Partner Reinsurance Europe SE

2020

Solvency and Financial Condition Report

CONTENTS PAGE

Summary 2

A. Business and Performance 4

A.1. Business 4

A.2. Underwriting performance 6

A.3. Investment performance 10

A.4. Performance of other activities 10

B. System of Governance 11

B.1. General Information on the System of Governance 11

B.2. Fit and proper policies and procedures 18

B.3. Risk management system including the Own Risk and Solvency Assessment 19

B.4. Internal control system 22

B.5. Internal Audit function 23

B.6. Actuarial function 23

B.7. Outsourcing 23

C. Risk Profile 25

C.1. Underwriting risk 25

C.2. Market risk 28

C.3. Credit risk 31

C.4. Liquidity risk 31

C.5. Operational risk 32

C.6. Other material risks 33

D. Valuation of the Solvency II Balance Sheet 34

D.1. Valuation of assets 34

D.2. Technical provisions 37

D.3. Valuation of other assets and liabilities 49

D.4. Alternative methods for valuation........ 50

E. Capital Management 51

E.1. Own Funds 51

E.2. Solvency Capital Requirement and Minimum Capital Requirement 53

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.. 54

E.4. Differences between the standard formula and any internal model used 54

E.5. Non-compliance with capital requirements 54

Annex – Quantitative Reporting Templates (QRTs)

SE.02.01.02 - Balance Sheet

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

S.05.02.01 - Premiums, claims and expenses by country

S.12.01.02 - Life and Health SLT Technical Provisions

S.17.01.02 - Non-Life Technical Provisions

S.19.01.21 - Non-Life Insurance Claims Information

S.23.01.01 - Own Funds

S.25.01.01 - Solvency Capital Requirement

S.28.01.01 - Minimum Capital Requirement

SUMMARY

This report provides the reader with information on the business and performance, system of governance, risk profile, valuation for solvency purposes and capital management of Partner Reinsurance Europe SE (the Company) for the year ended 31 December 2020.

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

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

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

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

As at 31 December 2020, the Company had branches in France, Switzerland, Hong Kong and the United Kingdom (U.K.) and subsidiaries incorporated in Brazil (a representative office of the Company) and Miami. The French, Swiss, Hong Kong and U.K. branches are subject to supervision by the CBI. Additionally, the Hong Kong and U.K. branches are subject to local regulation. Partner Reinsurance Europe SE - Escritório de Representação no Brasil Ltda. (PRE Brazil) and Partner Re Miami, Inc. (PRE Miami) are subject to regulation in their respective territories. PRE Brazil acts as a representative office for the Company. PRE Miami acts as a reinsurance intermediary and provides services for the Company.

The Company earned a pre-tax profit of €232.8m in 2020 (2019: profit €213.6m). This is comprised of an underwriting profit of €122.4m (2019:profit €196.8m), investment gain of €112.4m (2019:gain €210.8m), net income on funds held €7.4m (2019: expense €1.0m), other income €0.9m (2019: €6.8m), administrative expenses of €115.9m (2019: €143.5m), depreciation expense on right-of-use assets of €9.0m (2019: €6.6m), interest expense on lease liabilities of €0.5m (2019: €0.4m) and foreign exchange gain of €115.2m (2019: loss €49.1m). See sections A.2., A.3. and A.4. for a discussion of the performance of the Company during the year.

The COVID-19 pandemic and the related economic impact is ongoing, and there continues to be significant uncertainty surrounding the full extent of the impact. The Company incurred €54.3m of underwriting losses, net of retrocession and reinstatement premiums, as a direct result of COVID-19 and the related effects of the economic impact for the year ended 31 December 2020, with the majority of the losses classified as incurred but not reported reserves. These losses are attributable to business interruption and event cancellation related coverages, credit exposures in financial risks lines and life protection business.

There remains significant uncertainty related to the full extent of COVID-19 losses. For example, a longer or more severe recession could increase the probability of losses. There are also potential legislative, regulatory and judicial actions that create significant uncertainty with respect to policy coverage and other issues. The Company continues to actively monitor information received from or reported by clients, brokers, industry actuaries, regulators, courts and other policymakers, and to assess that information in the context of our own portfolio.

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

The core of the Company's business model is the assumption and management of risk, which is described in further detail in Section C of this report. The Company is exposed to underwriting, market, credit, liquidity and operational risks. The Company has implemented a comprehensive risk management framework to monitor, manage and mitigate these risks. The most important risk management and mitigation tools of the Company are underwriting and investment guidelines, risk limits, hedging, diversification and the use of retrocession with third parties and affiliate companies.

The Company had total Own Funds in its Solvency II balance sheet of €2,138m as at 31 December 2020 (2019: €1,981m). The assets and liabilities in the Solvency II balance sheet were valued using Solvency II valuation rules. The Solvency II valuation rules are different, in some areas, than those used in the Company's IFRS

financial statements, with the valuation of technical provisions (TPs) being the major area of difference. See section D for more detail on the valuation methods, bases and assumptions of assets and liabilities in the Solvency II balance sheet as well as a comparison with IFRS. There were no significant changes to the valuation basis of the Company's assets and liabilities during the year.

The Company's Solvency II Own Funds were as follows as at 31 December 2020 and 2019:

	2020	**2019**
	€'000	**€'000**
Ordinary share capital	245,092	245,092
Reconciliation reserve	897,831	763,412
Net deferred tax assets	53,015	30,701
Other Own Funds approved by the supervisory authority	941,788	941,788
Total Solvency II Own Funds	**2,137,726**	**1,980,993**

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 2020 and 2019:

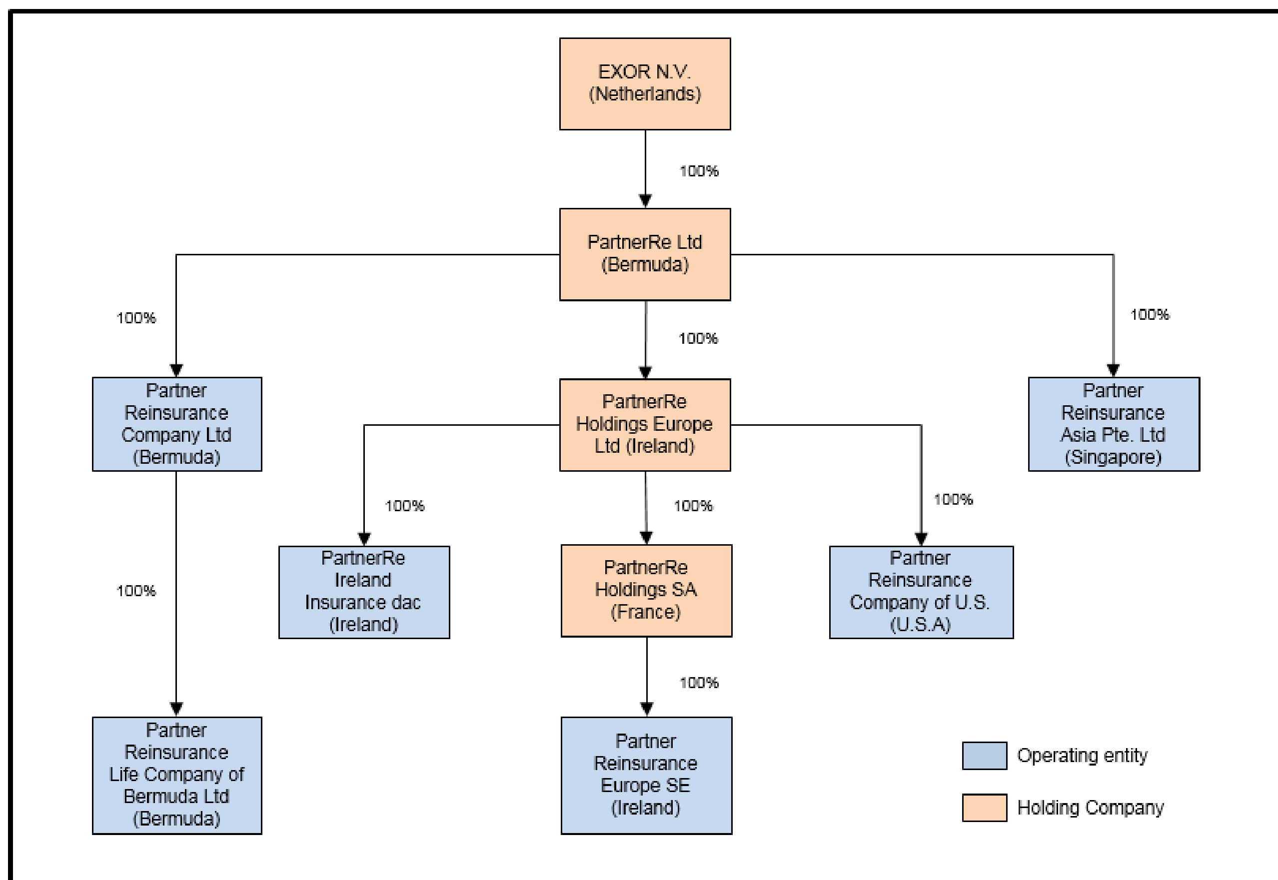
	2020	**2019**
	€'000	**€'000**
MCR	359,733	379,674
SCR	1,431,039	1,370,401
Solvency II Own Funds	2,137,726	1,980,993
Ratio of Eligible Own Funds to SCR	149%	145%

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

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

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



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

The Company secured a temporary permission in 2019 under the U.K. Temporary Permission Regime (TPR), which secured the Company's access to the U.K. market throughout the term of the TPR. In January 2020, the E.U./U.K. Withdrawal Agreement was subsequently approved by both the U.K. and E.U. Parliaments. This agreement secured the Company's access to the U.K. market (pursuant to the agreed Transitional Period) throughout 2020 under the existing E.U. regulatory framework.

Effective 1 January 2021, the U.K. Branch is subject to U.K. specific regulations as a result of the exit of the U.K. from the E.U. These regulations are in addition to existing CBI requirements. These regulatory requirements will increase over the course of 2021 and 2022 and will require the Company to file regulatory returns for its U.K. operations and business with the Prudential Regulatory Authority. To date, the Company has established a U.K. Branch Oversight Committee and adopted Branch-level policies to satisfy these U.K. requirements.

Business strategy and outlook

The Company assumes and manages global reinsurance and capital market risks. The Company's long-term strategy is to generate shareholder value through its underwriting and investment activities. It focuses on

maintaining a diversified portfolio of risks across a broad product range with appropriate geographic diversification, actively managing its capital across its portfolio and over the duration of the cycle, adding value through underwriting and transactional excellence and achieving superior returns on invested assets in the context of a disciplined risk framework. The Company believes that this construct allows it to balance its cedants' needs for absolute certainty of claims payment with the ultimate aim of capital growth and dividend payment.

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

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

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

During the 1 January 2021 renewals, all non-life business units benefited from insurance markets hardening, in terms and conditions, following a number of years of a soft market characterised by diminishing margins and low interest rates.

Primary rate increases either met or exceeded our expectations in most of the lines of business. Reinsurance ceding commissions however did not improve as much as expected as markets were willing to only accept the primary market rate changes. Casualty, Aviation, Energy Downstream and Specialty Property were the areas which saw the most positive primary rate movement, which continued from 2020 into 2021. In the Natural Catastrophe area, the non-U.S. market was up with a more moderate rate growth.

The Company believes that its strong global franchise and geographic footprint, long track record and broad yet highly technical capabilities over many lines of business position the Company well for the future.

Based on the outcome of the January renewal the expectations for the full underwriting year 2021 were updated and the Company expects to be slightly below plan both in terms of gross premium and gross technical profit. As a consequence of increased retrocession purchases net premiums and net technical profit are also expected to be below plan.

In terms of the Company's life portfolio, the active 1 January 2021 renewals only impacted the short-term in-force premium in the mortality and disability line, which is a relatively limited portion of the overall life portfolio. For those treaties that actively renew, pricing conditions and terms were flat compared to the prior year renewal.

Management expects moderate continued growth in the Company's life portfolio in 2021 from new business initiatives, assuming constant foreign exchange rates. The Company has a broader platform going forward in traditional life business lines and the Company is in a good position to continue to accept financial solutions business building upon last year's experience.

A.2. UNDERWRITING PERFORMANCE

The following tables outline the Company's underwriting performance for the year ending 2020 and 2019:

2020	**Non-Life €'000**	**Life €'000**	**Total €'000**
Gross premium written	1,719,824	837,216	2,557,040
Net premium written	568,936	314,639	883,575
Net premium earned	597,121	316,855	913,976
Net claims incurred	440,299	263,746	704,045
Acquisition cost	95,539	(7,893)	87,646
Technical result	**61,283**	**61,002**	**122,285**
- Administration expenses	75,785	40,215	116,000
- Overhead expenses	6,120	3,247	9,367
- Investment expenses	6,256	3,320	9,576
Total underwriting result	**(26,878)**	**14,220**	**(12,658)**

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

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

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

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

The following tables outline the Company's underwriting performance by the material Solvency II lines of business for the year ending 2020 and 2019.

2020	Proportional Reinsurance - Fire and other damage to property	Proportional Reinsurance - Marine, aviation and transport	Proportional Reinsurance - General Liability	Life and Health Reinsurance	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	512,086	279,834	263,896	837,216	664,008	2,557,040
Net premium written	165,256	81,929	110,334	314,639	211,417	883,575
Net premium earned	180,582	90,107	103,914	316,855	222,518	913,976
Net claims incurred	131,392	78,700	73,106	263,746	157,101	704,045
Acquisition cost	28,930	11,972	21,218	(7,893)	33,419	87,646
Technical result	**20,260**	**(565)**	**9,590**	**61,002**	**31,998**	**122,285**
- Administration expenses	22,919	11,436	13,189	40,215	28,241	116,000
- Overhead expenses	1,851	923	1,065	3,247	2,282	9,368
- Investment expenses	1,892	944	1,089	3,320	2,330	9,575
Total underwriting result	**(6,402)**	**(13,868)**	**(5,753)**	**14,220**	**(855)**	**(12,658)**

2019	Proportional Reinsurance - Fire and other damage to property	Proportional Reinsurance - Marine, aviation and transport	Proportional Reinsurance - General Liability *	Life and Health Reinsurance	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	605,846	346,155	240,607	905,326	893,746	2,991,680
Net premium written	193,764	100,924	101,572	353,122	284,672	1,034,054
Net premium earned	172,432	87,418	79,432	352,554	268,620	960,456
Net claims incurred	130,608	68,290	43,897	295,696	107,638	646,129
Acquisition cost	29,251	14,719	17,060	10,453	46,154	117,637
Technical result	**12,573**	**4,409**	**18,475**	**46,405**	**114,828**	**196,690**
- Administration expenses	25,113	12,732	11,569	51,347	39,122	139,883
- Overhead expenses	1,912	970	882	3,910	2,979	10,653
- Investment expenses	1,518	769	699	3,103	2,364	8,453
Total underwriting result	**(15,970)**	**(10,062)**	**5,325**	**(11,955)**	**70,363**	**37,701**

The presentation of the above tables is in line with Quantitative Reporting Template (QRT) S.05.01.02 which is included in the annex to this report. Refer to this QRT for a further breakdown by the above lines of business.

*2019 material Solvency II lines of business adjusted for comparison to 2020. Proportional Reinsurance - Credit and Suretyship replaced with Proportional Reinsurance - General Liability to form the top 4 lines of business by gross premiums written in 2020.

Proportional reinsurance - fire and other damage to property

Gross premiums written for the year ended 2020 is €512m, this represents a decrease of €94m when compared to the year ended 2019. This decrease was mainly as a result of the Company's focus on portfolio optimisation, partially offset by new business and renewal increases predominately in agriculture and energy onshore and an increase in property & energy onshore premium assumed from PartnerRe Ireland Insurance dac (PRIIdac), a related company.

Net premium earned for the year ended 2020 is €181m, this represents an increase of €8m when compared to year ended 2019. This increase was mainly driven by the increase in written premiums in energy onshore, largely offset by the reductions in engineering mentioned above.

The technical result was €20m for the year ended 31 December 2020. This represents an increase of €8m when compared to year ended 2019. This increase was mainly driven by an improvement in the loss ratio compared to prior year as a result of an increase in ceded losses.

The underwriting result was a negative €6m for the year ended 2020. This represents an improvement in the underwriting result of €10m when compared to the year ended 2019 mainly driven by the increase in technical result mentioned above, and a reduction in expenses incurred allocated to this line of business compared to the prior year (expenses incurred are allocated on a gross earned premium basis).

Proportional Reinsurance - marine, aviation and transport

Gross premium written for the year ended 2020 is €280m, this represents a decrease of €66m when compared to the year ended 2019. This decrease was mainly driven by premium exposure adjustments resulting from the current economic downturn in aviation business compared to the year ended 2019.

Net premium earned for the year ended 2020 is €90m, this represents an increase of €3m when compared to the year ended 2019. This increase in net premium earned is driven by an increase in marine and energy offshore premium earning through from prior underwriting years in 2020, largely offset by the reduction in aviation premiums mentioned above.

The underwriting result was a negative €14m for the year ended 2020. The loss was predominately driven by a higher net loss ratio of 87% compared to 78% in the prior year. The deterioration in the loss ratio in the current year was due to a number of large and mid sized events in aviation and marine, as well as increased attritional loss activity in energy offshore compared to 2019.

Proportional reinsurance - general liability

Gross premium written for the year ended 2020 was €264m, this represents an increase of €23m when compared to the year ended 2019. The increase was mainly due to a number of new contracts and increased premium on existing contracts, partly offset by a reduction in casualty premium assumed from PRIIdac.

Net premium earned for the year ended 2020 was €104m, this represents an increase of €24m when compared to the year ended 2019. The increase was mainly due to the increase in gross premium written discussed above.

The underwriting result was a negative €6m for the year ended 2020. This represents a decrease of €11m when compared to the year ended 2019. The deterioration in underwriting result was due to an increase in the net loss ratio from 55% in 2019 to 70% in 2020. The increase in loss ratio was driven by higher loss emergence from prior underwriting years in 2020 compared to 2019.

Life and health reinsurance

Gross premium written for the year ended 2020 was €837m, this represents a decrease of €68m when compared to the year ended 2019. The decrease was mainly driven by the exit of the Middle East market and the effect of restructures and recaptures negotiated during the year. This decrease was partially offset by an increase of Group business in the U.K. and Ireland and one large Longevity deal wrote during the first quarter of 2020.

The underwriting result was €14m for the year ended 2020. As required by the Solvency II underwriting quantitative reporting templates, the Company's life underwriting result in the above table does not include allocated investment income which is an important element of the life result.

In 2020, the underwriting profit was driven by positive experience on the Longevity portfolio and recaptures on the Long Term segment this year. This was partially offset by loss development on Short-Term protection contracts.

Other

There are a number of offsetting impacts within this category, however the key lines of business driving the result for this category are the non-proportional lines of business. The main drivers for the decrease in the underwriting result year on year are non-proportional - property and the proportional - credit and suretyship lines of business. For the non-proportional - property line, the decrease in the 2020 result was as a result of an increase in losses driven mainly by COVID-19 and other large loss events in property and agriculture in 2020. For the proportional - credit and suretyship line, the decrease in the 2020 results was due to an increase in losses driven mainly by COVID-19.

Expenses

Administration, overhead expenses and investment expenses are allocated across the different lines of business on the basis of gross earned premium. The decrease compared to 2019 is driven by a reduction in allocated costs from related entities, a decrease in personnel expenses both due to lower annual incentive accrual as well as a slight decrease in travel expenses due to restrictions associated with COVID-19.

Geographical Analysis

2020		Top 5 countries by location of cedant						
	Ireland	U.K.	United States	France	Germany	Australia	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	139,047	798,515	459,566	147,248	143,688	109,175	759,801	2,557,040
Net premium written	52,486	289,961	156,148	52,500	49,172	35,610	247,698	883,575
Net premium earned	44,890	301,403	155,161	53,180	53,771	36,480	269,091	913,976
Net claims incurred	35,898	278,484	76,807	23,012	53,745	36,105	199,994	704,045
Acquisition cost	4,861	8,107	29,113	4,088	7,384	(350)	34,443	87,646
Underwriting profit	**4,131**	**14,812**	**49,241**	**26,080**	**(7,358)**	**725**	**34,654**	**122,285**
Administration expenses	5,697	38,253	19,693	6,750	6,824	4,630	34,153	116,000
Overhead expenses	460	3,089	1,590	545	551	374	2,758	9,367
Investment expenses	470	3,158	1,626	557	563	382	2,820	9,576
Total underwriting result	**(2,496)**	**(29,688)**	**26,332**	**18,228**	**(15,296)**	**(4,661)**	**(5,077)**	**(12,658)**

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

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

A.3. INVESTMENT PERFORMANCE

The following table outlines the investment income and expenses for the year ending 31 December 2020 and 2019:

	2020	2019
	€'000	€'000
Interest and dividend income	77,399	98,570
Net realised gains	1,970	47,013
Net unrealised gains	42,630	74,600
Investment management and other related expenses	(9,575)	(9,410)
Total net of expenses	**112,424**	**210,773**

Net investment income decreased in 2020 compared to 2019 due to the impact of lower reinvestment rates, driven by the significant decreases in worldwide risk-free rates in the first quarter of 2020.

The net realised and unrealised gains were primarily unrealised on the fixed income portfolio and driven by decreases in worldwide risk free rates. Gains on equities were primarily unrealised and due to increases in worldwide equity markets. This is offset by a decrease in carrying value of the investment properties of €5m (2019: decrease €3m).

As of 2020, €695m (2019: €655m), or 20% (2019: 18%) of the Company's fixed income securities were invested in securitisations. At the date of this report, the Company's exposure to securitisations was 99% to securitisations issued by U.S. government sponsored enterprises. These securitisations are highly rated and are amongst the most liquid of all securitisations types.

A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company recognised foreign exchange gains for the financial year 2020 of €115m (2019: loss €49m) in the income statement from the revaluation of all balances held in currencies other than the functional currency of the Company. The Company also recognised a negative movement of €123m (2019: gain €26m) within the currency translation reserve directly in equity from translating the balance sheets of branches with a functional currency other than Euro.

Other income for the Company amounted to €1m (2019: €7m). The decrease year on year is primarily attributable to the write down of a cedant who became insolvent during the year.

The Company recognised a total income tax expense of €24m (2019: €46m) giving an effective tax rate of 10.6% (2019: 21.6%). The effective tax rate is driven by the location of profits earned across the various tax jurisdictions in which the Company operates.

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

General governance standards and structure

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

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

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

The Board has formed the following sub-committees:

- Audit Committee; and
- Risk Committee.

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

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

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

The Reserving and Capital Committee is a sub-committee of the LEM composed of the Chief Financial Officer (CFO), General Manager, the Non-Life and Life Head of Actuarial Function (HoAF) and Chief Risk Officer (CRO). The sub-committee is responsible for the quarterly review and approval of the Solvency II returns, and applicable QRTs, and for the year-end review of the annual Solvency II returns and applicable QRTs and their recommendation to the Board for approval.

The Legal Entity Branch Managers' Committee is a sub-committee of the LEM and is composed of the General Manager, Branch Managers, CFO, CRO and the Head of Compliance. The sub-committee's main responsibilities are: managing issues arising from the day-to-day operation of the branches, the commercial performance of the branches, reviewing market trends arising in each jurisdiction, Legal and Regulatory developments that impact the operation of the branches, any risk incidents/events occurring in the quarter at a branch level.

The Company has established the U.K. Branch Oversight Committee to oversee the operation of the business it conducts in the U.K. This committee fulfills the role of the Governing Body as defined in the Prudential Regulatory Authority's Rulebook for third country branches. The committee is composed of the General Manager, the U.K. Branch Manager and key function holders.

Key elements of the Company's system of governance

Governance and oversight

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

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

The Board sets the overall strategy of the Company in line with the strategy of the Group and risk strategy, which is reviewed annually. It also sets the Company's risk appetite and risk limits annually, or more frequently if warranted, in light of the Company's risk strategy and overall strategy. In this context, the Board seeks to ensure there are sound risk management processes to effectively identify, manage, monitor and report on the risks to which the Company is exposed.

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

Authority and independence of key functions

The Company has the following the key functions of Risk Management, Actuarial, Finance, Internal Audit and Compliance. Risk Management, Actuarial, Finance and Compliance functions have a dotted reporting line to the General Manager. Internal Audit reports to the Audit Committee.

Risk Management function

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

The CRO and Risk Management function report to the Risk Committee and the Board. The CRO is also a member of the LEM.

Actuarial function

The Company has two Heads of Actuarial function covering life and non-life business respectively. The Heads of the Actuarial function are both members of the LEM and have specific responsibilities under Solvency II legislation. The Actuarial function is responsible for providing actuarial services to the Company and preparing the IFRS numbers.

Actuarial services generally relate to the determination of technical provisions (TPs) and the provision of advice and opinions in respect of Capital Management, Underwriting, Retrocession, Own Risk and Solvency Assessment (ORSA), Actuarial Reports Technical Provisions (ARTPs) etc.

Finance function

The Company's Finance function (which is led by the Company's CFO, who is also a member of the LEM) has responsibility for:

- the accuracy of the Company's IFRS financial reports and quarterly/annual statutory filings;
- compliance with relevant accounting policies and standards, as well as Company Act requirements;
- compliance with its regulatory financial reporting obligations to regulators;
- monitoring of solvency ratios and calculations; and
- ensuring that sufficient capital is maintained to meet business and regulatory requirements.

Internal audit

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

governance and provides independent assurance over the operations of the Company. Internal Audit's responsibilities are set out in the Internal Audit Charter.

The Head of Internal Audit attends LEM meetings on at least a quarterly basis.

Compliance function

The Compliance function's main responsibilities are to identify and assess the possible impact of any changes to the applicable laws and regulations on the Company. It also provides assurance to the Board on the adequacy of measures that have been taken by the Company to comply with applicable regulations. The Company's Compliance function is led by the Head of Compliance who is a member of the LEM.

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

Material changes in the governance of the Company in 2020

Changes in Board membership

Three Directors (one Executive, one NED and one INED) resigned from the Board during 2020. Three Directors (one Executive, one NED and one INED) were appointed to the Board during 2020.

Establishment of new Committees

The Company has established the United Kingdom (U.K.) Branch Oversight Committee to oversee the operation of the business it conducts in the U.K. following the departure of the U.K. from the European Union.

Material transactions

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

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

Processes for monitoring the effectiveness of the system of governance

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

Board governance and oversight

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

Role of Board Committees

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

The Audit Committee

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

The Audit Committee has four main objectives:

- Review of the Company's financial reporting process;
- Review the integrity of the Company's financial statements;

- Review the effectiveness of the Company's internal control environment, and I.T. systems; and
- Review the performance of the Company's Internal Audit function and of the external auditors.

The Risk Committee

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

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

Review of Board and Committee Roles and Responsibilities

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

Assessment of Board and Committee performance

The Board formally reviews its overall performance, 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. During the first quarter of 2019, the Board and Committees carried out a detailed gap analysis of the respective Charters. A detailed management information (MI) assessment template was also developed in the first quarter of 2019 to include each responsibility set out in the Board and Committee Charters. The findings from the gap analysis and MI assessment were agreed with the Board and Committee members and were implemented in 2019. Due to significant improvements observed in the gap analysis in 2019, the Board and Committees agreed to conduct the assessment every two years going forward.

During 2020, each director performed a self-assessment whereby he or she evaluated his or her performance against a range of key performance indicators. In addition, each Board Director completed an annual Board Evaluation reviewing the overall performance of the Board and that of individual directors, relative to the Board's objectives.

Compliance reporting

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

Internal audit plan

The Board, with the assistance of the Audit Committee, monitors the effectiveness and adequacy of the Company's internal controls (including the Company's financial reporting process) and I.T. systems through reports received from the Internal Audit function as per Internal Audit's plan. The Board and the Audit Committee review and approve the Internal Audit plan on an annual basis.

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 local business needs, 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 business needs and laws, regulations and supervisory requirements.

Annual review and approval process in respect of the Company's audited Financial Statements and Directors' Report and Solvency and Financial Condition 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, and Solvency and Financial Condition Report (SFCR). Prior to this review, a number of meetings outside of the Audit Committee and Board meetings are held to ensure the accuracy of the detail contained in the Financial Statements and Directors' Report, and the SFCR. The stakeholders of these meetings are the external auditors, Audit Committee members, members of the LEM and Internal Audit. A formal governance process supports all pre-Audit Committee meetings.

Financial reporting framework

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

Delegation of responsibilities, reporting lines and allocation of functions

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

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

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

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

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

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

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

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

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

The Board is responsible for approving Pre-Approval Controlled Functions (PCFs) which provides the Board with further insight on resources and adequacy of experience. In addition, the General Manager provides an overview of resources where appropriate. The Internal Audit function reports on resources across the Company (including the Internal Audit function) when carrying out an audit of a particular business unit/department.

Board structure, composition and committees

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

The General Manager is the sole Executive Director.

The Board's Audit and Risk Committees 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. 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. The Audit Committee reviews the effectiveness and adequacy of the Company's system of internal controls.

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

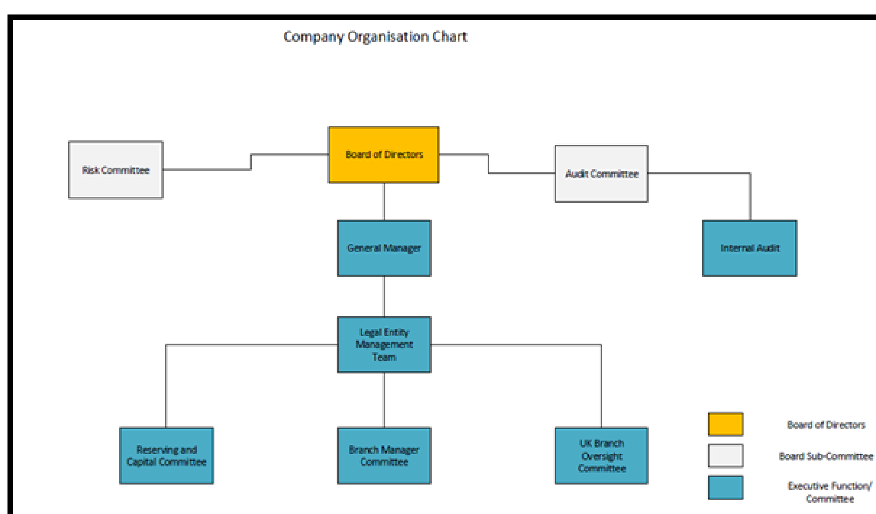
The Board and its Committees meet quarterly and at such other times as deemed necessary to discharge their respective roles and responsibilities effectively. The Company Secretary issues Board and Committee packs to Board and Committee members one week in advance of meetings and maintains a formal record of Board and Committee meetings. The minutes of each Board and Committee meeting contain sufficient detail to evidence Board attention and document the decisions (including dissenting or negative votes), discussions and points for further action.

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

A formal process has been approved by the Board which sets out the steps for making material decisions at Board level. A material decision is any decision of substantial importance or consequence to the Company. Actions logs, covering all open discussion items for the Board and Committees, have been developed and are brought forward into each relevant meeting.

Organisational structure

The Company's organisational 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 policy

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

The Remuneration Policy is designed to meet the following objectives:

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

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

- The philosophy is to remunerate at the median of the appropriate market.
- Remuneration is comprised of base salary and variable remuneration.
- 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 receive no remuneration for their duties as Directors of the Company.

The variable components of remuneration are annual incentive and Long Term Incentive (LTI) awards. The annual incentive is a variable, performance-based component of compensation. Each employee has a target annual incentive 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 Group each year.

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

B.2. FIT AND PROPER POLICIES AND PROCEDURES

As a reinsurance undertaking authorised by the Central Bank of Ireland (CBI), the Company is subject to the CBI's Fitness and Probity Standards. The Company has procedures to determine which roles fall under the F&P Standards and to collect and collate information to evidence compliance with the F&P Standards.

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

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

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

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

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

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

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

The Company has implemented a RMF which sets out the key components of its risk management system: risk governance and controls, risk identification and assessment, risk appetite, ORSA and monitoring and reporting.

Three lines of defence

The Company operates with a three lines of defence model. The first line of defence owns and manages risks and is responsible for implementing internal control measures to ensure compliance with all applicable laws and regulations. The second line of defence comprises of the Compliance and Risk functions and the Heads of Actuarial Function and are responsible for the following activities:

- Developing risk management frameworks and policies;
- Identifying, assessing and communicating known and emerging issues and risks;
- Identifying shifts in the Company's risk profile;
- Communicating compliance and regulatory risk scenarios;
- Assisting management in developing processes and effective controls to manage risks;
- Monitoring the implementation of risk management processes and internal controls;
- Monitoring the adequacy and effectiveness of internal controls;
- Proactively testing and monitoring high risk areas to ensure policies and procedures are being implemented properly;
- Providing guidance and training on risk management processes; and
- Managing the timely remediation of deficiencies.

The third line of defence is Internal Audit and are responsible for providing oversight and independent assurance on the control environment to the Company.

Risk governance and controls

The Risk function consists of the CRO and the supporting Risk Management team. The CRO and the Risk Management team collaborate with and are supported by Risk Management resources in other Group entities. Within the Company, the CRO has a dotted reporting line to the General Manager and reports directly to the Risk Committee and the Board.

Responsibilities of the Board and its Committees are set out in section B.1. Specific responsibilities of the Board include setting the overall risk appetite and risk limits, overseeing and reviewing the key risks of the Company, approving the risk strategy, the RMF, risk policies and the ORSA, and promoting a culture which is conducive to effective risk management.

The Company's risk policy framework addresses groups of homogenous and related risks and establishes risk management approach, risk appetite, mitigation principles, risk ownership, governance and escalation procedures. Individual risk policies are supported by sub-policies and operating guidelines. The risk policy framework consists of Group and Company risk policies which are reviewed and approved at least annually.

The Company uses PartnerRe's internal control application system Archer to document internal controls and manage its risk register. Controls and other risk management actions are performed by process owners within the business units and support functions throughout the year. Internal Audit conducts audits which test the controls to ensure appropriate design and operational effectiveness.

Risk identification and assessment

The CRO coordinates and performs an annual risk identification and assessment process to assess the Company's risks and identify any new or emerging risks and important trends. This process facilitates the setting of risk appetite by the Board and the management of material risks. In response to current events, ad-hoc risk assessments of individual risks may also be conducted.

The Company's risks are structured in a risk universe which is constantly evolving in response to the evolving risk profile of the Company. The risk universe intends to capture all relevant material and potentially material risks. Each risk in the Risk Universe has a risk owner. The CRO monitors the risk profile on an ongoing basis through interaction with the LEM and business leaders and through participation in relevant Group Committees.

At least annually, a risk identification workshop is held with the LEM to review the Company's risk universe and ensure that all material and potentially material risk categories are captured. Separately, an annual emerging risk workshop is held with the LEM and business unit leaders to discuss and identify emerging risks for the Company. Any new risks identified are assigned a risk owner by the CRO in consultation with the LEM.

The CRO, in collaboration with the risk owners and other subject matter experts, assesses each risk of the Risk Universe at least annually. The individual risk assessments are documented and consider the regulatory, operational and control environment, key exposures, correlation with other risks and mitigation. For assumed risks, the tail loss potential is quantified. The individual risk assessments are stored in Archer and support the quarterly risk certification process of the first-line risk owners.

The CRO prepares an annual Risk Assessment Report (RAR) which summarises the individual risk assessments. The RAR is presented to the LEM for review and input and then discussed with the Risk Committee and Board. The RAR assists the Board in understanding the Company's risk profile and the setting of risk appetite and risk limits.

In the context of the COVID-19 pandemic which developed during 2020, risks relating to the Company's life, non-life and investment portfolios were assessed as part of COVID-19 monitoring within the management team and with the Board.

Risk appetite

Risk appetite is the overall level of risk the Company is prepared to accept in pursuit of its strategic objectives. Risk appetite, risk limits, capital level and retrocession structure are considered and inform the setting of the Company's strategy and business plan.

Risk appetite is documented in the Risk Appetite Framework (RAF). The RAF is reviewed at least annually and approved by the Board. In setting its risk appetite, the Board considers stakeholder expectations alongside the business environment and risks including the current level of risk in the business plan and strategy.

Risk appetite is structured into Risk Appetite Statements and Risk Limits and Tolerances.

Risk appetite statements

The Company defines risk appetite statements for all categories of its risk universe.

Risk limits and tolerances

The Company defines key risk indicators as quantitative or qualitative risk limits following a red-amber-green scale, covering the Solvency II solvency ratio, all material assumed risks as identified in the latest Risk Assessment, and non-assumed risks and non-material assumed risks as considered appropriate.

The COVID-19 pandemic did not necessitate updates to the Company's RAF.

Own Risk and Solvency Assessment (ORSA)

The Company undertakes at least annually an internal assessment of its risk and solvency positions, and evaluates these against the business plan. The ORSA report builds on the Risk Management function activities throughout the year and aligns with the business planning and strategy setting process. The ORSA evaluates projected risk and solvency positions based on the three-year plan which in turn informs the planning process. The capital projections in the ORSA are based on projections of own funds and SCR according to the Standard Formula and the three-year business and investment plans. Projected capital adequacy is assessed against the Company’s overall risk appetite and risk limits and tolerances.

The ORSA process encompasses the regular review of the ORSA policy and governance framework, the annual risk identification and assessment process, the review and continuous evolution of risk appetite and risk limits and tolerances, risk monitoring, and stress testing, reverse stress testing and capital projections. Stress testing is based on the Company's view of which risks are material.

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

The ORSA is prepared annually (or more frequently if warranted) by the CRO, reviewed by the HoAFs (life and non-life) who document their opinion, the LEM and the Risk Committee. The Board ultimately approves the ORSA. Following approval, the Company submits the ORSA to the CBI.

Elements of the ORSA process are also applied to large portfolio initiatives or in times of stress.

The stress testing in the 2019 ORSA was utilised to support the monitoring of downside risk during the COVID-19 pandemic. The 2020 ORSA includes COVID-19 downside stress testing of the capital projections.

Risk monitoring and reporting

Risk owners and the Risk function monitor risks on an ongoing basis through regular reports, interaction, participation in approval processes and management meetings.

The CRO reports on a quarterly basis to the Risk Committee and the Board. The quarterly risk report to the Risk Committee includes reporting on compliance with the RAF, risk certification by the risk owners, operational incidents and any other relevant developments such as changes in retrocession.

In times of financial or operational stress, the LEM, the Risk Committee and the Board are updated on the Company's risk profile more frequently. More frequent monitoring and reporting was implemented during the COVID-19 pandemic through weekly and bi-weekly COVID-19 monitoring within the management team which included projections of the solvency position, updates on claims and market developments as well as stress testing, and monthly Board Information Sessions with the Board.

B.4. INTERNAL CONTROL SYSTEM

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

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

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

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

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

Compliance function

The Compliance function is responsible for:

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

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

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

Quarterly, compliance reporting to the Board includes, but is not limited to, the following:

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

B.5. INTERNAL AUDIT FUNCTION

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

- operations are effective & efficient;
- financial reporting is reliable;
- there is compliance with laws & regulations;
- assets are appropriately safeguarded; and
- the Company's risk management policies are consistently applied as documented.

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

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

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

B.6. ACTUARIAL FUNCTION

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

The Actuarial function is split into first line of defence and second line of defence. First line teams are responsible for production of reserves, performance of controls, monitoring of data quality, management of actuarial models, production of experience analysis and best estimate assumptions, and documentation of these processes. Second line teams led by the HoAF provide an independent review and advice to management and the Board on data, models, methodologies and assumptions.

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

B.7. OUTSOURCING

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

The Company outsources certain critical or important functions to third parties in respect of underwriting and claims handling. The service providers to whom the Company outsources are based in the U.K., the U.S., Singapore, Hong Kong, Spain and United Arab Emirates.

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

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

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

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

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

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

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

C. RISK PROFILE

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

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

Mitigation of underwriting risk by use of retrocession

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

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

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

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

The Company further mitigates assumed underwriting risk with the purchase of internal retrocession cover from other Group companies. The cover that the Company has in place with other Group companies as at 31 December 2020 can be summarised as follows:

- 65% whole account quota-share with Partner Reinsurance Company Ltd (PRCL) (50% for underwriting years 2016 and prior; 90% for pure catastrophe business and one specific Longevity transaction), excluding various special businesses written mainly in Latin and North America and life business written in the Hong Kong branch; and
- 10% whole account quota-share with Partner Reinsurance Asia Pte Ltd (PRA) for business written through its Swiss and French branches.

External retrocession inures to the benefit of internal retrocession.

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

C.1. UNDERWRITING RISK

The Company uses a number of tools and metrics which help to monitor and mitigate the risks inherent to its underwriting activities which is the core business of the Company:

- Underwriting and pricing guidelines;
- Underwriting and pricing processes and controls; and
- Regular risk reporting on selected key risk indicators for material risks of the Company.

The Solvency Capital Requirement (SCR) in the Solvency II framework is based on a value-at-risk measure calibrated to a 99.5% confidence level over a one-year time horizon.

C.1.1. NON-LIFE UNDERWRITING RISK

The SCR for non-life underwriting risk, using the Standard Formula, on a pre-diversified basis is €773m (2019: €735m) , which is 38% (2019: 38%) of the Basic Solvency Capital Requirement (BSCR) before diversification. The non-life underwriting risk requirement includes premium and reserve risk, lapse risk and catastrophe risk.

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 non-life best estimate liability (BEL) net of retrocession; the impact on own funds shown in the table relates to the adverse deviation of the BEL and corresponding increase of risk margin.

Adverse deviation of current net best estimate liability	Impact on SCR non-life underwriting risk	Impact on Own Funds (before tax):	Impact on SCR non-life underwriting risk	Impact on Own Funds (before tax):
	2020	2020	2019	2019
€m	€m	€m	€m	€m
50	+12	(56)	+13	(58)
100	+24	(112)	+26	(117)
150	+36	(168)	+39	(175)

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

Additional amount of net premiums underwritten	Impact on SCR non-life underwriting risk	Impact on SCR non-life underwriting risk
	2020	2019
€m	€m	€m
50	+8	+7
100	+15	+13
150	+23	+20

The Company's risk assessment identified natural catastrophe, long-tail non-life reserve risk, credit & surety and mortgage underwriting risks as material non-life underwriting risks and monitors these risks in the Risk Committee and the Board.

Natural catastrophe risk

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

The Company measures exposure to natural catastrophe risk by peril-zone and at aggregate level. The modelling of individual peril-zones is reviewed and updated on a regular basis. The overall approach to risk measurement has remained unchanged. The Company has defined a key risk indicator for natural catastrophe risk in its Risk Appetite Framework (RAF) and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

The Company manages and mitigates natural catastrophe risk with monitoring of peril-zone and aggregate exposures, ongoing portfolio analysis, portfolio management, external and internal retrocession. For selected perils including peak risks, specific retrocession is purchased.

Aggregate exposures have not materially changed during 2020.

Long-tail non-life reserve risk

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

The Company measures long-tail non-life reserve risk with volume metrics. The approach to risk measurement has remained unchanged. The Company has defined a key risk indicator for long-tail non-life reserve risk in its RAF and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

The Company manages and mitigates reserve risk for long-tail lines by following a disciplined underwriting process and applying prudent reserving policies for determining carried reserves. Long-tail non-life reserve risk is also covered by internal retrocession.

The Company has exposures in general liability and professional lines including directors' and officers, professional indemnity and transactional liability insurance written in Europe, the U.S. and Latin America. Exposures have remained relatively stable in 2020.

Credit and surety underwriting risk

Severe credit and surety underwriting losses are associated with systemic impacts of economic and financial stress. In these events, underwriting losses may arise from defaults of single large named insureds and from a high frequency of defaults of smaller insureds.

The Company measures credit and surety underwriting risk by modelling its loss distribution, calibrated with historical data and stress events. The approach to risk measurement has remained unchanged during 2020. The Company has defined a key risk indicator for credit and surety underwriting risk in its RAF and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

The Company manages and mitigates credit and surety underwriting risk with monitoring of counterparty and aggregate country exposures, ongoing portfolio analysis, portfolio management and internal retrocession.

The Company is mostly exposed to short-term trade credit written as proportional treaty. Exposure to medium and long-term credit and political risk is significant as well with exposures to developing countries. Surety represents only a small part of premium income and is predominantly exposed to individual large losses. The Company has actively managed and reduced its exposure to trade credit during the COVID-19 pandemic.

Trade credit underwriting risk is highly correlated with default and credit spread widening risk of the standard investment grade fixed income portfolio during times of economic stress or financial crises.

Mortgage underwriting risk

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

The Company measures mortgage underwriting risk with a scenario-based metric. The approach to risk measurement has remained unchanged during 2020. The Company has defined a key risk indicator for mortgage underwriting risk in its RAF and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

Mortgage reinsurance is managed through geographic diversification both within countries and across countries. This is accomplished through the allocation and tracking of capacity by exposure zone (defined as individual countries) and is accompanied by regular scenario modelling. Mortgage reinsurance is also covered by internal retrocession.

The Company’s main exposures are in the U.S., Europe and Australia. In the U.S., the Company has underwritten single-family and multi-family mortgage insurance. In Europe and Australia, two types of products are offered, annual renewable quota shares and annual aggregate stop loss covers. U.S. business written in the Company is almost fully retained and since 2019 in run-off; it currently dominates on a net basis. Overall exposures have remained unchanged during 2020.

The Company has exposure concentration to the U.S. Within the U.S., exposures are geographically diversified.

Mortgage underwriting risk is correlated with economic or financial crises.

C.1.2. LIFE UNDERWRITING RISK

The SCR for life underwriting risk, using the Standard Formula, on a pre-diversified basis is is €440m (2019: €410m), which is 22% (2019: 21%) of the BSCR before diversification. The SCR calculation is split into SCR for mortality, longevity, disability, lapse, expenses, revision and catastrophe risk.

The Company's Risk Assessment identified mortality trend as a material life underwriting risk and monitors this and mortality shock risk in the Risk Committee and the Board.

Mortality trend risk

The Company is exposed to mortality trend accumulation risk which could be either an increase in the trend of mortality improvements (i.e., people living longer than expected or longevity risk) or a decrease in the trend of mortality improvements (i.e., people living shorter than expected or mortality risk). Longevity risk is defined as the potential for increased actual and future expected annuity payments resulting from annuitants living longer than expected, or resulting from the expectation that annuitants will live longer in the future. Mortality risk is the risk of loss arising from higher than anticipated death rates under the insured portfolios. The Company's mortality business includes traditional death and disability covers (with various riders), term assurance and critical illness, and guaranteed minimum death benefit (GMDB).

The Company measures mortality trend risk with a dedicated mortality trend model. The Company has defined a key risk indicator for mortality trend risk in its RAF and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

The Company manages and mitigates mortality trend risk through age, socioeconomic and benefit type diversification, maturity of assumed blocks of business and internal retrocession. Business exposed to longevity risk provides a partial hedge for business exposed to mortality risk, and vice versa.

In aggregate, the Company has higher exposure to longevity risk than to mortality risk. Its longevity risk is geographically concentrated in the U.K. During 2020, exposure has grown in line with the approved life strategy. Business exposed to longevity risk could gain as a result of the COVID-19 pandemic which leads to increased mortality. Longevity is part of the Company's life strategy and exposure is expected to continue to grow in line with risk appetite and market opportunities.

Mortality shock risk

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

The Company measures mortality shock risk with a scenario-based metric. The approach to risk measurement has remained unchanged during 2020. The Company has defined a key risk indicator for mortality shock risk in its RAF and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

The Company manages and mitigates mortality shock risk with exposure monitoring, external and internal retrocession. The Company's longevity business provides a partial hedge to mortality shock risk.

The Company's exposure to mortality shock is predominantly in the U.K. with secondary exposures in Ireland, France and Australia. Exposure has remained stable during 2020. The Company assesses its exposure to losses on mortality products due to COVID-19 as low due to the age distribution of its insured population and has so far not observed any significant claims activity. The Company's exposure to mortality shock risk is not expected to change significantly over the planning timeframe.

C.2. MARKET RISK

The Company is exposed to financial risk through its financial and reinsurance assets and liabilities. The SCR for market risk, using the Standard Formula, on a pre-diversified basis is €481m (2019: €397m), which is 24% (2019: 21%) of the BSCR before diversification. The SCR calculation is split into SCR for interest rate, equity, property, spread, currency and concentration risk.

The Company's Risk Assessment identified interest rate, currency and spread risk as material market risks and monitors these and equity risk in the Risk Committee and the Board.

Interest rate risk

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

The Company manages its interest rate risk by monitoring the duration of its fixed income portfolio relative to the duration of its reinsurance liabilities so that the economic value of changes in interest rates has offsetting effects on the Company's assets and liabilities.

The Company is mainly exposed to falling EUR interest rates. Exposures can vary over time as assets and liabilities change in line with investment and business developments.

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 transactions and recognised monetary assets and liabilities which are denominated in a currency other than the functional currency of the Company.

The Company measures exposure to currency risk with scenario-based metrics on its net asset value position and with the currency SCR. The scenario-based approach has been further developed in 2020 to assess the impact on SCR in addition to the economic impact. The Company has defined a key risk indicator for currency risk in its RAF and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

The Company employs a hedging strategy utilising derivative financial instruments to reduce net exposure for its main foreign currency exposures USD, GBP and CHF. The Company does not hedge currencies for which its net currency exposures are not material or where it is unable or impractical to do so.

The Company is mainly exposed to movements of USD against EUR and has not materially changed its currency position during 2020. Exposures can vary over time as assets and liabilities change in line with investment and business developments.

Assuming all other variables are held constant, as at the reporting date, a 10% adverse movement in the value of the Euro currency against all other currencies comprising the Company's own funds would have resulted in a €89m decrease in Solvency II own funds (including the effect of derivatives and excluding the effect on risk margin) (2019: €79m decrease including the effect of derivatives and excluding the effect on risk margin).

Equity risk

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

The Company measures equity risk by assessing the impact of movements in equity markets on own funds. In 2020, the Company has introduced a key risk indicator for equity risk in its RAF and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

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

In the Company's Risk Assessment, equity was not assessed to be a material risk. The Company invests in private and public equity and has also equity exposure via its GMDB portfolio. Allocation to equity investments can change from period to period depending on market conditions within strict upper limits and can be concentrated in specific countries depending on the assessment of investment opportunities.

Credit spread risk

The Company defines credit spread risk as the risk of a significant widening of credit spreads resulting in realised or unrealised investment losses on the Company’s standard fixed income securities (which includes investment grade corporate bonds and asset-backed securities) and loans which may result in economic losses to the Company.

The Company measures spread risk with metrics based on credit quality and duration of fixed income instruments. The overall approach to risk measurement has remained unchanged in 2020. The Company has introduced a key risk indicator for credit spread risk in its RAF and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

Spread risk is managed and mitigated with limits on credit quality and concentration to any single name or sector.

Spread risk can change from period to period depending on market conditions and asset-liability management actions.

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

The Company employs a prudent investment philosophy. It maintains a high quality, well-balanced and liquid portfolio having a total return investment objective, achieved through a combination of optimising current investment income and pursuing capital appreciation. The Company's total invested assets were €5,350m at 31 December 2020 (2019: €5,153m); refer to section D.1. of this report for a breakdown by asset type.

From a risk management perspective, the Company allocates its invested assets into two categories: liability funds and capital funds.

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

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

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

Liability funds are invested in a way that takes into consideration the duration and currency composition (supplemented by currency hedging where appropriate) of the company's corresponding liabilities.

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

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

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

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

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

- Fixed income securities that are interest paying investments such as fixed income type mutual funds, notes receivable, loans receivable, private placement bond investments, derivative exposure assumed and other specialty asset classes as well as other below investment grade. These securities generally pay a higher rate of interest and have a higher degree of credit or default risk. These securities may also be less liquid in times of economic weakness or market disruptions.

- Public Equity. These assets tend to be highly liquid however their value fluctuates with equity markets. In times of economic weakness, the market value of these assets may decline, and impact net income and capital.
- Private market investments that may exhibit lower levels of liquidity but provide additional diversification and potential return to its investment portfolio. Such investments may include private equity, loans, 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.

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 €296m (2019: €333m), which is 14% (2019: 17%) of the BSCR before diversification.

The Company's exposure to credit risk arises mainly from cash and cash equivalents deposited with banks, investments in fixed income and other financial securities, reinsurance balances recoverable on ceded reinsurance and funds held by reinsured companies. The main exposures are related to retrocession agreements with related companies of the Group, rated A+. The Company has defined key risk indicators in respect of credit risk in its RAF and monitors compliance with stated risk appetite on a quarterly basis in the Risk Committee.

The creditworthiness of counterparties is monitored on an on-going basis. The Company uses, where available, rating information provided by S&P and A.M. Best to ensure a consistent view on the financial condition of external parties.

The Company uses retrocessional agreements to reduce its exposure on certain underwriting risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events. Retrocessionaires must be approved based on their financial condition and business practices, with stability, solvency and credit ratings being important criteria. Limits per retrocessionaire are put into place and monitored to mitigate counterparty credit risk. The Company manages its credit exposure to retrocessionaires by generally selecting retrocessionaires which have a credit rating of A- or higher. In certain cases where an otherwise suitable retrocessionaire has a credit rating lower than A-, the Company generally requires the posting of collateral and letters of credit as a condition to it entering into a retrocession agreement.

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

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

C.4. LIQUIDITY RISK

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

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

The Company assesses liquidity risks by evaluating a pre-defined liquidity crisis scenario unfolding over a time horizon of one year and comprising of a combination of a financial market crisis, a reinsurance loss with rapid pay-out, collateralisation of new reinsurance business and downgrade potentially triggering collateralisation

requirements in the Company's investments and reinsurance portfolios. The liquidity crisis scenario is monitored quarterly in the Risk Committee and the Board. The Company has remained within approved risk tolerance during 2020.

Expected profit included in future premium

The expected profit included in future premium (EPIFP) for the non-life business was €372m at 31 December 2020 (2019: €398m). The EPIFP represents the difference between the premiums from future exposure arising from contracts that the Company is obligated to as at year end and the expected acquisition costs, losses and expenses relating to these premiums. A lapse rate was assumed on in-force contracts relating to future additional premium and on premium relating to business bound but not yet incepted at the closing date. The calculation was discounted using Solvency II yield curves.

The EPIFP for the life business was €896m at 31 December 2020 (2019: €688m). The EPIFP for life business is calculated as the sum of positive best estimate liabilities. Positive best estimate liabilities correspond to an anticipation of positive future cash flows. The EPIFP for life is calculated at treaty level meaning that there is no compensation between treaties with negative future cash flows and treaties with positive future cash flows.

The EPIFP by line of business were as follows as at 31 December 2020 and 2019:

Line of business	2020 €'000	2019 €'000
Proportional motor vehicle liability reinsurance	6,833	15,677
Proportional marine, aviation and transport reinsurance	48,786	60,470
Proportional fire and other damage to property reinsurance	134,397	106,609
Proportional general liability reinsurance	39,193	32,490
Proportional credit and suretyship reinsurance	71,047	110,080
Non-proportional casualty reinsurance	5,549	2,252
Non-proportional marine, aviation and transport reinsurance	6,257	7,116
Non-proportional property reinsurance	53,746	56,709
Other lines of business	6,621	6,191
Total Non-life	**372,429**	**397,595**
Life and health STL	895,692	688,396
Total	**1,268,121**	**1,085,991**

C.5. OPERATIONAL RISK

Operational risks include, but are not limited to, failures or weaknesses in financial reporting and controls, regulatory non-compliance, fraud, breach of information technology and data privacy security, disaster recovery planning and reliance on third party vendors.

The Company categorises its operational risks as follows: IT (including cyber risk), business disruption, process and execution management, outsourcing, legal and compliance, fraud, and human resources. The Company also monitors branch matters, strategic and emerging risks which may relate to operational risks.

The Company manages operational risks through policies and guidelines setting out appropriate procedures and internal controls and the periodic assessment of adherence to these procedures and controls by Internal Audit. Operational risk is monitored and reported in standardised form to management, the Risk Committee and the Board. Matters are escalated to the Board as required and mitigating actions are assigned to bring elevated risks back within tolerance.

The Company's risk assessment has identified IT(including cyber risk), business disruption, process and execution management, outsourcing and legal and compliance as material operational risks.

The IT (including cyber risk) risk relates to the potential of a successful cyber attack with significant business impact which could lead to financial losses and operational disruption. Business disruption relates to business continuity and emergency management. Process and execution management relates to underwriting and reporting processes. Outsourcing is covered separately in section B.7. Legal and compliance relate to regulatory obligations and legal risks in relation to the Company's business activities.

There were no material weaknesses identified in any of the operational risk categories.

C.6. OTHER MATERIAL RISKS

Strategic risks

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

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

The Company's risk assessment has identified Brexit and Group risks as material strategic risks.

Brexit impacts

The U.K. left the E.U. in January 2020. During the Transition Period until December 2020, the U.K. remained subject to EU law. During the Temporary Permission Regime (TPR) (2021 to end of 2023), the operational burden within the U.K. for reinsurance companies will increase gradually. During the TPR, access to the U.K. market is fully preserved as the U.K. branch will be deemed to have local U.K. authorisation. The deemed authorisation will apply for a maximum period of 3 years from 1 January 2021.

Regulatory reporting risk and other operational risks in relation to the obligations of the Company's U.K. branch are mitigated by a dedicated project with appropriate governance structures and reporting to the Board.

Group risks

The Company is exposed to Group financial and operational risks. Financial risks relate mostly to the Company's reliance on Group affiliates for retrocession which implies counterparty and liquidity risk and are assessed as low due to the high credit rating and solvency ratios of the relevant affiliate companies. Group risks of operational nature relate to the embedding of Company processes in Group processes and the provision of services by affiliate companies.

Reputational risks

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

Emerging risks

Emerging risks are subject to the risk identification, assessment, monitoring and reporting as set out in section B.3 in this report. Notable emerging risks for the Company are climate change and pace of regulatory change.

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 2020 and 2019:

	Section	2020 €'000	2019 €'000
Investments	D.1.	5,349,753	5,152,877
Other assets	D.3.	301,584	377,250
Total assets		**5,651,337**	**5,530,127**
Net non-life technical provisions	D.2.1.	1,765,709	1,827,214
Net life technical provisions	D.2.2.	547,858	503,710
Other liabilities	D.3.	1,200,044	1,218,210
Total liabilities		**3,513,611**	**3,549,134**
Excess of assets over liabilities		**2,137,726**	**1,980,993**

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 2020 and 2019, are as follows:

				2020				2019
	QMP €'000	QMPS €'000	AVM €'000	Total €'000	QMP €'000	QMPS €'000	AVM €'000	Total €'000
Government Bonds	—	957,892	—	**957,892**	—	1,492,768	—	**1,492,768**
Corporate Bonds	—	1,906,523	—	**1,906,523**	—	1,404,015	—	**1,404,015**
Collateralised securities	—	695,134	—	**695,134**	—	655,150	—	**655,150**
Total Fixed Income	**—**	**3,559,549**	**—**	**3,559,549**	**—**	**3,551,933**	**—**	**3,551,933**
Equities	2	—	1,192	**1,194**	50,194	—	113	**50,307**
Investment property	—	—	59,981	**59,981**	—	—	69,080	**69,080**
Collective investment undertakings	136,136	—	222,365	**358,501**	21,813	—	173,734	**195,547**
Cash and cash equivalents	373,343	—	—	**373,343**	137,129	—	—	**137,129**
Deposits to cedants	—	—	536,116	**536,116**	—	—	686,694	**686,694**
Other loans & mortgages	—	—	411,874	**411,874**	—	—	410,633	**410,633**
Property, plant & equipment held for own use	—	—	49,195	**49,195**	—	—	51,554	**51,554**
Grand Total	**509,481**	**3,559,549**	**1,280,723**	**5,349,753**	**209,136**	**3,551,933**	**1,391,808**	**5,152,877**

Fixed income

- *Governments bonds* - these securities are generally priced by independent pricing services. The independent pricing services may use actual transactions prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value, which may incorporate Option Adjusted Spread (OAS), interest rate data and market news. Substantially all of these securities are classified as QMPS for valuation purposes under Solvency II.
- *Corporate bonds* - consist primarily of investment grade bonds issued by U.S. and non-U.S. corporations covering a variety of industries and issuing countries. These securities are generally priced by independent pricing services and brokers. The pricing provider incorporates information including credit spreads, interest rate data and market news into the valuation of each security. Substantially all of these securities are classified as QMPS for valuation purposes under Solvency II.
- *Collateralised securities* - consist primarily of Mortgage Backed Securities (MBS), these securities are generally priced by independent pricing services and brokers. When current market trades are not available, the pricing provider or the Company will employ proprietary models with observable inputs including other trades information, prepayment speeds, yield curves and credit spreads. Substantially all of these securities are classified as QMPS for valuation purposes under Solvency II.

Equities

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

Investment property

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

U.K. investment properties are stated at fair value in the Company's IFRS balance sheet. The same valuation is maintained as the applicable economic valuation under Solvency II.

The joint venture is recognised at the equity cost in the IFRS balance sheet while the fair value is applied under Solvency II. The Company considers investment properties to be classified as AVM for valuation purposes under Solvency II.

Collective investment undertakings

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

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

Cash and cash equivalents

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

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

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

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

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

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

Other loans and mortgages

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

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

Property, plant & equipment held for own use

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

Derivatives

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

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

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

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

Based on the above the Company's derivatives, as at 31 December 2020 and 2019 by category are valued under Solvency II as follows:

			2020			2019
	Asset FV	Liability FV	Total	Asset FV	Liability FV	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Foreign Currency forward contracts	2,616,414	(2,611,881)	4,533	2,561,880	(2,562,547)	(667)
Insurance linked derivative	132	—	132	—	(1,786)	(1,786)
Grand Total	**2,616,546**	**(2,611,881)**	**4,665**	**2,561,880**	**(2,564,333)**	**(2,453)**

Comparison of investments between Solvency II balance sheet and IFRS balance sheet

The variance in the valuation basis between the Solvency II balance sheet and the IFRS balance sheet for investments as at 31 December 2020 and 2019 are set out below. For reconciliation purposes, the categories listed below for the IFRS balance sheet have been aligned to those of the Solvency II balance sheet.

	2020			2019		
	Solvency II Balance Sheet	IFRS Balance Sheet	Variance	Solvency II Balance Sheet	IFRS Balance Sheet	Variance
	€'000	€'000	€'000	€'000	€'000	€'000
Government bonds	957,892	957,892	—	1,492,768	1,492,768	—
Corporate bonds	1,906,523	1,906,523	—	1,404,015	1,404,015	—
Collateralised securities	695,134	695,134	—	655,150	655,150	—
Total Fixed Income	**3,559,549**	**3,559,549**	**—**	**3,551,933**	**3,551,933**	—
Equities	1,194	1,194	—	50,307	50,307	—
Investment property	59,981	60,535	(554)	69,080	69,080	—
Collective investment undertakings	358,501	358,501	—	195,547	195,547	—
Cash and cash equivalents	373,343	373,343	—	137,129	137,129	—
Deposits to cedants	536,116	484,591	51,525	686,694	632,943	53,751
Other loans & mortgages	411,874	411,874	—	410,633	410,633	—
Property, plant & equipment held for own use	49,195	49,195	—	51,554	51,554	
Grand Total	**5,349,753**	**5,298,782**	**50,971**	**5,152,877**	**5,099,126**	**53,751**

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

D.2. TECHNICAL PROVISIONS

D.2.1. VALUATION OF NON-LIFE TECHNICAL PROVISIONS

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

Non-life technical provisions by line of business

The following table outlines the Solvency II TPs for non-life business and health similar to non-life business by line of business as at 31 December 2020 and 2019:

2020	Claim Provision	Premium Provision	Recoverables from Reinsurance contracts	Risk Margin	Total Technical Provisions net of Recoverables
	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	127,979	884	(78,388)	2,794	53,269
Proportional marine, aviation and transport reinsurance	515,882	(12,663)	(348,785)	12,923	167,357
Proportional fire and other damage to property reinsurance	922,957	(58,266)	(563,306)	17,947	319,332
Proportional general liability reinsurance	506,801	650	(266,110)	29,530	270,871
Proportional credit and suretyship reinsurance	269,680	37,535	(205,838)	21,282	122,659
Non-proportional casualty reinsurance	1,077,069	14,206	(640,880)	127,996	578,391
Non-proportional marine, aviation and transport reinsurance	105,421	3,404	(63,613)	3,602	48,814
Non-proportional property reinsurance	389,714	(11,129)	(257,975)	25,746	146,356
Other lines of business	113,179	6,203	(70,475)	9,753	58,660
Total	**4,028,682**	**(19,176)**	**(2,495,370)**	**251,573**	**1,765,709**

2019	Claim Provision	Premium Provision	Recoverables from Reinsurance contracts	Risk Margin	Total Technical Provisions net of Recoverables
	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	140,013	2,418	(86,891)	7,328	62,868
Proportional marine, aviation and transport reinsurance	470,211	(7,658)	(307,242)	30,395	185,706
Proportional fire and other damage to property reinsurance	849,820	1,762	(539,328)	43,071	355,325
Proportional general liability reinsurance	423,356	14,762	(238,391)	32,057	231,784
Proportional credit and suretyship reinsurance	221,857	(28,264)	(129,984)	36,305	99,914
Non-proportional casualty reinsurance	1,173,375	20,452	(684,497)	131,610	640,940
Non-proportional marine, aviation and transport reinsurance	95,566	4,673	(57,333)	12,533	55,439
Non-proportional property reinsurance	253,140	(7,659)	(155,208)	36,388	126,661
Other lines of business	129,701	1,204	(77,450)	15,122	68,577
Total	**3,757,039**	**1,690**	**(2,276,324)**	**344,809**	**1,827,214**

Analysis of change

Overall, there has been a decrease in net TPs during 2020. The main driver for this movement relates to a reduction in the risk margin of €93m, which is due to a revised methodology implemented for the risk margin calculation which resulted in a re-allocation of risk margin from the non-life business to the life business. The overall impact of this change is immaterial.

The increase in the claim provision of €272m was driven by increases in the IFRS reserves. The key driver of this increase are COVID-19 related reserves.

The premium provision decreased by €21m. The most noticeable movement in the year comes from the gross increase in the technical result on Bound But Not Incepted (BBNI) contracts. This is driven by a higher volume of BBNI premium with reduced loss ratios compared to 2019.

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

Best estimate liability

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

Claims provision

The starting point for the calculation is the Actuarial Mid Estimate (AME) calculated for the IFRS financial statements. The AME is comprised of Case Reserves (reported by the cedant), Additional Case Reserves (ACR) estimated by the Company on an individual loss basis, and reserves for losses Incurred but Not Reported (IBNR). The IBNR is determined by projecting reported claims to ultimate losses using deterministic actuarial methods like Chain Ladder, Bornhuetter-Ferguson and expected loss ratio. The final selection of ultimate loss is subject to actuarial judgment and will depend on several considerations such as, but not limited to, the age of the underwriting year, the type of underlying risk, actual experience against that expected and the credibility of the underlying data used to establish the estimate of ultimate loss.

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

In accordance with Solvency II technical specifications, the future administrative expenses, investment management expenses and claims management expenses expected to be incurred in the future related to business bound as of the valuation date have been included. The expenses were estimated based on an analysis of the planned 2021 expenses. The expenses estimated which relate to existing and BBNI business were calculated in total and allocated across lines of business and between the claims and premium provision in line with expected future payments.

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

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

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

Premium provision

The premium provision was calculated by considering all future cash flows (claim payments, expenses and future premiums) relating to future exposure arising from contracts that the Company is obligated to as at 31 December 2020.

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

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

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

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

Risk margin

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

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

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

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

Level of uncertainty

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

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

Simplifications used in the calculation of the technical provisions

The following simplifications have been used in the calculation of the TPs:

- reserves have been split using only seven major currencies (USD, EUR, GBP, AUD, CAD, CHF and JPY) to discount future cash flows;
- a percentage approach has been adopted to quantify reinsurance recoverables also for non-proportional treaties;
- the Company's BEL includes a provision for ENIDs which is assumed to have the same cash-flow profile of other claims for discounting purposes; and

- future SCRs used to calculate the risk margin are projected using a carrier/pattern approach which is applied to the SCR at time 0.

Lapse rates

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

Homogeneous risk groups used to calculate the technical provisions

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

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

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

- Location of business underwritten (Europe, U.S. or Hong Kong);
- Business segment (based on the internal management reporting structure);
- Class of business (e.g. Motor or Casualty);
- Type of reinsurance (proportional, non-proportional or facultative); and
- Type of business, other segmentations were created to allow for homogeneity in the data triangles, where necessary (e.g. Physical Damage or Non-Physical Damage for Automobile).

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

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

A description of where unbundling has been used for material contracts

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

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

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

Reinsurance recoverables

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

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

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

Of the retroceded reserves approximately 90% relate to intra-group quota-share agreements.

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

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

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

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

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

Comparison with IFRS reporting

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

- IFRS reserves includes an explicit margin for uncertainty which should not be included in the Solvency II TPs. Conversely, Solvency II TPs include the risk margin which is not included in the IFRS reserves.
- IFRS reserves is calculated on an undiscounted basis, whereas the cash-flows used to determine the Solvency II TPs are discounted using risk-free rates provided by EIOPA. The impact of discounting is more material on long-tail business.
- Solvency II TPs need to consider BBNI contracts. This is not required in the IFRS calculation.

- An allowance for ENIDs is required in the Solvency II TPs, whereas this is not included within the IFRS reserves.
- IFRS UPR is replaced with a best estimate of the premium provision which takes into account the expected cost of claims and expenses on the unearned period as well as expected future premium payable (net of acquisition cost and commissions); this is likely to produce a lower premium provision.

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

2020 Line of business	Best Estimate Liability	Risk Margin	Solvency II Technical Provision	Gross IFRS Technical Reserve	Difference
	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	128,863	2,794	131,657	148,353	(16,696)
Proportional marine, aviation and transport reinsurance	503,219	12,923	516,142	706,394	(190,252)
Proportional fire and other damage to property reinsurance	864,691	17,947	882,638	1,259,998	(377,360)
Proportional general liability reinsurance	507,451	29,530	536,981	678,205	(141,224)
Proportional credit and suretyship reinsurance	307,215	21,282	328,497	531,771	(203,274)
Non-proportional casualty reinsurance*	1,091,275	127,996	1,219,271	1,145,061	74,210
Non-proportional marine, aviation and transport reinsurance	108,825	3,602	112,427	121,794	(9,367)
Non-proportional property reinsurance	378,585	25,746	404,331	470,934	(66,603)
Other lines of business	119,382	9,753	129,135	147,460	(18,325)
Total	**4,009,506**	**251,573**	**4,261,079**	**5,209,970**	**(948,891)**

2019 Line of Business	Best Estimate Liability	Risk Margin	Solvency II Technical Provision	Gross IFRS Technical Reserve	Difference
	€'000	€'000	€'000	€'000	€'000
Proportional motor vehicle liability reinsurance	142,431	7,328	149,759	217,081	(67,322)
Proportional marine, aviation and transport reinsurance	462,553	30,395	492,948	746,988	(254,040)
Proportional fire and other damage to property reinsurance	851,582	43,071	894,653	1,295,934	(401,281)
Proportional general liability reinsurance	438,118	32,057	470,175	605,740	(135,565)
Proportional credit and suretyship reinsurance	193,593	36,305	229,898	492,784	(262,886)
Non-proportional casualty reinsurance*	1,193,827	131,610	1,325,437	1,279,929	45,508
Non-proportional marine, aviation and transport reinsurance	100,239	12,533	112,772	117,467	(4,695)
Non-proportional property reinsurance	245,481	36,388	281,869	340,287	(58,418)
Other lines of business	130,905	15,122	146,027	230,777	(84,750)
Total	**3,758,729**	**344,809**	**4,103,538**	**5,326,987**	**(1,223,449)**

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

D.2.2. VALUATION OF LIFE TECHNICAL PROVISIONS

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

The main lines of business included in the life and health SLT TPs are Protection, Longevity business and non-life annuities. Protection business is subdivided into Short Term (ST), Long Term (LT), Term and Critical Illness (TCI) and GMDB. For longevity business, distinction is made between standard annuity and non-standard annuity contracts. Non-life annuities are identified annuities originating from non-life business and classified in the life scope as per Solvency II requirements. Financial Solutions business started to be written during 2020 and is effectively a new line of business for the Company.

Best estimate by line of business

The following table outlines the Solvency II TPs for life business, including short-term life business, Health SLT and non-life annuities as at 31 December 2020 and 2019:

	2020				2019			
	Protection	Longevity	Non-Life Annuities	Total	Protection	Longevity	Non-Life Annuities	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross best estimate liability	1,153,745	(392,914)	60,220	821,051	980,144	(164,754)	41,119	856,509
Reinsurance recoverable	(712,675)	211,292	(36,114)	(537,497)	(592,420)	79,751	(24,671)	(537,340)
Net best estimate liability	**441,070**	**(181,621)**	**24,106**	283,555	**387,724**	**(85,003)**	**16,448**	319,169
Risk margin	—	—	—	264,303	—	—	—	184,541
Net technical provisions				**547,858**				**503,710**

Analysis of change

Overall, there has been an increase in the net TPs during 2020. The main drivers of this increase relate to an increased risk margin, partially offset by a reduction in the BEL liability which is largely driven by favourable updated non-economic assumptions at 31 December 2020. The impact of these drivers are discussed further below.

The risk margin increase during 2020 was driven by a revised methodology implemented for the Company's risk margin calculation which resulted in a re-allocation of risk margin from the non-life business to the life business. The overall impact on the Company of this change is immaterial but the life risk margin increased by €80m. This change was referenced in section D.2.1. above.

Relevant assumption and model changes

Non-economic assumption and model changes

Overall, the impact of non-economic assumption and model updates during 2020 was favourable, decreasing the net BEL by €67m. This largely relates to favorable updated assumptions for Longevity of €68m and to a lower extent for LT Protection and GMDB with an impact of €9m. There was an unfavorable impact of €10m due to the COVID-19 pandemic. The main assumptions for each of the lines of business and the material changes that were made during the year are the following:

- **TCI** - The key assumptions are biometric incidence rates (both base mortality or morbidity and improvement or deterioration), and lapse rates. The best estimate assumptions are derived from investigations of observed experience. As at 31 December 2020, the base mortality was updated to reflect emerging experience and the mortality improvement assumptions were also updated to reflect more recent industry tables. The update of base mortality had an unfavourable impact on the net BEL of €2m and the mortality improvement assumption had a favourable impact of €14m. The lapse assumptions remain unchanged since year end 2019. An allowance of €4m in respect of COVID-19 claims was included in the net BEL. An adjustment to correct a mortality assumption error at Q4 2019 had an unfavourable impact of €16m on the net BEL.

- **GMDB** - The key assumptions are investment return and volatility, mortality, lapses, future investments and asset mix. Mortality assumptions are derived from industry benchmarks or based on cedant view. Lapses and future investments are derived from investigations of observed experienced. Economic assumptions are modelled stochastically using a set of risk-neutral economic scenarios provided by an external vendor. The valuation is performed on a market consistent basis. During 2020, there was an update of base mortality and lapse assumptions, both of which had a favourable impact on the BEL. The combined impact was a favourable impact of €4m on the net BEL.

- **Longevity** - For standard annuities, the base mortality rate assumption is based on actual experience of the underlying business and is expressed as a proportion of internal benchmark rates which are derived using a combination of industry data and internal company data. During 2020, the base mortality assumptions were reviewed and updated on certain treaties to reflect favourable emerging experience.

Mortality improvement rates are derived from past population trends and projected into the future and methodologies used are in line with the CMI. The mortality improvement (MI) assumptions were updated in 2020 to the Continuous Mortality Investigation (CMI) 2019 tables from the CMI 2016 tables. The combined impact of updating the base mortality tables and the mortality improvement assumptions was a favourable impact of €68m on the net BEL.

- For non-standard annuities, the experienced mortality of people known to have a medical impairment at the time of purchase varies significantly depending on the nature and degree of the impairment. Therefore, the best estimate models are based on conditions (Diabetes, Myocardial Infarction, Prostate cancer, Breast cancer, etc.) and are further subdivided by a number of risk / severity factors relevant to the condition in question. During 2020, there were no material assumption updates.

- **Other LT business without policy data information** - One treaty in Germany was moved to a full seriatim calculation and assumptions were also updated with a favourable impact of €5m. For other LT protection business without policy data information, the key assumptions relate to the assumed loss ratio which is set with reference to assumed pricing margins or based on historical loss ratios.

- **ST** - The starting point is the IFRS best estimate view which uses various techniques including triangulation methods to project reported claims to ultimate. Therein, there are also some seriatim approaches used to value annuities for disability and long-term care claims on short-term (long tailed) business. The final selection of ultimate loss is subject to actuarial judgement and will depend on several considerations such as, the age of the underwriting year, the type of underlying risk, actual experience against that expected and the credibility of the underlying data used to establish the estimate of ultimate loss. The IFRS best estimate view is then converted into Solvency II BEL by applying a number of explicit adjustments (e.g. discounting with EIOPA rates, provision for ENIDs and Solvency II expenses and an allowance for future profits on unexpired risks/BBNI). The IFRS best estimate view is generally updated on a quarterly basis. During 2020, the COVID-19 pandemic had an adverse impact, particularly for disability covers, resulting in an increase in the net BEL by €8m.

- **Expenses** - The expenses allocated to life are based on the 2021 planned expenses and have been provided by Finance. The allocated expenses are firstly split between longevity and protection business, and further split between ST and LT business. Expenses are projected forward using claims or premium volumes as drivers. The assumptions generally exclude expenses related to the acquisition of new business. Projected expenses also include an allowance for inflation. During 2020, both the base expense and inflation assumptions were recalibrated to match the 2021 planned expenses. As a result of the 2020 expenses study, there was an increased allocation of total expenses to in-force business and also a smaller allocation of in-force expenses to ST business. These changes had an unfavourable impact on the net BEL. An allowance has also been included for implementation costs associated with large Group projects spread over the next 2 years. The combined impact on the net BEL was an increase of €16m.

- **ENID -** The allowance for ENIDs was updated in 2020 with a favourable impact of €15m.

Economic assumptions

Overall, the impact of economic movements during 2020 was adverse, increasing the net BEL by €24m. This impact was largely driven by the reduction in yields and increase in equity implied volatility due to the COVID-19 pandemic during 2020, increasing the expected future cost of investment guarantees for GMDB business.

Best estimate liability

The BEL are calculated as the net present value of future cash flows projected using best estimate assumptions. The BEL is determined on an assumed and ceded basis separately. The cash flows considered for the BEL cover all liability cash flows related to premiums, benefits and expenses including the time value of options and guarantees. Cash flows are calculated and reported in the relevant currency. The ceded BEL include an adjustment for the counterparty default risk of the retrocessionaires.

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

- For segments with policy data information, cash flows are projected using actuarial valuation models that reflect the specific contractual conditions. The business in scope are TCI, GMDB, Longevity, Financial Solutions, non-life annuities and the most material proportional treaties. Options and guarantees and the use of an Economic Scenario Generator (ESG) are only relevant in the calculation of the TPs with respect to GMDB business which provides a guaranteed minimum benefit equal to the original invested

premium on the death of a cedant. A set of risk-neutral economic scenarios is provided by an external vendor.

- The segments without policy data information includes both ST and LT proportional business and some ST non-proportional business. For ST business, the approach is similar to the approach used for non-life reserves starting with an IFRS best estimate view with explicit adjustments to convert to Solvency II BEL. For LT business, the modelling is approached with a simplified treaty level approach.

Risk margin

The risk margin is based on a transfer scenario of existing reinsurance obligations. It is calculated by determining the cost of providing an amount of Eligible Own Funds equal to the SCR necessary to support the reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of Eligible Own Funds is called cost-of-capital rate and equals 6%. In other words, the risk margin is equal to the current values of all costs-of-capital that will be determined yearly until the current portfolio is fully extinct. The risk margin is calculated on a total life basis and is not allocated to each of the internal management lines of business described in this section. In the course of 2020, a significant portion of the risk margin previously allocated to non-life TPs was re-allocated to life TPs following an improvement in the allocation methodology. The impact was significant for life TPs but immaterial at company level.

Level of uncertainty

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

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

For Longevity business, the critical assumption is the level of mortality improvement. Underestimating the rate of mortality improvement can lead to a significantly higher actual liability than expected. The improvement assumptions are consistent across the contracts where pricing assumptions are not being used and have been derived from industry data in line with investigations by the U.K. Continuous Mortality Investigation Bureau. Actual experience might diverge from the expected basis due to heterogeneity in the underlying portfolios. Future mortality improvements are by their nature uncertain and the Company applies expert judgement in this regard.

For Financial solutions business, risk transfer is very remote and claims are incurred only in extreme scenarios.

In relation to GMDB business, the key risks are economic (fund values returns, asset mix exposure) and policyholder behaviour (lapse, switch from non-risky assets to risky assets). The cost of option and guarantees is managed through the use of an Economic Scenario Generator.

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

The global COVID-19 pandemic adds to the uncertainty around the TPs as well as increasing the Company's operational risk. On the life side, in addition to the impact on mortality rates, there has been a reduction in equity markets linked to the COVID-19 outbreak which adversely impact the GMDB TPs. The Company is exposed to pandemic and investment risk and a continuation of the pandemic is expected to have a financial impact. An allowance for this financial impact was included in the TPs at 31 December 2020 to reflect expected future claims due to the pandemic.

Simplifications used in the calculation of technical provisions

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

- Data - policy level data for certain long-term contracts are not available from cedants. For those contracts' inferences are performed on a treaty level based on expert judgment and historic accounts.
- Modelling of long-term mortality business without policy level data - The methodology of projecting future cash flows is performed at a treaty level using treaty level assumptions. The period of projection is an area of expert judgment that is required due to a lack of information.
- The calculation of the risk margin requires either a recalculation of the SCR components at each future time period or an approximation of same. For the Company, the latter approach is adopted, whereby the SCR for the individual risk modules is assumed to run-off in line with a risk driver. This simplification has been validated through testing alternative plausible approaches with the overall impact deemed to be immaterial.

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

Contract boundaries

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

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

Homogeneous risk groups used to calculate the technical provisions

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

Reinsurance recoverables

The Company has a quota share retrocession agreement with PRCL which covers all treaties except non-risk transfer transactions and treaties originating from the Hong-Kong branch. The cession share to PRCL is 65% in respect of business incepting on or after 1.1.2017 and 50% for business incepting on or before 31.12.2016. There is also an addendum to this agreement to increase the retrocession from 65% to 90% for a specific longevity transaction.

The reinsurance recoverables from these retrocession contracts are calculated on the same basis as the gross BEL with adjustment for the expected losses due to the probability of default of the retrocessionaire. There are also a few specific external retrocession arrangements in place of which the recoverable amounts recognised under Solvency II are not material.

Comparison with IFRS reporting

The following table compares the net BEL, calculated on a Solvency II basis, to the net IFRS liability used in the Company's financial statements as at 31 December 2020 and 2019:

					2020					2019
Net of retrocession	**Protection**	**Longevity**	**Non-life Annuities**	**Risk Margin**	**Total**	**Protection**	**Longevity**	**Non-life Annuities**	**Risk Margin**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
IFRS reserves	600,290	104,114	27,941	—	732,345	606,577	124,601	22,893	—	754,071
Payables / receivables/	(105,922)	(40,983)	—	—	(146,905)	(82,633)	(36,455)	—	—	(119,088)
UPR	1,675	—	—	—	1,675	4,055	—	—	—	4,055
Deferred acquisition costs/Deposit accounting assets	(61,473)	—	—	—	(61,473)	(120,436)	—	—	—	(120,436)
Net IFRS liability	**434,570**	**63,131**	**27,941**	**—**	**525,642**	**407,563**	**88,146**	**22,893**	**—**	**518,602**
Net BEL	**441,070**	**(181,621)**	**24,106**	**264,303**	**547,858**	**387,724**	**(85,003)**	**16,447**	**184,541**	**503,709**
Difference	**6,500**	**(244,752)**	**(3,835)**	**264,303**	**22,216**	**(19,839)**	**(173,149)**	**(6,446)**	**184,541**	**(14,893)**

The Company calculates its IFRS reserves in accordance with US GAAP, as allowed by IFRS 4 (through grandfathering its previous accounting basis for reinsurance contracts). There are major differences between US GAAP and Solvency II in terms of methodologies and assumptions. The two main sources of differences are listed below.

- The first one relates to profit emergence for Long Term contracts. In US GAAP, profit emergence is regular over the lifetime of the portfolio. Margins in reserve are gradually released through the Net Premium Valuation methodology used to calculate US GAAP reserve. On the contrary, Solvency II Best Estimate Reserves (Gross Premium valuation methodology) trigger an upfront profit recognition. This is the source of the difference for treaties with positive future cash flow like Longevity swap contracts or Financial Solutions business.
- Additionally, US GAAP reserving methodology for Long Term contracts requires a PAD to be added to some assumptions which are locked-in at the inception of the contract. This approach is again different to the Solvency II reserving methodology which does not add a PAD and uses current assumptions.

D.3. VALUATION OF OTHER ASSETS AND LIABILITIES

This section outlines the valuation basis and comparison for other assets and liabilities excluding investments and TPs as at 31 December 2020 and 2019. For reconciliation purposes, the categories listed below for the IFRS balance sheet have been aligned to those of the Solvency II balance sheet.

		2020			2019		
	Note	Solvency II Balance Sheet	IFRS Balance Sheet	Variance	Solvency II Balance Sheet	IFRS Balance Sheet	Variance
		€'000	€'000	€'000	€'000	€'000	€'000
Other assets							
Receivables (trade, not insurance)	1	64,368	64,368	—	62,557	62,557	—
Insurance and intermediaries receivables	2	71,157	71,157	—	157,082	157,082	—
Reinsurance receivables	3	72,495	72,495	—	105,424	105,424	—
Deferred tax assets	5	88,291	4,546	83,745	48,234	2,386	45,848
Other asset		608	608	—	3,953	3,953	—
Net derivative asset		4,665	4,533	132	—	—	—
		301,584	**217,707**	**83,877**	**377,250**	**331,402**	**45,848**
Other liabilities							
Deposits from reinsurers	4	742,164	742,164	—	813,789	813,789	—
Payables (trade, not insurance)	1	234,235	234,235	—	100,953	100,953	—
Reinsurance payables	3	102,665	102,665	—	91,654	91,654	—
Insurance and intermediaries payables	2	45,405	45,405	—	141,001	141,001	—
Deferred tax liabilities	5	35,276	78,090	(42,814)	17,533	99,292	(81,759)
Pension benefit obligations	6	454	454	—	544	544	—
Other liabilities		39,845	39,845	—	50,283	50,283	—
Net derivative liability	D.1	—	—	—	2,453	2,453	—
		1,200,044	**1,242,858**	**(42,814)**	**1,218,210**	**1,299,969**	**(81,759)**
Total other assets and liabilities		**(898,460)**	**(1,025,151)**	**126,691**	**(840,960)**	**(968,567)**	**127,607**

Notes

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

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

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

4. Deposits from reinsurers are amounts deposited under retrocession contracts, which are used to settle claims. They are measured at their account balances which is deemed to equate to fair value.

5. Deferred tax assets and liabilities are valued based on the tax impact of the temporary difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II rules and the values ascribed to assets and liabilities as recognised and valued for tax purposes. Deferred tax assets are also recognised from the carry forward of unused tax credits and the carry forward of unused tax losses.

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

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

The Company had unrecognised foreign tax credit carry forward of €157.7m (2019: €151.4m) which has no expiry date.

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

D.4. ALTERNATIVE METHODS FOR VALUATION

In valuing the Company's technical provisions, none of the following have been applied:

- The matching adjustment referred to in Article 77b of Directive 2009/138/EC (the Directive).
- The volatility adjustment referred to in Article 77d of the Directive.
- The transitional risk-free interest rate-term structure referred to in Article 308c of the Directive.
- The transitional deduction referred to in Article 308d of the Directive.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

Nature of capital

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

The ordinary shares issued to PartnerRe Holdings SA fulfil the criteria in that they:

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

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

The following table shows a breakdown of the total Solvency II Own Funds as at 31 December 2020 and 2019:

2020	Tier 1 - unrestricted funds €'000	Tier 3 €'000	Total €'000
Ordinary share capital	245,092	—	245,092
Reconciliation reserve	897,831	—	897,831
Net deferred tax assets	—	53,015	53,015
Other Own Funds approved by the supervisory authority	941,788	—	941,788
Total Solvency II Own Funds	**2,084,711**	**53,015**	**2,137,726**

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

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

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

The Company did not make any dividend payments to its shareholder in 2020 or 2019.

Capital management

The Company's objectives when managing capital are:

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

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

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

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

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

Reconciliation of solvency II own funds to IFRS net equity

The following table compares shareholders' equity from the Company's IFRS financial statements to the Solvency II own funds as at 31 December 2020 and 2019:

	2020 €'000	2019 €'000
IFRS Shareholders' Equity	**2,492,898**	**2,406,818**
Goodwill	(198,949)	(218,176)
Revaluation of investments	50,970	53,752
Revaluation of non-life reserves	(291,772)	(391,101)
Revaluation of life reserves	(42,114)	2,093
Revaluation of other assets and liabilities	126,693	127,607
Solvency II Own Funds	**2,137,726**	**1,980,993**
Change in equity	**(355,172)**	**(425,825)**

- Goodwill of €198.9m (2019: €218.2m) is valued at zero under Solvency II rules so reduces shareholders' equity compared to IFRS. The decrease of €19.3m is due to foreign exchange rate movements between EUR and USD.
- The Company values the majority of its investments at fair value in its IFRS financial statements so in most cases the IFRS value is the same at the Solvency II value. See section D.1. for further details of the valuation basis of investments.
- See section D.2.1. of this report for a detailed explanation of the differences in valuation of non-life technical provisions (TPs).
- See section D.2.2. for a detailed explanation of the differences in valuation of life TPs.
- The difference between other assets and liabilities primarily arises from the difference in deferred tax balances due to the tax impact of the other valuation adjustments. See section D.3. for further details of the valuation basis for other assets and liabilities. A detailed line-by-line Solvency II balance sheet is provided in the QRT number S.02.01.02 in the annex to this report.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The amount of the Company's SCR and MCR at 31 December 2020 are €1,431m and €360m (2019: €1,370m and €380m) respectively.

The table below shows the components of the SCR (using the Standard Formula) as at 31 December 2020 and 2019:

	2020 €'000	2019 €'000
Market risk	481,318	396,894
Counterparty default risk	295,546	333,489
Life underwriting risks	440,097	410,193
Health underwriting risk	51,597	51,049
Non-life underwriting risk	773,195	735,177
Sum of risk components	**2,041,753**	**1,926,802**
Diversification effects	(699,646)	(655,484)
BSCR	**1,342,107**	**1,271,318**
Adjustment for the loss absorbing effect of deferred taxes	(35,048)	(17,532)
SCR operational risk	123,980	116,615
SCR	**1,431,039**	**1,370,401**
Solvency II Own Funds	**2,137,726**	**1,980,993**
Ratio of eligible Own Funds to SCR	149 %	145 %

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

The Company has a ratio of eligible own funds to SCR of 149% (2019:145%), which represents an excess of own funds over SCR of €707m (2019: €611m) an improvement in the ratio coverage when compared to 2019 of 4%.

The SCR has increased by €61m for the year and this is mainly due to the following;

- An increase in the market risk charge mainly driven by an increase in equity risk due to a reclassification of the GMDB portfolio as Type 2 equity combined with an increase in both spread and currency risks,
- An increase in the non-life underwriting risk charge is predominately due to increases in non-proportional risk combined with an increase in premium risk,
- An increase in the life underwriting risk charge is due to a reduction in EUR and GBP yields, new business over the year and data and modelling improvements partially offset by a strengthening of the Euro against GBP, offset by;
- A decrease in the counterparty default risk charge is mainly driven by a reduction in reinsurance receivables and a reduction in deposits partially offset by an increase due to increased non-life recoverables,
- An increased diversification benefit due to the increase in the risk components, and
- A more beneficial impact of the adjustment for the loss absorbing effect of deferred taxes in line with the increase in the deferred tax liability.

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

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

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

The table below outlines the components of the MCR as at 31 December 2020 and 2019:

	2020 €'000	2019 €'000
Linear MCR	359,733	379,674
SCR	1,431,039	1,370,401
MCR cap	643,967	616,681
MCR floor	357,760	342,600
Combined MCR	359,733	379,674
Absolute floor of the MCR	3,600	3,600
MCR	**359,733**	**379,674**

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

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

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

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

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

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

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

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

Annex I
SE.02.01.01
Balance Sheet
31 December 2020
€'000

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	88,291
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	49,195
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	6,624,157
Property (other than for own use)	**R0080**	59,981
Holdings in related undertakings, including participations	**R0090**	90,963
Equities	**R0100**	1,194
Equities - listed	**R0110**	2
Equities - unlisted	**R0120**	1,192
Bonds	**R0130**	3,559,549
Government Bonds	**R0140**	957,892
Corporate Bonds	**R0150**	1,906,523
Structured notes	**R0160**	-
Collateralised securities	**R0170**	695,134
Collective Investments Undertakings	**R0180**	267,538
Derivatives	**R0190**	2,616,547
Deposits other than cash equivalents	**R0200**	28,386
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	411,874
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	411,874
Reinsurance recoverables from:	**R0270**	3,032,867
Non-life and health similar to non-life	**R0280**	2,495,370
Non-life excluding health	**R0290**	2,463,345
Health similar to non-life	**R0300**	32,025
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	537,496
Health similar to life	**R0320**	112,733
Life excluding health and index-linked and unit-linked	**R0330**	424,764
Life index-linked and unit-linked	**R0340**	-
Deposits to cedants	**R0350**	536,116
Insurance and intermediaries receivables	**R0360**	71,157
Reinsurance receivables	**R0370**	72,495
Receivables (trade, not insurance)	**R0380**	64,368
Own shares	**R0390**	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	-
Cash and cash equivalents	**R0410**	344,957
Any other assets, not elsewhere shown	**R0420**	608
Total assets	**R0500**	11,296,087

Liabilities		Solvency II value
		C0010
Technical provisions - non-life	R0510	4,261,079
Technical provisions - non-life (excluding health)	R0520	4,188,516
TP calculated as a whole	R0530	-
Best Estimate	R0540	3,945,743
Risk margin	R0550	242,773
Technical provisions - health (similar to non-life)	R0560	72,563
TP calculated as a whole	R0570	-
Best Estimate	R0580	63,763
Risk margin	R0590	8,800
Technical provisions - life (excluding index-linked and unit-linked)	R0600	1,085,354
Technical provisions - health (similar to life)	R0610	196,449
TP calculated as a whole	R0620	-
Best Estimate	R0630	183,138
Risk margin	R0640	13,311
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	888,906
TP calculated as a whole	R0660	-
Best Estimate	R0670	637,913
Risk margin	R0680	250,993
Technical provisions - index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	
Contingent liabilities	R0740	499
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	454
Deposits from reinsurers	R0770	742,164
Deferred tax liabilities	R0780	35,276
Derivatives	R0790	2,611,881
Debts owed to credit institutions	R0800	-
Debts owed to credit institutions resident domestically	ER0801	-
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	-
Debts owed to credit institutions resident in rest of the world	ER0803	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Debts owed to non-credit institutions	ER0811	
Debts owed to non-credit institutions resident domestically	ER0812	-
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	-
Debts owed to non-credit institutions resident in rest of the world	ER0814	-
Other financial liabilities (debt securities issued)	ER0815	-
Insurance & intermediaries payables	R0820	45,405
Reinsurance payables	R0830	102,665
Payables (trade, not insurance)	R0840	234,235
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	39,348
Total liabilities	R0900	9,158,361
Excess of assets over liabilities	R1000	2,137,726

Annex I
S.05.01.02
Premiums, Claims and Expenses by line of business
31 December 2020
€'000

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	**R0120**	-	9,469	6,114	9,164	27,130	279,834	512,086	263,896	232,098	-	-	-					1,339,792
Gross - Non-proportional reinsurance accepted	**R0130**													4,563	88,811	46,990	239,670	380,032
Reinsurers' share	**R0140**	-	5,819	3,554	7,210	21,345	197,906	346,830	153,562	169,431	-	-	-	2,652	54,029	32,239	156,311	1,150,888
Net	**R0200**	-	3,650	2,560	1,954	5,784	81,929	165,256	110,334	62,667	-	-	-	1,911	34,781	14,751	83,359	568,936
Premiums earned																		
Gross - Direct Business	**R0210**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	**R0220**	-	13,288	3,050	42,919	55,298	304,878	569,458	239,435	205,039	-	-	-					1,433,365
Gross - Non-proportional reinsurance accepted	**R0230**													5,755	93,595	47,680	233,477	380,507
Reinsurers' share	**R0240**	-	8,129	1,722	31,881	41,077	214,771	388,876	135,521	149,466	-	-	-	3,249	55,482	32,624	153,954	1,216,752
Net	**R0300**	-	5,160	1,328	11,037	14,221	90,107	180,582	103,914	55,574	-	-	-	2,506	38,113	15,055	79,523	597,121
Claims incurred																		
Gross - Direct Business	**R0310**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	**R0320**	-	8,075	1,020	35,943	43,904	295,766	431,744	160,456	115,082	-	-	-					1,091,989
Gross - Non-proportional reinsurance accepted	**R0330**													1,978	(2,335)	38,007	252,035	289,686
Reinsurers' share	**R0340**	-	5,025	593	27,599	33,728	220,601	307,437	91,427	85,168	-	-	-	1,149	(3,501)	26,261	169,316	964,804
Net	**R0400**	-	3,050	427	8,344	10,175	75,165	124,307	69,029	29,914	-	-	-	829	1,166	11,746	82,719	416,871
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**	-	2,624	739	2,455	3,155	28,811	62,677	40,638	31,305	-	-	-	590	9,329	4,108	20,698	207,128
Other expenses	**R1200**																	
Total expenses	**R1300**																	207,128

Annex I
S.05.01.02
Premiums, Claims and Expenses by line of business
31 December 2020
€'000

		Line of Business for: life obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**							49,659	787,558	837,216
Reinsurers' share	**R1420**							34,504	488,073	522,577
Net	**R1500**							15,155	299,484	314,639
Premiums earned										
Gross	**R1510**							56,027	787,002	843,029
Reinsurers' share	**R1520**							38,531	487,643	526,174
Net	**R1600**							17,496	299,359	316,855
Claims incurred										
Gross	**R1610**							56,154	667,682	723,836
Reinsurers' share	**R1620**							39,019	421,078	460,097
Net	**R1700**							17,135	246,604	263,739
Changes in other technical provisions										
Gross	**R1710**							-	-	-
Reinsurers' share	**R1720**							-	-	-
Net	**R1800**							-	-	-
Expenses incurred	**R1900**							1,999	36,897	38,896
Other expenses	**R2500**									-
Total expenses	**R2600**									38,896
Total amount of surrenders	**R2700**									

Annex I
S.05.02.01
Premiums, Claims and Expenses by country
31 December 2020
€'000

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
	R0010			(US) United States	(GB) United Kingdom	(DE) Germany	(CH) Switzerland	(FR) France
		C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written								
Gross - Direct Business	R0110	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0120	54,253	930,512	389,788	294,912	94,129	61,684	35,746
Gross - Non-proportional reinsurance accepted	R0130	1,572	246,146	60,700	90,707	35,744	25,005	32,418
Reinsurers' share	R0140	32,718	778,553	297,865	256,520	86,042	60,020	45,388
Net	R0200	23,107	398,105	152,623	129,099	43,831	26,670	22,776
Premiums earned								
Gross - Direct Business	R0210	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	36,089	954,107	379,655	324,759	108,264	69,119	36,222
Gross - Non-proportional reinsurance accepted	R0230	1,401	253,718	63,516	95,612	36,139	23,833	33,218
Reinsurers' share	R0240	22,048	799,849	290,971	279,822	95,971	64,725	46,313
Net	R0300	15,443	407,976	152,200	140,549	48,431	28,227	23,126
Claims incurred								
Gross - Direct Business	R0310	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	18,234	720,522	243,799	274,850	92,783	60,120	30,736
Gross - Non-proportional reinsurance accepted	R0330	1,333	213,049	42,349	111,512	11,605	42,268	3,981
Reinsurers' share	R0340	11,883	638,449	216,356	259,776	55,291	74,836	20,308
Net	R0400	7,684	295,122	69,791	126,587	49,097	27,552	14,410
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	6,309	146,275	57,517	44,871	16,233	14,207	7,140
Other expenses	R1200		-					
Total expenses	R1300		146,275					

Annex I
S.05.02.01
Premiums, Claims and Expenses by country
31 December 2020
€'000

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400			(GB) United Kingdom	(AU) Australia	(FR) France	(BM) Bermuda	(CL) Chile
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410	83,222	747,577	412,896	98,566	79,084	52,215	21,594
Reinsurers' share	R1420	53,843	466,500	252,034	66,407	49,360	31,636	13,220
Net	R1500	29,379	281,077	160,862	32,159	29,725	20,578	8,375
Premiums earned								
Gross	R1510	83,328	749,267	412,884	100,417	79,584	52,215	20,839
Reinsurers' share	R1520	53,881	467,405	252,030	67,567	49,530	31,636	12,761
Net	R1600	29,447	281,861	160,854	32,850	30,054	20,578	8,078
Claims incurred								
Gross	R1610	78,845	671,432	380,172	124,311	20,214	45,382	22,509
Reinsurers' share	R1620	51,237	427,959	233,789	88,906	12,519	27,886	13,622
Net	R1700	27,608	243,473	146,383	35,405	7,695	17,496	8,887
Changes in other technical provisions								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
Expenses incurred	R1900	5,786	32,981	13,251	3,954	5,708	3,037	1,245
Other expenses	R2500							
Total expenses	R2600		32,981					

Annex I
S.12.01.02
Life and Health SLT Technical Provisions
31 December 2020
€'000

			Index-linked and unit-linked insurance			Other life insurance				Accepted reinsurance						Health insurance (direct business)				
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations		Insurance with profit participation on Accepted reinsurance (Gross)	Index-linked and unit-linked insurance on Accepted reinsurance (Gross)	Other life insurance on Accepted reinsurance (Gross)	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations (Gross)	**Total (Life other than health insurance, incl. Unit-Linked)**		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	C0190	C0200	C0210
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	R0020																				
Technical provisions calculated as a sum of BE and RM																					
Best Estimate																					
Gross Best Estimate	R0030									637,913			577,694	60,220	637,913					183,138	183,138
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0040									425,226					425,226					112,876	112,876
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	R0050									425,226					425,226					112,876	112,876
Recoverables from SPV before adjustment for expected losses	R0060									-					-						
Recoverables from Finite Re before adjustment for expected losses	R0070									-					-						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080									424,764			388,650	36,114	424,764					112,733	112,733
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090									213,149					213,149					70,406	70,406
Risk margin	R0100									250,993	-	-	249,429	1,564	250,993					13,311	13,311
Amount of the transitional on Technical Provisions																					
Technical provisions calculated as a whole	R0110																				
Best Estimate	R0120																				
Risk margin	R0130																				
Technical provisions - total	R0200									888,906					888,906					196,449	196,449
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0210									464,142	-	-	438,472	25,670	464,142					83,716	83,716
Best Estimate of products with a surrender option	R0220																				

Annex I
S.17.01.02
Non-Life Technical Provisions
31 December 2020
€'000

		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	-	111	(328)	884	5,918	(12,663)	(58,266)	650	37,535	-	-	-	502	14,205	3,404	(11,130)	(19,176)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	226	(165)	2,892	4,944	(9,030)	(26,934)	4,815	36,128	-	-	-	384	11,109	2,560	(366)	26,564
Net Best Estimate of Premium Provisions	R0150	-	(115)	(164)	(2,009)	974	(3,633)	(31,331)	(4,165)	1,407	-	-	-	118	3,096	844	(10,764)	(45,740)
Claims provisions																		
Gross - Total	R0160	-	12,426	4,528	127,979	49,700	515,882	922,956	506,801	269,680	-	-	-	46,525	1,077,069	105,421	389,714	4,028,682
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	6,685	2,787	75,496	33,506	357,815	590,240	261,295	169,710	-	-	-	22,108	629,770	61,052	258,341	2,468,806
Net Best Estimate of Claims Provisions	R0250	-	5,741	1,741	52,483	16,194	158,067	332,716	245,506	99,969	-	-	-	24,417	447,299	44,369	131,373	1,559,876
Total Best estimate - gross	R0260	-	12,537	4,200	128,863	55,619	503,219	864,691	507,452	307,215	-	-	-	47,027	1,091,275	108,826	378,584	4,009,506
Total Best estimate - net	R0270	-	5,626	1,577	50,475	17,168	154,434	301,385	241,342	101,377	-	-	-	24,535	450,395	45,213	120,609	1,514,135
Risk margin	R0280	-	255	259	2,794	953	12,924	17,948	29,530	21,282	-	-	-	8,286	127,996	3,602	25,746	251,573
Amount of the transitional on Technical Provisions																		
TP as a whole	R0290																	
Best Estimate	R0300																	
Risk margin	R0310																	
Technical provisions - total																		
Technical provisions - total	R0320	-	12,792	4,459	131,656	56,571	516,143	882,638	536,981	328,497	-	-	-	55,312	1,219,270	112,428	404,330	4,261,079
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	6,911	2,622	78,388	38,450	348,785	563,306	266,110	205,838	-	-	-	22,491	640,880	63,613	257,975	2,495,370
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	-	5,881	1,836	53,269	18,121	167,357	319,332	270,871	122,659	-	-	-	32,821	578,390	48,815	146,355	1,765,709

Annex I
S.19.01.21
Non-Life Insurance Claims Information
31 December 2020

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

		-	1	2	3	4	5	6	7	8	9	10
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											67,686
N-9	R0160	26,355	299,625	188,287	124,522	61,066	47,622	33,169	19,998	15,062	15,098	
N-8	R0170	54,748	306,707	182,709	88,674	51,379	41,114	23,190	15,873	9,486		
N-7	R0180	38,278	301,582	199,745	111,493	62,033	58,668	45,274	27,948			
N-6	R0190	30,866	326,611	188,187	133,778	62,374	52,830	51,693				
N-5	R0200	32,845	339,290	284,180	137,441	95,951	60,830					
N-4	R0210	5,424	327,914	199,369	134,228	63,826						
N-3	R0220	35,746	335,579	262,271	146,383							
N-2	R0230	21,628	329,625	228,950								
N-1	R0240	15,267	299,387									
N	R0250	39,786										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	67,686	67,686
N-9	R0160	15,098	830,804
N-8	R0170	9,486	773,880
N-7	R0180	27,948	845,021
N-6	R0190	51,693	846,340
N-5	R0200	60,830	950,538
N-4	R0210	63,826	730,760
N-3	R0220	146,383	779,980
N-2	R0230	228,950	580,203
N-1	R0240	299,387	314,655
N	R0250	39,786	39,786
Total	R0260	1,011,075	6,759,652

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

		0	1	2	3	4	5	6	7	8	9	10
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											725,675
N-9	R0160	-	-	-	-	-	197,288	164,695	164,325	153,898	128,058	
N-8	R0170	-	-	-	-	230,290	184,154	149,879	133,443	105,231		
N-7	R0180	-	-	-	345,063	298,692	241,450	196,920	149,944			
N-6	R0190	-	-	485,049	370,234	300,820	263,966	197,152				
N-5	R0200	-	670,395	491,780	362,477	270,243	235,781					
N-4	R0210	506,369	601,410	465,575	340,346	263,432						
N-3	R0220	506,478	615,963	489,898	369,490							
N-2	R0230	433,099	677,369	627,808								
N-1	R0240	382,100	774,745									
N	R0250	475,669										

		Year end (discounted data)
		C0360
Prior	R0100	731,636
N-9	R0160	128,115
N-8	R0170	104,907
N-7	R0180	148,671
N-6	R0190	194,294
N-5	R0200	232,159
N-4	R0210	258,752
N-3	R0220	364,460
N-2	R0230	621,837
N-1	R0240	769,564
N	R0250	474,288
Total	R0260	4,028,682

Annex I
S.23.01.01
Own funds
31 December 2020
€'000

		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	245,092	245,092			
	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	897,831	897,831			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	53,015				53,015
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	941,788	941,788			
Own funds from the financial statements that shall 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 shall 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	2,137,726	2,084,711			53,015
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	2,137,726	2,084,711			53,015
Total available own funds to meet the MCR	R0510	2,084,711	2,084,711			
Total eligible own funds to meet the SCR	R0540	2,137,726	2,084,711			53,015
Total eligible own funds to meet the MCR	R0550	2,084,711	2,084,711			
SCR	R0580	1,431,039				
MCR	R0600	359,733				
Ratio of Eligible own funds to SCR	R0620	149%				
Ratio of Eligible own funds to MCR	R0640	580%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	2,137,726
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	1,239,895
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	897,831
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	895,692
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	372,429
Total EPIFP	R0790	1,268,122

Annex I
S.25.01.01
Solvency Capital Requirement - for undertakings on Standard Formula
31 December 2020
€'000

Article 112? (Y/N)	**Z0010**	(2) Regular reporting

Basic Solvency Capital Requirement

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	**C0040**	**C0050**
Market risk	**R0010**	481,318	481,318	-
Counterparty default risk	**R0020**	295,546	295,546	-
Life underwriting risk	**R0030**	440,097	440,097	-
Health underwriting risk	**R0040**	51,597	51,597	-
Non-life underwriting risk	**R0050**	773,195	773,195	-
Diversification	**R0060**	(699,646)	(699,646)	
Intangible asset risk	**R0070**	-	-	
Basic Solvency Capital Requirement	**R0100**	1,342,108	1,342,108	

Calculation of Solvency Capital Requirement		**C0100**
Adjustment due to RFF/MAP nSCR aggregation	**R0120**	-
Operational risk	**R0130**	123,980
Loss-absorbing capacity of technical provisions	**R0140**	-
Loss-absorbing capacity of deferred taxes	**R0150**	(35,049)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	-
Solvency Capital Requirement excluding capital add-on	**R0200**	1,431,039
Capital add-on already set	**R0210**	-
Solvency capital requirement	**R0220**	1,431,039
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**	-
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	**R0450**	(4) No adjustment
Net future discretionary benefits	**R0460**	-

		Yes/No	Before the shock	After the shock	LAC DT
Approach to tax rate		**C0109**	**C0110**	**C0120**	**C0130**
Approach based on average tax rate	**R0590**	(2) No			
Calculation of loss absorbing capacity of deferred taxes					
DTA	**R0600**		88,291	88,291	
DTA carry forward	**R0610**		6,511	6,511	
DTA due to deductible temporary differences	**R0620**		81,780	81,780	
DTL	**R0630**		35,276	227	
LAC DT	**R0640**				(35,049)
LAC DT justified by reversion of deferred tax liabilities	**R0650**				(35,049)
LAC DT justified by reference to probable future taxable economic profit	**R0660**				-
LAC DT justified by carry back, current year	**R0670**				-
LAC DT justified by carry back, future years	**R0680**				-
Maximum LAC DT	**R0690**				(277,229)

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
31 December 2020
€'000

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	280,655

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030	5,626	3,650
Workers' compensation insurance and proportional reinsurance	R0040	1,577	2,560
Motor vehicle liability insurance and proportional reinsurance	R0050	50,475	1,954
Other motor insurance and proportional reinsurance	R0060	17,168	5,784
Marine, aviation and transport insurance and proportional reinsurance	R0070	154,434	81,929
Fire and other damage to property insurance and proportional reinsurance	R0080	301,385	165,256
General liability insurance and proportional reinsurance	R0090	241,342	110,334
Credit and suretyship insurance and proportional reinsurance	R0100	101,377	62,667
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	24,535	1,911
Non-proportional casualty reinsurance	R0150	450,395	34,781
Non-proportional marine, aviation and transport reinsurance	R0160	45,213	14,751
Non-proportional property reinsurance	R0170	120,609	83,359

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	79,078

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	-	
Obligations with profit participation - future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	-	
Other life (re)insurance and health (re)insurance obligations	R0240	283,555	
Total capital at risk for all life (re)insurance obligations	R0250		104,462,478

Overall MCR calculation		C0070
Linear MCR	R0300	359,733
SCR	R0310	1,431,039
MCR cap	R0320	643,967
MCR floor	R0330	357,760
Combined MCR	R0340	359,733
Absolute floor of the MCR	R0350	3,600
Minimum Capital Requirement	R0400	359,733