent demonstration of risk mitigation throughout the group;
- Awareness, ownership and accountability of risk mitigation;
- Transparent link to our risk universe and risk control environment;
- Embedding within the organisation; and
- Consideration of Legal Entity requirements.

Group ERM Risk Policies address groups of homogenous risks, establishing approach, appetite and mitigation principles which are reviewed annually and recommended by the Risk and Audit Committees to the Board for approval. This risk policy framework reflects the adoption of a consistent enterprise approach to risk management across the Company including the principles, concepts, processes and controls.

The Company has a governance framework containing risk and compliance policies relevant to that entity within the Group. These local risk and compliance policies mirror the Group risk policies, and complement the Group risk policy framework with specific policies which are required by the local regulatory or legal context.

The Risk Policies may also reference a number of other documents (such as Underwriting Guidelines, Investment Guidelines, Operating Manuals or SOX Control matrices) which all contain a number of important controls that, collectively and individually, contribute to mitigate the Company risks, whether strategic, assumed, financial or operational ones.

The Company has a BCP (which includes emergency notification and escalation procedures) and specific Business Impact Analysis are carried out.

Own Risk and Solvency Assessment ("ORSA") Process

The Own Risks and Solvency Assessment ("ORSA") process can be defined as the overarching process in the Company related to identifying, assessing, measuring, monitoring, controlling and mitigating all sources of business, operational, and reputational risks. This leads to the assessment of the capital adequacy of the Company to support its strategy.

The Company has developed an ORSA process which encompasses all the risk management activities of the Company. This process is proportionate to the nature, scale and complexity of the business and risk profile of the Company. It includes several processes executed throughout the year, under the responsibility of the Company Board and its Risk Committee.

The main processes are:

- Yearly review of the Risk Management policies
- Establishment of the Risk Appetite and tolerance framework
- Risk identification with the definition of the risk universe and risk assessment
- Monitoring of the solvency condition and monitoring of the risk exposures with quarterly reporting
- Definition of the risk mitigation strategy
- Decision-making process regarding the capital management of the Company.

The ORSA process is executed according to the ORSA policy which is approved by the Company Board on a yearly basis. As detailed in the policy, the full ORSA process is performed on a yearly basis, but parts of the ORSA process are performed more regularly when deemed necessary by the Board and/or Senior Management. Such circumstances could relate to a change in the risk profile of the Company, or its financial condition.

The results of the ORSA process performed in 2016 have been documented in an ORSA report which was presented to the Board in September 2016. After review and approval, it was subsequently sent to the CBI.

A key challenge for the Company is to maintain an appropriate level of capital to meet all of the Company's obligations to policyholders and meet regulatory requirements. The Board and Management monitors its capital needs and capital level, and actively takes steps to increase or decrease the Company's capital in order to achieve an appropriate balance of financial strength and return on equity. Capital management is achieved by either deploying capital to fund attractive business opportunities or in times of excess capital and times when business opportunities are not so attractive, returning capital to its shareholder.

B.4. INTERNAL CONTROL SYSTEM

The Company's Governance framework is subject to periodic review for appropriateness and any enhancements necessary to reflect the evolution of the PartnerRe organisation, business model, strategy, and any changes in external factors such as the regulatory landscape or markets within which the Company operates.

The Company's Lines of Defense Model ensures that risk management is embedded within all major processes that exist across the entire Group. The ERM framework provides the principles, rules and policies that govern how the organisation as a whole works together to satisfy the strategic objectives.

As stated earlier in the report, the Board, in its commitment to high standards of business conduct, has adopted various Codes and Guidelines to address key risk areas. These Codes and Guidelines are supported by detailed procedures as necessary.

The Company's internal control system covers a wide range of processes across the Company which includes, but is not limited to: underwriting; claims; investments; risk management and operational functions. Also included in the internal control system are the Company's extensive SOX controls. The internal control system has also been strengthened by the implementation of a software tool to collate and monitor the Company's existing robust internal control framework.

Each ERM Risk Policy is complemented by associated risk controls which contain the details of the various risk items, processes and controls that are implemented throughout the organisation to allow the mitigation of the risks associated with the Risk Policy.

The Board oversees the internal control system and is supported in the first instance by the Audit Committee and secondly by Internal Audit through the performance of their annual audit plan.

In addition to the Company's Board, the Company's Compliance function, Finance function, Actuarial function, Risk Management function and the Group Internal Audit are all key contributors to the governance and oversight of the Company's internal control system.

There are established robust internal controls in existence in each of the key functions i.e. Risk Management, Finance, Actuarial, Internal Audit and Legal & Compliance in addition to internal controls across all other business areas.

CRO/Risk Management Function

The Risk Management function sits within the Capital and Risk department which delivers the risk oversight within PartnerRe and provides the critical link between the operations within the business units and the overall PartnerRe governance framework.

The Capital and Risk department represents the consolidation of significant functions within the PartnerRe Group which evaluate, measure and report on the risks inherent in the PartnerRe business model. The Company's CRO and Risk Management Function provide relevant feedback concerning risk assessment and measurement to the Company's Risk Committee on a quarterly basis. The CRO liaises directly with the Company's Board in this regard on a periodic basis

Finance Function

The Company's Finance function ensures:

- the Company's annual statutory financial statements under IFRS are completed in accordance with accounting standards;
- appropriate reporting of Group USGAAP and IFRS financial information of the Company;
- the Company is compliant with its regulatory financial reporting obligations to the CBI;
- the Company maintains sufficient capital to meet business requests and regulatory requirements;
- maintenance of solvency calculations and oversight of prudent person investment approach;
- appropriate processes and controls are maintained; and
- in conjunction with the risk function and the Group CFO, that the Company's capital is managed as efficiently and effectively as possible.

Compliance Function

The Company's Compliance function (which is headed by the Company's Head of Legal & Compliance) comprises the Company's Legal & Compliance team in Dublin together with jurisdictional compliance contacts. The Head of Legal & Compliance attends all Audit and Risk Committee meetings and reports quarterly to the Board.

This function is responsible for ensuring the Company's compliance with regulatory requirements and legal obligations together with the identification and assessment of regulatory risk and facilitating the management of these risks.

The strategic objectives of the Compliance Function are:

- ensuring effective relationships with the CBI, industry groups and the PartnerRe Group in order to anticipate and manage new regulatory, legislative and industry developments;
- identifying and implementing appropriate policies and procedures to ensure compliance with regulatory and legislative obligations;
- identifying and reviewing existing regulatory and legislative requirements to determine that existing policies and procedures comply with obligations; and
- providing compliance risk management expertise to ensure business initiatives maintain compliance and achieve business objectives.

The Company's Compliance Framework ensures there is effective oversight of the activities of the Company taking into consideration the nature, scale and complexity of the business being conducted by it. This includes:

- Identification of regulatory and legal obligations and requirements. These are identified by monitoring and documenting legal, regulatory and industry developments and liaising with the CBI (and other jurisdictional regulators as appropriate);
- Development of an overarching compliance framework underpinned by detailed policies and procedures. The identified regulatory and legal obligations and requirements inform and shape the policies and procedures to be followed;
- Robust monitoring and regular reporting in respect of the Company's compliance with policies and procedures. Group Internal Audit, the Company's CRO and the Group Risk Management functions are key contributors to the assessment of the Company's Compliance Framework.

The Compliance Policy is presented to the Board annually for review and approval by the Head of Legal and Compliance. There were no significant changes to the Policy during 2016.

The Compliance Function is subject to regular audit reviews by Internal Audit.

Solvency II Internal Control Environment

In relation to Solvency II Pillar I, calculation of Solvency II balance sheet and SCR, and Pillar III, Quantitative Reporting Templates ("QRT"s) and preparation of the Solvency and Financial Condition Report ("SFCR") and Regular Supervisory Report ("RSR"), the Company has developed processes and controls to ensure that the calculations and disclosures are complete, accurate and reliable.

The production of the Solvency II balance sheet, SCR and QRTs are controlled through a fully integrated work flow management system, with automated validations and controls, which feed into a third party Solvency II reporting tool.

Requirements are allocated to applicable functional areas such as: Finance, Actuarial, Risk Management, Investments and Tax. Each functional area is responsible for implementing controls around the Pillar I calculations and Pillar III disclosures. These typically include:

- reconciling information back to source data;
- peer review of calculations;
- analytical review of results including understanding the differences to IFRS and analysis of change from the prior period; and
- review and sign-off of final QRTs.

The following central controls also apply:

- sign-off is received from each functional area;
- the Solvency II balance sheet is reconciled to IFRS net equity;
- the Company's CRO signs-off the total SCR calculation;
- Finance signs-off the Solvency II balance sheet as well as the complete set of QRTs;
- Finance and Risk Management jointly review the Solvency II balance sheet and SCR results;
- the SFCR and RSR are prepared by each applicable functional area and signed off by the Finance; and
- the annual report submissions are signed off by the Board.

Internal Audit carries out a detailed review to ensure that each department's key controls are fully operational and evidenced. The key processes and controls for Solvency II reporting are outlined in the Solvency II Regulator Reporting Guideline which has been approved by the Board.

B.5. INTERNAL AUDIT FUNCTION

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

- Operations are effective & efficient;
- Financial reporting is reliable;
- There is compliance with laws & regulations;

- Assets are appropriately safeguarded; and
- The Company's risk management policies are consistently applied as documented.

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

The CAG reports functionally to the Audit Committee in order to ensure independence.

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

B.6. ACTUARIAL FUNCTION

The Actuarial Function is a key function of the Company's system of governance.

The Actuarial Function tasks are undertaken by an in-house team who have the appropriate knowledge of actuarial and financial mathematics and experience, proportionate to the nature, scale and complexity of the risks present in the business.

The Actuarial Function is operationally part of the Group Reserving team led by the Chief Risk and Actuarial Officer of PartnerRe Ltd..

However, the duties of the Actuarial Function are under the responsibility the Head of Actuarial Function ("HoAF"), a pre-approval controlled function (PCF 48) under the CBI's Fitness and Probity regime. The HoAF is a member of the Society of Actuaries in Ireland, with the relevant level of experience required for the role.

The current structure of the Actuarial Function within the Company is considered to be appropriate in achieving the full intended aims of the function.

B.7. OUTSOURCING

The Company has adopted Outsourcing Principles ('the Principles') to govern outsourcing and to manage and mitigate the potential risks associated with outsourcing, in accordance with regulatory requirements. In the event of outsourcing, the Principles provide that due diligence shall be performed and shall ensure, among other things, the financial stability of the service provider together with their capacity and technical resources to carry out the outsourced activity. The Principles also set out the required content for Service Level Agreements (SLAs) which includes an obligation on the parties to the contract to comply with all legal and regulatory obligations.

The following is a list of critical/important functions which are outsourced i.e. intra-group/intra-company and/or third parties.

Outsourced Service	Service Provider	Outsourcing Oversight	Jurisdiction	Type of Outsourcing Internal/External
Underwriting	Partner Reinsurance Europe SE - French & Swiss Branches Partner Reinsurance Europe SE - Miami Subsidiary PartnerRe Connecticut PartnerRe Ireland Insurance dac - UK	Group Chief Underwriting Officer (PCF2) General Manager & Head of Underwriting (PCF 8 & 18)	Zurich, Paris, Miami, Greenwich, London	Internal
Claims	Partner Reinsurance Europe SE - Swiss & French branches. PartnerRe US PartnerRe Ireland Insurance dac - London Branch Third Party MGA	Head of Claims (PCF43)	Zurich, Paris, Greenwich, London	Internal & External
Business Development & delegated underwriting authorities via Managing General Agents (MGAs)	Third party MGAs	General Manager (PCF8)	London, Dubai, Spain, US, Italy,Turkey, Ireland, Sweden.	External
Non Life Actuarial & Reserving	Partner Reinsurance Europe SE - French & Swiss branches.	Chairman of the Board (PCF3)	Zurich, Paris	Internal
Risk Management	Partner Reinsurance Europe SE - French & Swiss branches. PartnerRe US	Chairman of the Board (PCF3)	Paris, Zurich, Greenwich	Internal
Legal & Compliance	Partner Reinsurance Europe SE - Swiss & French branches. PartnerRe Connecticut	Head of Compliance (PCF12)	Zurich, Paris, Greenwich	Internal
Finance & Accounting	Partner Reinsurance Europe SE - French branch	Non-Executive Director (Finance) (PCF2)	Ireland, Paris	Internal
Internal Audit	Partner Reinsurance Europe SE - Swiss & French branches. Partner Reinsurance Company Ltd	Non-Executive Director (Finance) (PCF2)	Zurich, Paris, Bermuda	Internal
Investments	PartnerRe Asset Management	Head of Investments (PCF19)	Greenwich	Internal

All of the above outsourcings fall within the Group Outsourcing Framework which is reviewed annually. The Company is part of a multi-national organisation and as such the Company utilises the expertise from other Group entities and jurisdictions. Third party outsourcings are driven by strategic business decisions and/or legal and regulatory obligations.

C. RISK PROFILE

The Company monitors the risks described in its Risk Universe, included in section B.3. of this report (Industry Risks and Company Risks). Those risks are monitored through a slightly different organisation than the Solvency II regulation, which is closely related to PartnerRe's culture and expertise.

In the following paragraphs, the Company's risks have been split accordingly between the different Solvency II categories of risk.

The Company relies upon diversification of risk sources and risk limits to manage exposures. Diversification enables losses from one risk source to be offset by profits from other risk sources so that the chance of overall losses exceeding the Company's risk appetite is reduced. However, if multiple losses from multiple risk sources occur within the same year, there is the potential that operating and economic losses can exceed the risk appetite. In addition, there is the chance that the Company's internal assessment of capital at risk for a single source of risk or for multiple sources of risk proves insufficient resulting in actual losses exceeding the Company's risk tolerance.

To reduce the chance of either of these unfavorable outcomes, the Company uses risk limits to minimise the chance that losses from a single risk source or from multiple risk sources will cause losses to materially affect the Company's financial condition.

The Company establishes key risk limits, net of any reinsurance, for any risk source deemed by Management to have the potential to cause operating losses or economic losses greater than the Company's risk appetite. The Company may also establish risk limits for any risk source deemed to have the possibility of causing reputational damage. The Board, upon recommendation by the Risk Committee, approves the key risk limits. The actual level of risk is dependent on current market conditions and the need for balance in the Company's portfolio of risks. Quarterly, the CRO reviews and reports to the Risk Committee of the Board the actual limits deployed against the approved limits and the compliance with the approved Risk Appetite.

C.1. UNDERWRITING RISK

The objective of the Company is to provide risk transfer solutions on a worldwide basis.

The Company underwrites non-life business within its six main lines of business: aviation, energy, property, engineering, marine and casualty.

The Company's business strategy is to underwrite a well-managed, well diversified, multi-class and worldwide insurance business that supports our clients' needs while ensuring that the Company retains underwriting discipline and focus on underwriting profitability.

In order to achieve that goal, the Company uses a number of tools and metrics which help monitoring and mitigating the risks inherent to underwriting activities, i.e. the core business of the Company:

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

The SCR in the Solvency II framework is based on a Value-at-Risk measure calibrated to a 99.5% confidence level over a 1-year time horizon. The SCR for non-life underwriting risk, using the standard formula, is €25 million on a pre-diversified basis, which is 53% of the Basic Solvency Capital Requirement ("BSCR") before diversification. The SCR for Non-Life Underwriting risk is split between:

- SCR for premium and reserve risk
- SCR for lapse risk
- SCR for Cat risks

Sensitivity tests are conducted to assess the variability of the SCR for Non-Life Underwriting risk.

The following sensitivities assess the impact on the SCR for Non-Life underwriting risk and Solvency II Own Funds to adverse deviations in net Non-Life technical provisions.

Adverse deviation of current net technical provisions € million	Impact on SCR Non-Life underwriting risk € million	Impact on Own Funds (before tax)*: € million
10	+1	-10
20	+3	-21

* Corresponding impact related to the adverse deviation of reserves and corresponding increase of the risk margin due to the increase of SCR

The following sensitivities assess the impact of writing additional premium on the SCR for Non-Life underwriting risk.

Additional amount of net premiums underwritten € million	Impact on SCR Non-Life UW risk € million
5	+1
10	+1

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

Natural catastrophe risk

The Company does not write catastrophe business but is exposed to natural catastrophe risk through it its property lines of business. The Company defines this risk as the risk that the aggregate losses from natural perils materially exceed the net premiums that are received to cover such risks. The Company considers both catastrophe losses due to a single large event and catastrophe losses that would occur from multiple (but potentially smaller) events in any year.

The Company imposes a limit to natural catastrophe risk from any single loss through exposure limit, net of reinsurance, in each zone and to each peril and also utilises probable maximum loss estimates to manage its exposures to specific peril zones.

As at 31 December 2016, the natural catastrophe limit for a peril zone approved by the Risk Committee, net of reinsurance, was €14 million and the actual maximum limit deployed in a single peril zone was €2 million.

Frequency and severity of claims

The Company manages these risks for the different lines of business through its underwriting strategy and adequate reinsurance arrangements. Underwriting limits are in place to enforce appropriate risk selection criteria. The Company's reinsurance arrangements include quota-share and stop-loss coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than 120% of net earned premium, excluding stop-loss premium, in any one financial year.

Mitigation of Non-life underwriting risk by use of reinsurance

The Company mitigates assumed insurance risk with reinsurance cover purchased by other group entities from non-related third parties. The Company uses the external reinsurance cover to reduce its exposure on certain insurance risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events. These agreements provide for the recovery of a portion of losses and loss expenses from reinsurers and therefore reduce the volatility of the Company's results.

The Company further mitigates its insurance risk with the purchase of reinsurance from other group companies. The reinsurance cover that the Company has in place with other group companies as at 31 December 2016 can be summarised as follows:

- 85% quota-share with PRESE (2016 and 2015 underwriting years);
- 70% quota-share with PRESE (2011 to 2014 underwriting years);
- 85% quota-share with PRESE (2010 and prior underwriting years);
- 100% line slip with PRESE (2010 underwriting year for business recommended by Paris Re, an affiliate company, which was merged with PRESE in 2010); and
- stop loss agreement with PRCL. The stop loss cover attaches at a loss ratio of 120% with a limit of 870%.

The main objectives of this reinsurance program are as follows:

- reduce the capital required and associated cost of capital for the Company;
- ensure the Company is in a position to be a well capitalised insurer for its policyholders; and
- ensure the Company receive and maintains an appropriate rating from its rating agencies.

C.2. MARKET RISK

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

The SCR for market risk, using the standard formula, on a pre-diversified basis is €5 million, which is 11% of the BSCR before diversification. See section E.2. of this report for further details.

Investment risk

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

Interest rate risk

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

The Company invests in high quality fixed income securities and actively manages the duration of the fixed income portfolio relative to the duration of the insurance liabilities so that the economic value of changes in interest rates has offsetting effects on the Company's assets and liabilities. At 31 December 2016, if market interest rates on fixed income securities were higher/lower by 100bps with all other variables held constant, the market value of fixed

income securities would have been lower/higher by €4 million**.** This sensitivity does not take into account offsetting impact on the change in valuation of technical provisions from a change in interest rates.

Currency risk

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

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

The Company generally matches its liability funds against its net insurance liabilities by currency to mitigate the currency risk. For currencies in which the liability funds and net insurance liabilities are not completely matched and the Company deems the net exposure to be material, the Company may employ a hedging strategy utilising derivative financial instruments to ensure its liability funds are matched by currency. The Company does not employ hedging strategies with respect to its capital funds.

Assuming all other variables are held constant, as at 31 December 2016, if the Euro had weakened by 10% against all other currencies held by the Company, Solvency II Own Funds would have been €2 million lower.

Default/Counterparty and credit spread risk

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

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

The Company employs a prudent investment philosophy. It maintains a high quality, well-balanced and liquid portfolio having a total return investment objective, achieved through a combination of optimising current investment income and pursuing capital appreciation. The Company's total invested assets were €111 million at 31 December 2016; please refer to section D.1. of this report for a breakdown by asset type. From a risk management perspective, the Company allocates its invested assets into two categories: liability funds and capital funds.

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

The Company's investments are managed by PartnerRe Asset Management Corporation ("PRAM") subject to a management agreement. The allocation of the Company's investments are subject to an asset allocation plan set by the Board. Furthermore PRAM is required to adhere to investment guidelines approved by the general manager of the Company as to minimum ratings and issuer and sector concentration limitations.

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

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

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

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

Quarterly reporting is completed to the risk and the audit committee of the Board. If a new asset class is proposed the Company assesses the change including the potential impact on credit quality, liquidity and capital requirements.

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

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

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

C.3. CREDIT RISK

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

Credit risk is referred to as counterparty default risk in the SCR calculation. The SCR for counterparty default risk, using the standard formula, on a pre-diversified basis is €17 million, which is 37% of the BSCR before diversification. See section E.2. of this report for further details.

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

The credit risk associated with insurance balances receivable (premiums due) is somewhat mitigated by the fact that the Company generally has the contractual ability to offset any shortfall in payment of balances receivable with amounts owed to the insured for losses payable and other amounts contractually due.

Insurance is ceded only to counterparties with strong credit ratings, and mainly with related companies of PartnerRe Group.

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

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

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

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

C.4. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company is exposed to liquidity risk mainly through claims arising from its insurance contracts. Liquidity risk may also arise from a difference in timing between claims payments and recoveries from insurance ceded.

The Company aims to maintain sufficient liquidity at all times so that it can support its cedants by settling claims quickly. The Company generates cash flows primarily from its underwriting and investment operations. The Company believes that a profitable, well-run insurance organisation will generate sufficient cash from premium receipts to pay claims, acquisition costs and operating expenses in most years. To the extent that underwriting cash flows are not sufficient to cover operating cash outflows in any year, the Company may utilise cash flows generated from investments and ultimately liquidate assets from its investment portfolio. The Company ensures that its liquidity requirements are supported by maintaining a high-quality, well-balanced and liquid investment portfolio, and by managing the duration of its investments with that of its net insurance liabilities.

The Expected Profit Included in Future Premium ("EPFIP") was €6 million at 31 December 2016. The EPFIP represents the difference between the premiums from future exposure arising from contracts that the Company is obligated to as at 31 December 2016 and the expected acquisition costs, losses and expenses relating to these premiums. A lapse rate was assumed on in force contracts relating to future additional premium and on premium relating to business bound but not yet incepted at the closing date. The calculation was discounted using Solvency II yield curves.

C.5. OPERATIONAL RISK

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

As part of its Risk Universe, the Company has identified its main processes related to Operational Risks:

- Reserving Process

- Aggregation Process
- Fraud
- Legal/Compliance
- Financial Reporting
- Information Technology
- Asset Valuation Process
- Human Resources
- Third Party Providers
- Business Continuity
- Claims Process
- Reinsurance Process

The 2016 risk assessment was executed with a specific focus on cyber risk.

The Company is dependent upon the effective functioning and availability of its information technology and application systems platforms. These platforms include, but are not limited to, PartnerRe's proprietary software programs such as catastrophe models as well as those licensed from third-party vendors including analytic and modeling systems. The Company relies on the security of such platforms for the secure processing, storage and transmission of confidential information. Examples of significant cybersecurity events are unauthorised access, computer viruses, deceptive communications (phishing), malware or other malicious code or cyber-attack, catastrophic events, system failures and disruptions and other events that could have security consequences (a Cybersecurity Event). A Cybersecurity Event could materially impact the Company’s ability to adequately price products and services, establish reserves, provide efficient and secure services to clients, brokers, vendors and regulators, value the investments and to timely and accurately report the financial results.

Although the Company has implemented controls and has taken protective measures to reduce the risk of Cybersecurity Events, the Company cannot reasonably anticipate or prevent rapidly evolving types of Cyber-attacks and such measures may be insufficient to prevent a Cybersecurity Event. Cybersecurity Events could expose the Company to a risk of loss or misuse of our information, litigation, reputational damage, violations of applicable privacy and other laws, fines, penalties or losses that are either not insured against or not fully covered by insurance maintained. This may require the investment of significant additional resources to modify protective measures or to investigate and remediate vulnerabilities.

The Company, through the Group IT function, has established an effective IT Security control environment which is annually tested by audit and independent external IT Security experts. The Operational Risk Policy addresses Crisis Management and Communication including Cyber-attacks.

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

C.6. OTHER MATERIAL RISKS

Strategic Risks

Strategic risks are discussed and agreed between the General Manager, the Board and Group shareholder and include the direction and governance of the Company, as well as its response to key external factors faced by the insurance industry, such as changes in risk retention behavior, regulation, competitive structure and

macroeconomic, legal and social trends. Management considers that strong governance procedures, including a robust system of processes and internal controls is appropriate to manage risks related to its reputation and risks related to new initiatives, including acquisitions, new products or markets.

The Company seeks to preserve its reputation through high professional and ethical standards and manages the impact of identified risks through the adoption and implementation of a sound and comprehensive Assumed Risk Framework.

Group Risk

As mentioned in C.3, the Company implemented intra-group reinsurance transactions with PRESE (Ireland) and PRCL (Bermuda).

The size of these contracts imply a concentration risk, which by nature is a Group risk. This means, the Company is dependent upon the financial soundness of the PartnerRe Group in general and some of its affiliates in particular. Monitoring of the financial condition of each Legal Entity is performed on a regular basis.

Other Potential Material Risks

Additionally, any new potential material risk is discussed in the Committees and Board, for example during 2016 the potential consequences of Brexit were discussed at the Risk Committee.

C.7. ANY OTHER INFORMATION

Stress and Sensitivity Testing

The Company has developed a suite of stress and sensitivity tests, including reverse stress tests, which are used to measure the robustness of the Company's capital position.

The SCR in the Solvency II framework is based on a Value-at-Risk measure calibrated to a 99.5% confidence level over a 1-year time horizon. This stress is applied to the various risk modules as required by the Standard Formula. The SCR for each model is included in each of the risks discussed in sections C1, C2 and C3.

Other stress tests were discussed in the Risk Committee as part of the ORSA process and results were documented into the ORSA Report. The correlations between risks used for the stress testing in the ORSA is consistent with the standard formula correlations.

The Company also performed a reverse stress test as part of the ORSA. This test is defined as the scenarios and circumstances that would cause the Company to breach its 100% Solvency Ratio and results are discussed in the ORSA report.

D. VALUATION OF THE SOLVENCY II BALANCE SHEET

The Company's Solvency II balance sheet, valued using Solvency II rules, was as follows at 31 December 2016:

	Section	2016 €'000
Investments	D.1.	110,557
Other Assets	D.3.	21,970
Total Assets		**132,527**
Net Non-Life Technical Provisions	D.2.	67,825
Other liabilities	D.3.	26,298
Total Liabilities		**94,123**
Excess of Assets over Liabilities		**38,404**

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

D.1. VALUATION OF ASSETS

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

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

Accordingly the Company’s investment assets under Solvency II by category and by valuation classification, as at 31 December 2016, are as follows:

	QMP €'000	QMPS €'000	AVM €'000	Total €'000
Government bonds	—	84,639	—	84,639
Corporate bonds	—	2,578	—	2,578
Total fixed income	**—**	**87,217**	**—**	**87,217**
Investment funds	28	—	—	28
Cash and cash equivalents	23,160	—	—	23,160
Deposits to cedants	—	—	26	26
Property, plant & equipment held for own use	—	—	126	126
Total	**23,188**	**87,217**	**152**	**110,557**

Fixed income

- *Governments bonds* - these securities are generally priced by independent pricing services. The independent pricing services may use actual transactions prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value, which may incorporate Option Adjusted Spread (“OAS”), interest rate

data and market news. The Company classifies all of these securities as QMPS for valuation purposes under Solvency II.

- *Corporate bonds* - consist primarily of investment grade bonds issued by U.S. and non-U.S. corporations covering a variety of industries and issuing countries. These securities are generally priced by independent pricing services and brokers. The pricing provider incorporates information including credit spreads, interest rate data and market news into the valuation of each security. The Company classifies all of these securities as QMPS for valuation purposes under Solvency II.

Collective investment undertakings

Collective investment undertakings represent assets invested in funds and includes money market funds and private equities funds.

As the majority of its collective investment undertakings are money market funds the Company typically has available prices received from independent pricing sources based on quoted prices in active markets. Accordingly these are generally classified as QMP for valuation purposes under Solvency II. Where quoted prices in active markets are not available, such as for private equity investment funds, these assets are generally classified as AVM.

Cash and cash equivalents

Cash and cash equivalents represent amounts exchangeable for currency on demand at par and which are directly usable for making payments. They generally comprise Cash and Transferable Deposits and not Short Term Deposits or Long Term Deposits that would be potentially subject to any costs or limitations on withdrawals.

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

Deposits to cedants

The Company writes certain business on a funds held basis. Under such contractual arrangements, the cedant retains the premiums that would have otherwise been paid to the Company. The Company generally records deposits to cedants at face value in its IFRS balance sheet which is deemed to equate to fair value and is classified as AVM for valuation purposes under Solvency II.

Property, plant & equipment held for own use

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

Derivatives

The Company has no exposure to derivatives for investment or hedging purposes.

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

The variance between the Solvency II balance sheet and the IFRS balance sheet for investments as at 31 December 2016 is set out below:

	Solvency II Balance Sheet	IFRS Balance Sheet	Variance Solvency II vs IFRS
	€'000	€'000	€'000
Government bonds	84,639	84,639	—
Corporate bonds	2,578	2,578	—
Total fixed income	**87,217**	**87,217**	—
Investment funds	28	28	—
Cash and cash equivalents	23,160	23,160	—
Deposits to cedants	26	26	—
Property, plant & equipment held for own use	126	126	—
Total	**110,557**	**110,557**	**—**

The Company's investments are marked to market in its IFRS balance sheet and there is no variance to the valuation of investments recorded in the Solvency II balance sheet.

D.2. TECHNICAL PROVISIONS

D.2.1. VALUATION OF NON-LIFE TECHNICAL PROVISIONS

Under Solvency II, the technical provisions are determined as a discounted Best Estimate Liability ("BEL") augmented by a Risk Margin ("RM"). The BEL includes Claim provisions and Premium provisions and are defined as the mean of the full range of possible future outcomes on a discounted cash flow basis, taking into account the time value of money, and with all existing contracts being valued, whether they have incepted or not. The risk margin is a component of the technical provisions representing the current values of all Costs-of-Capital that will be determined yearly until the current portfolio is fully extinct.

(a) Technical Provisions by line of business

The following table outlines the Solvency II technical provisions by line of business, as at 31 December 2016:

	Claim Provision	Premium Provision	Recoverables from Reinsurance contracts	Risk Margin	Total Technical Provisions net of Recoverables
	€'000	€'000	€'000	€'000	€'000
Marine, aviation and transport insurance	128,360	10,787	111,264	4,641	32,524
Fire and other damage to property insurance	66,379	10,916	60,838	2,571	19,028
General liability insurance	57,564	13,436	58,244	3,517	16,273
Total	**252,303**	**35,139**	**230,346**	**10,729**	**67,825**

Best Estimate Liability

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

Claims Provisions

The starting point for the calculation is the Actuarial Mid Estimate ("AME"). The AME is comprised of Case Reserves (reported by the policyholder), and reserves for losses Incurred but Not Reported ("IBNR"). The IBNR is determined by projecting reported claims to ultimate using deterministic actuarial methods like Chain Ladder, Bornhuetter-Ferguson, Benktander and expected loss ratio. Different weighting is given to different methods by comparing best estimate versus experience. The final selection of ultimate loss is subject to actuarial judgment and will depend on several considerations such as, but not limited to, the age of the underwriting year, the type of underlying risk, actual experience against that expected and the credibility of the underlying data used to establish the estimate of ultimate loss.

The future claims payments related to the AME reserves, as well as future expenses linked to non-life insurance obligations, were estimated by applying expected payout patterns derived from the Company's historical experience. In accordance with Solvency II technical specifications future expenses allowed for in the claims provisions include the administrative expenses, investment management expenses and claims management expenses expected to be incurred in the future related to business bound as of the valuation date.

The expenses were estimated based on an analysis of the actual 2016 and the plan 2017 expenses for the Company, adjusted for one-off expense items. The final assumptions were set assuming the Company would continue to write new business. The expenses estimated which relate to existing and bound but not incepted business were calculated in total and allocated across lines of business and between the claims and premium provision in line with expected future payments.

The future cash flows projection used in the calculation of the best estimate of claim provisions also includes the earned future premiums receivable held in the IFRS balance sheet, and relating to uncollected premiums already earned and other deferred income covering losses that have already occurred at the valuation date. The premium payout patterns used were derived from the Company's historical experience.

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

Premium Provision

The premium provision was calculated by considering all future cash flows (claim payments, expenses and future premiums) relating to future exposure arising from contracts that the Company is obligated to as at 31 December 2016.

The following table shows the different components included in the calculation of premium provision as at 31 December 2016:

	Undiscounted							
	Unearned Premium receivables net of costs	Additional Premiums net of costs	Premiums on BBNI net of costs	Future losses and expenses on UPR	Future losses and expenses on Additional Premium	Future losses and expenses on BBNI	Discounting impact	Gross Premium Provision
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Marine, aviation and transport insurance	(11,190)	—	(5,336)	23,542	—	5,019	(1,248)	10,787
Fire and other damage to property insurance	(6,612)	—	(64)	18,000	—	29	(437)	10,916
General liability insurance	(5,175)	(10,865)	—	25,266	8,295	—	(4,085)	13,436
Total Technical Provisions for all lines of business	**(22,977)**	**(10,865)**	**(5,400)**	**66,808**	**8,295**	**5,048**	**(5,770)**	**35,139**

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

- Unearned future premium receivables net of acquisition costs payable as at 31 December 2016.
- Discounted future losses and loss adjustment expenses relating to the part of the premium not yet exposed to risk at the balance sheet date. This exposure was measured by the Unearned Premium Reserve ("UPR") in the IFRS balance sheet plus the part of the estimated premium income ("EPI") relating to the Casualty business that is not recorded in the IFRS accounts as at valuation date. The default selection for expected future losses was the pricing loss ratio. A lapse rate was assumed such that there was a reduction of expected future profits on in force contracts relating to future additional premium under those contracts which was not yet been recognised as written premium in the IFRS financial statements as at the valuation date.
- Discounted technical profit on business bound but not incepted ("BBNI"), i.e. contracts deemed to be bound by the date of the closing, including covers beginning after the date of the closing. The discounted technical profit was based on contract level pricing assumptions of the undiscounted technical ratio, estimated payout patterns and underlying currencies. For business coming from MGAs a portfolio pricing assumption was used. A lapse assumption was implemented on BBNI with a corresponding reduction in expected future profits.
- Future expenses were included within the premium provision as outlined in the previous section on claims provisions.

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

Risk Margin

The risk margin calculation was based on a transfer scenario of existing non-life insurance obligations. It was calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the Company's obligations until run-off. The rate used in the determination of the cost of providing that amount of eligible Own Funds is called Cost-of-Capital rate and is stipulated by Solvency II rules to be 6%.

The calculation process of the risk margin has involved the projection of all future SCRs in respect of the business included within the Technical Provisions at the valuation date. Different approaches with different level of simplifications are proposed in the Solvency II Technical Specifications. The Company implemented the second level of simplifications, where the goal is to approximate the individual risks within all modules to be used for the calculation of future SCRs.

This approach is appropriate for the Company's business mix and proposes the best balance between accuracy of the approach and practicalities of calculation. The overall risk margin was then allocated to the lines of business. The allocation reflects the contributions of each line of business to the SCR over the lifetime of the obligations.

(b) Level of uncertainty

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

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

(c) Comparison to IFRS reporting

The IFRS Technical Reserves of the Company includes the following:

- AME loss reserves;
- UPR;
- Unallocated Loss Adjustment Expenses reserves (ULAE);
- A Margin for Uncertainty (''MFU'') is added to the AME to set the Management Best Estimate reserves ("MBE"). This is also referred to as the Reserve for Adverse Deviation ("RAD").

The BEL has been estimated by applying the adjustments outlined in the above sections relating to the claim provision and the premium provision. The adjustments were generally consistent across the lines of business with different amounts applying depending on the applicable assumptions.

The following table shows the movement from the gross technical reserves in the IFRS financial statements to the claim provision under Solvency II, as at 31 December 2016:

	Gross IFRS Technical Reserve	Removal of UPR	Removal of Prudence	Change of Claims Expense Basis	Earned Premium Receivables	Discounting Impact	Other adjustments	Gross Solvency II Claim Provision
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Marine, aviation and transport insurance	190,195	(33,428)	(22,006)	4,453	(5,171)	(5,684)	—	**128,359**
Fire and other damage to property insurance	102,817	(26,371)	(7,076)	1,983	(2,994)	(1,980)	—	**66,379**
General liability insurance	112,103	(41,826)	(10,165)	1,585	(1,207)	(5,026)	2,101	**57,565**
Total Technical Provisions for all line of business	**405,115**	**(101,625)**	**(39,247)**	**8,021**	**(9,372)**	**(12,690)**	**2,101**	**252,303**

The "Other adjustments" shown in the above table were related to recognition of earned profit commissions.

For the valuation under Solvency II, the UPR shown in the Company's IFRS financial statements were replaced by the premium provisions valued on a best estimate basis as described above.

(d) Reinsurance recoverables

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

However, 93% of ceded reserves mainly relate to intra-group quota-share agreements with PRESE which can be summarised as follow:

- 85% for 2015 and 2016 underwriting years; (and for 2017 underwriting year relating to the BBNI business)
- 70% for 2011 to 2014 underwriting years;
- 85% for 2010 and prior underwriting years;
- 100% line slip for 2010 underwriting year for business recommended by Paris Re, an affiliate company, which was merged with PRESE in 2010.

The Company has also a stop loss agreement with PRCL. The stop loss cover attaches at a loss ratio of 120% with a limit of 870%.

External cessions have mainly been on a non-proportional basis and contribute a small part of the Company's overall reinsurance program. Effective 1 January 2017 the international CAT retro program was amended to additionally cede Marine, Energy Offshore and Aviation business at 12.76% on a losses occurring basis (CAT Plus Quota Share). There is also an external quota share cession in place in respect of the Vale MGA portfolio.

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

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

For Solvency II reinsurance reserves the adjustment to the IFRS position is calculated differently for loss reserves and premium provisions:

- For ceded loss reserves the removal of MFU and ULAE (for the intra-group quota share) is performed at the level of individual reinsurance contract by currency. For the discounting adjustment the average discounting observed on gross loss reserves for each discounting currency is applied, as the information on original underwriting year is not available for the ceded loss reserves. The allocation of ceded loss reserves by line of business is based on the same proportion as the gross reserves for the internal quota shares and by line of business for the most material external contracts.

- For premium provisions the unearned reserves (UPR and DAC) were removed and replaced by an estimation of future cash-flows linked with reinsurance agreements in force or bound at year-end. The UPR pertaining to the main intra-group and external contracts was identified and the future losses that will arise out of the UPR were estimated by applying estimated loss ratios in line with the ones selected for the corresponding gross exposure. The same approach was applied for the future losses out of additional premium recognised on a gross basis or for BBNI. A specific cash-flow analysis of future losses was not performed as it was assumed that they mirror the losses selected on an inward basis. This is reasonable due to the importance of the intra-group quota shares. In addition the future costs that will arise out of the non-proportional cover are calculated separately as they are not included in the IFRS reserves.

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

The matching adjustment, volatility adjustment and transitional risk-free interest rate-term structure were not applied in the calculation of Technical Provisions. The transitional deduction referred to in Article 308d of Directive 2009/138/EC was also not applied in the calculation of Technical Provisions.

D.3. VALUATION OF OTHER ASSETS AND LIABILITIES

This section outlines the valuation basis and comparison for other assets and liabilities, excluding investments and technical provisions, as at 31 December 2016.

	Note	Solvency II Balance Sheet	IFRS Balance Sheet	Variance
		€'000	€'000	€'000
Other assets				
Deferred tax assets	4	2,312	1,707	(605)
Insurance and intermediaries receivables	1	8,074	8,074	—
Reinsurance receivables	2	6,726	6,726	—
Receivables (trade, not insurance)	3	4,172	4,172	—
Other assets		686	686	—
		21,970	**21,365**	**(605)**
Other liabilities				
Deferred tax liabilities	4	444	142	(302)
Insurance and intermediaries payables	1	892	892	—
Reinsurance payables	2	10,100	10,100	—
Payables (trade, not insurance)	3	14,620	14,620	—
Other liabilities		242	242	—
		26,298	**25,996**	**(302)**
Total other assets and liabilities		**(4,328)**	**(4,631)**	**(303)**

Notes

1. Insurance and intermediaries receivables and payables are amounts owed or due under insurance and assumed reinsurance contracts and are valued at their account balance which equates to fair value due to the short term nature of the balances.

2. Reinsurance receivables and payables are amounts owed or due under reinsurance contracts and are valued at their account balance which equates to fair value due to the short term nature of the balances.

3. Receivables and payables (trade, not insurance) are amounts owed by or due to employees, Group companies, business partners etc., as well as payables and receivables from securities purchased and are generally valued at their account balances. Most balances are current items and are collected in a short timeframe, so the face value is deemed to equal fair value.

4. Deferred tax assets and liabilities are valued based on the tax impact of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II rules and the values ascribed to assets and liabilities as recognised and valued for tax purposes. Deferred tax assets are also recognised from the carry forward of unused tax credits and the carry forward of unused tax losses. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or the carry forward of unused tax credits. Deferred tax assets and liabilities are not discounted. The difference between the values of the Solvency II balance sheet deferred tax assets and liabilities and the IFRS values are due to the tax impact of valuation adjustments to other assets and liabilities on the balance sheet.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

Nature of Capital

The capital (Solvency II Own Funds) of the Company consists of ordinary shares, capital contributions from other Group companies, retained deficit and currency translation reserve.

The ordinary shares issued to PRHEL, fulfill the criteria in that they:

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

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

The following table shows a breakdown of the total Own Funds as at 31 December 2016:

	Tier 1 - unrestricted funds	Tier 3	Total
	€'000	€'000	€'000
Ordinary share capital	2,249		2,249
Reconciliation reserve	(27,176)		(27,176)
Net deferred tax assets		1,868	1,868
Other own funds approved by the supervisory authority	61,463		61,463
Total Solvency II Own Funds	**36,536**	**1,868**	**38,404**

Capital Management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a strong going concern so that it can continue to provide returns for its stakeholders and pay losses;
- to ensure that the Company is a well capitalised risk insurer for its policyholders; and
- to comply with the insurance capital requirements required by the CBI.

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

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

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

Reconciliation of Solvency II Own Funds to IFRS Net Equity

The following table compares shareholders' equity from the Company's IFRS financial statements to the Solvency II Own Funds:

	2016
	€'000
IFRS Shareholders Equity	**42,427**
Revaluation of Non-Life Reserves	(3,296)
Revaluation of Other Assets and Liabilities	303
Solvency II Own Funds	**38,404**
Change in Equity	**(4,023)**

- See section D.2 of this report for a detailed explanation of the differences in valuation of non-life technical provisions.
- The difference between other assets and liabilities arises from the difference in deferred tax balances due to the tax impact of the non-life valuation adjustment. See section D.1 and D.3 for further details of the valuation basis for other assets and liabilities.

A detailed line by line Solvency II balance sheet is provided in the quantitative reporting template number S.02.01.02 in the annex to this report.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The amount of the Company's SCR and MCR at the end of the reporting period are €47 million and €12 million respectively.

The table below shows the components of the SCR (using the Standard Formula) as at 31 December 2016:

	2016
	€'000
Sum of risk components	
Market risk	5,057
Counterparty default risk	17,327
Non-Life underwriting risk	24,999
Diversification effects	(8,770)
BSCR	**38,613**
SCR operational risk	8,623
Adjustment for the loss absorbing effect of deferred taxes	(64)
SCR	**47,172**
Solvency II Own Funds	**38,404**
Ratio of Eligible Own Funds to SCR	**81.4%**

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

The SCR calculation is based on the aggregation of the different sub-modules of the SCR that have been calculated by the various departments in charge. The Company has not applied a simplified calculation for any of the standard formula risk modules. The Company has not used any undertaking-specific parameters in calculating the SCR.

During the period the Company had assumed that the application of the Standard Formula could take into account the significant economic protection from the stop loss reinsurance agreement with PRCL, indicating a significantly higher Ratio of Eligible Own Funds to SCR than if the stop loss was excluded from the calculation.

When the Company calculated the Solvency II balance sheet and SCR, excluding the impact of the stop loss agreement, at the end of the period, the movements in the valuation of assets and liabilities and the update of other Solvency II application assumptions resulted in the Ratio of Eligible Own Funds to SCR being lower than 100%.

The Company's parent injected €10 million in January 2017 which remediated the breach and €20 million in March 2017 to further strengthen the capital position. Following these capital injections the Company has sufficient capital to cover the SCR, bringing the Ratio of Eligible Own Funds to SCR to 145%.

It is important to note that the stop loss agreement continues to offer significant economic protection to the Company.

The table below outlines the components of the MCR as at 31 December 2016:

	2016
	€'000
Linear MCR	8,151
SCR	47,172
MCR cap	21,228
MCR floor	11,793
Combined MCR	11,793
Absolute floor of the MCR	3,700
MCR	**11,793**

The MCR is calculated by applying the factors specified in the regulation to underlying drivers: premiums and best estimates by lines of business for non-life business. Ultimately, the MCR is driven by the floor calculated as 25% of the Solvency Capital Requirement.

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

The Company was fully compliant with the MCR requirements throughout the reporting period.

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

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

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

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

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

As outlined in section E.2. above the Company was not compliant with the SCR as at 31 December 2016. The SCR amounted to €47 million and the Solvency II Own Funds amounted to €38 million - a deficit of €9 million.

When the Company calculated the Solvency II balance sheet and SCR, excluding the impact of the stop loss agreement, at the end of the period, the movements in the valuation of assets and liabilities and the update of other Solvency II application assumptions resulted in the Ratio of Eligible Own Funds to SCR being lower than 100%.

The Company's parent injected €10 million in January 2017 which remediated the breach and €20 million in March 2017 to further strengthen the capital position. Following these capital injections the Company has sufficient capital to cover the SCR, bringing the Ratio of Eligible Own Funds to SCR to 145%.

Annex I
S.02.01.02
Balance sheet

Balance sheet

Assets		**Solvency II value**
		C0010
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	2,312
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	126
Investments (other than assets held for index-linked and unit-linked contra	**R0070**	87,246
Property (other than for own use)	**R0080**	-
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	-
Equities - listed	**R0110**	-
Equities - unlisted	**R0120**	-
Bonds	**R0130**	87,217
Government Bonds	**R0140**	84,639
Corporate Bonds	**R0150**	2,578
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	28
Derivatives	**R0190**	-
Deposits other than cash equivalents	**R0200**	-
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	-
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	-
Reinsurance recoverables from:	**R0270**	230,347
Non-life and health similar to non-life	**R0280**	230,347
Non-life excluding health	**R0290**	230,347
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-li	**R0310**	-
Health similar to life	**R0320**	-
Life excluding health and index-linked and unit-linked	**R0330**	-
Life index-linked and unit-linked	**R0340**	-
Deposits to cedants	**R0350**	26
Insurance and intermediaries receivables	**R0360**	8,074
Reinsurance receivables	**R0370**	6,726
Receivables (trade, not insurance)	**R0380**	4,172
Own shares (held directly)	**R0390**	-
Amounts due in respect of own fund items or initial fund called up but not	**R0400**	-
Cash and cash equivalents	**R0410**	23,160
Any other assets, not elsewhere shown	**R0420**	686
Total assets	**R0500**	362,874

Annex I
S.02.01.02
Balance sheet

Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	298,172
Technical provisions – non-life (excluding health)	**R0520**	298,172
Technical provisions calculated as a whole	**R0530**	-
Best Estimate	**R0540**	287,443
Risk margin	**R0550**	10,729
Technical provisions - health (similar to non-life)	**R0560**	-
Technical provisions calculated as a whole	**R0570**	-
Best Estimate	**R0580**	-
Risk margin	**R0590**	-
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	-
Technical provisions - health (similar to life)	**R0610**	-
Technical provisions calculated as a whole	**R0620**	-
Best Estimate	**R0630**	-
Risk margin	**R0640**	-
Technical provisions – life (excluding health and index-linked and unit-link	**R0650**	-
Technical provisions calculated as a whole	**R0660**	-
Best Estimate	**R0670**	-
Risk margin	**R0680**	-
Technical provisions – index-linked and unit-linked	**R0690**	-
Technical provisions calculated as a whole	**R0700**	-
Best Estimate	**R0710**	-
Risk margin	**R0720**	-
Contingent liabilities	**R0740**	-
Provisions other than technical provisions	**R0750**	-
Pension benefit obligations	**R0760**	-
Deposits from reinsurers	**R0770**	-
Deferred tax liabilities	**R0780**	444
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Insurance & intermediaries payables	**R0820**	892
Reinsurance payables	**R0830**	10,100
Payables (trade, not insurance)	**R0840**	14,620
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in Basic Own Funds	**R0860**	-
Subordinated liabilities in Basic Own Funds	**R0870**	-
Any other liabilities, not elsewhere shown	**R0880**	242
Total liabilities	**R0900**	324,470
Excess of assets over liabilities	**R1000**	38,404

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: accepted non-proportional reinsurance				
		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	Total
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**						27,181	57,711	67,680									152,572
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	-	-	26,395	0	2,679	-	-	-	-					29,074
Gross - Non-proportional reinsurance accepted	**R0130**													-	-	-	-	-
Reinsurers' share	**R0140**	-	-	-	-	-	47,422	50,982	62,368	-	-	-	-	-	-	-	-	160,772
Net	**R0200**	-	-	-	-	-	6,154	6,729	7,991	-	-	-	-	-	-	-	-	20,874
Premiums earned																		
Gross - Direct Business	**R0210**						33,640	58,891	46,935									139,466
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	-	-	32,206	0	2,726	-	-	-	-					34,932
Gross - Non-proportional reinsurance accepted	**R0230**													-	-	-	-	-
Reinsurers' share	**R0240**	-	-	-	-	-	57,328	51,793	42,654	-	-	-	-	-	-	-	-	151,775
Net	**R0300**	-	-	-	-	-	8,518	7,098	7,007	-	-	-	-	-	-	-	-	22,623
Claims incurred																		
Gross - Direct Business	**R0310**						37,004	39,428	32,160									108,592
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-	-	20,439	0	-1,515	-	-	-	-					18,924
Gross - Non-proportional reinsurance accepted	**R0330**													-	-	-	-	-
Reinsurers' share	**R0340**	-	-	-	-	-	50,108	34,318	26,823	-	-	-	-	-	-	-	-	111,249
Net	**R0400**	-	-	-	-	-	7,335	5,110	3,822	-	-	-	-	-	-	-	-	16,267
Changes in other technical provisions																		
Gross - Direct Business	**R0410**						-	-	-									-
Gross - Proportional reinsurance accepted	**R0420**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0430**													-	-	-	-	-
Reinsurers' share	**R0440**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	**R0500**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses incurred	**R0550**	-	-	-	-	-	5,474	4,049	3,867	-	-	-	-	-	-	-	-	13,390
Other expenses	**R1200**																	
Total expenses	**R1300**																	13,390

Annex I
S.05.01.02

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
	R0010		(US) United States	(GB) United Kingdom	(IT) Italy	(NO) Norway	(DE) Federal Republic of Germany	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	4,688	81,774	26,177	7,504	4,762	4,667	129,572
Gross - Proportional reinsurance accepted	R0120	-	2,671	3,840	15	1,170	98	7,794
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	4,149	74,741	26,568	6,655	5,250	4,218	121,581
Net	R0200	539	9,704	3,449	864	682	547	15,785
Premiums earned								
Gross - Direct Business	R0210	1,799	62,228	29,792	6,522	5,750	4,513	110,604
Gross - Proportional reinsurance accepted	R0220	-	2,729	3,955	16	1,365	146	8,211
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	1,565	56,531	29,369	5,690	6,192	4,055	103,402
Net	R0300	234	8,426	4,378	848	923	604	15,413
Claims incurred								
Gross - Direct Business	R0310	7,065	49,572	40,703	133	3,627	3,395	104,495
Gross - Proportional reinsurance accepted	R0320	0	-280	787	-18	-773	-29	-313
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	6,162	43,003	36,191	102	2,491	2,936	90,885
Net	R0400	903	6,289	5,299	13	363	430	13,297
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	-28	6,017	1,895	283	602	450	9,219
Other expenses	R1200							
Total expenses	R1300							9,219

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		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	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**																	
Technical provisions calculated as a sum of BE and RM																		
Best Estimate																		
Premium provisions																		
Gross - Total	**R0060**	-	-	-	-	-	10,787	10,916	13,436	-	-	-	-	-	-	-	-	35,139
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	-	-	8,348	9,962	13,989	-	-	-	-	-	-	-	-	32,299
Net Best Estimate of Premium Provisions	**R0150**	-	-	-	-	-	2,439	954	- 553	-	-	-	-	-	-	-	-	2,840
Claims provisions																		
Gross - Total	**R0160**	-	-	-	-	-	128,359	66,379	57,565	-	-	-	-	-	-	-	-	252,303
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	-	-	102,916	50,876	44,255	-	-	-	-	-	-	-	-	198,047
Net Best Estimate of Claims Provisions	**R0250**	-	-	-	-	-	25,443	15,503	13,310	-	-	-	-	-	-	-	-	54,256
Total Best estimate - gross	**R0260**	-	-	-	-	-	139,147	77,295	71,000	-	-	-	-	-	-	-	-	287,442
Total Best estimate - net	**R0270**	-	-	-	-	-	27,883	16,457	12,756	-	-	-	-	-	-	-	-	57,096
Risk margin	**R0280**	-	-	-	-	-	4,641	2,571	3,517	-	-	-	-	-	-	-	-	10,729
Amount of the transitional on Technical Provisions																		
TP as a whole	**R0290**																	
Best Estimate	**R0300**																	
Risk margin	**R0310**																	
Technical provisions - total																		
Technical provisions - total	**R0320**	-	-	-	-	-	143,788	79,866	74,517	-	-	-	-	-	-	-	-	298,171
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	-	-	111,264	60,838	58,244	-	-	-	-	-	-	-	-	230,346
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	-	-	-	-	-	32,524	19,028	16,273	-	-	-	-	-	-	-	-	67,825

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	2

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											4	R0100	4	4
N-9	R0160	111	972	397	193	68	268	39	146	7	39		R0160	39	2,240
N-8	R0170	53	1,168	257	456	506	116	101	1,141	270			R0170	270	4,068
N-7	R0180	118	488	249	124	33	7	74	3				R0180	3	1,096
N-6	R0190	197	26,417	27,800	9,639	885	124	146					R0190	146	65,208
N-5	R0200	605	6,465	7,172	4,955	6,612	1,824						R0200	1,824	27,633
N-4	R0210	313	9,272	5,522	3,574	1,796							R0210	1,796	20,477
N-3	R0220	1,136	22,778	16,006	4,824								R0220	4,824	44,744
N-2	R0230	2,189	23,824	18,130									R0230	18,130	44,143
N-1	R0240	3,448	27,298										R0240	27,298	30,746
N	R0250	8,312											R0250	8,312	8,312
												Total	R0260	62,642	248,671

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											190	R0100	183
N-9	R0160										-451		R0160	-467
N-8	R0170									144			R0170	139
N-7	R0180								220				R0180	218
N-6	R0190							33					R0190	26
N-5	R0200						11,502						R0200	10,878
N-4	R0210					13,863							R0210	13,638
N-3	R0220				16,871								R0220	15,954
N-2	R0230			69,011									R0230	65,646
N-1	R0240		109,374										R0240	103,828
N	R0250	44,316											R0250	42,260
												Total	R0260	252,120

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	2,249	2,249			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-27,176	-27,176			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	1,868				1,868
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	61,463	61,463			
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	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	38,404	36,536			1,868
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	38,404	36,536			1,868
Total available own funds to meet the MCR	R0510	36,536	36,536			
Total eligible own funds to meet the SCR	R0540	38,404	36,536			1,868
Total eligible own funds to meet the MCR	R0550	36,536	36,536			
SCR	R0580	47,172				
MCR	R0600	11,793				
Ratio of Eligible own funds to SCR	R0620	81%				
Ratio of Eligible own funds to MCR	R0640	310%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	38,404
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	65,580
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	-27,176
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	5,666
Total Expected profits included in future premiums (EPIFP)	R0790	5,666

Annex I
S25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Net solvency capital requirement	USP	Simplifications
		C0030	C0040	C0050
Market risk	R0010	5,057		-
Counterparty default risk	R0020	17,327		
Life underwriting risk	R0030	-	-	-
Health underwriting risk	R0040	-	-	-
Non-life underwriting risk	R0050	24,999	-	-
Diversification	R0060	-8,770		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	38,613		

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	-
Operational risk	R0130	8,623
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-64
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	47,172
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	47,172
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

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

		C0010
MCRNL Result	R0010	8,151

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	27,883	6,157
Fire and other damage to property insurance and proportional reinsurance	R0080	16,457	6,632
General liability insurance and proportional reinsurance	R0090	12,756	8,085
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	8,151
SCR	R0310	47,172
MCR cap	R0320	21,228
MCR floor	R0330	11,793
Combined MCR	R0340	11,793
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	11,793