

PartnerRe



# Solvency and Financial Condition Report 2021



Partner Reinsurance Europe SE

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## 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 2021.

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).

On 16 December 2021, EXOR announced that it had signed a definitive agreement with Covéa Cooperations S.A. (Covéa) under which Covéa will acquire PartnerRe Ltd.'s common shares (the "Covéa Acquisition"). The consummation of the Covéa Acquisition is expected in mid-2022 and is subject to customary closing conditions, including antitrust, regulatory and other approvals. It is not expected that the Company will be significantly impacted by the acquisition.

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 2021, 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 €49m in 2021 (2020: €233m). This is comprised of an underwriting profit of €280m (2020: €122m), investment gain of €19m (2020: €112m), net income on funds held €6m (2020: income €7m), other income €11m (2020: €1m), administrative expenses of €135m (2020: €116m), depreciation expense on right-of-use assets of €7m (2020: €9m), interest expense on lease liabilities of €0.7m (2020: €0.5m) and foreign exchange loss of €124m (2020: gain €115m). 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. 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.

For the year ended 31 December 2021, there was no material change in the Company's COVID-19 ultimate loss estimates.

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 €2,423m as at 31 December 2021 (2020: €2,138m). 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 2021 and 2020:

	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>
Ordinary share capital	245,092	245,092
Reconciliation reserve	1,236,281	897,831
Net deferred tax assets	—	53,015
Other Own Funds approved by the supervisory authority	941,788	941,788
<b>Total Solvency II Own Funds</b>	<b>2,423,161</b>	<b>2,137,726</b>

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 2021 and 2020:

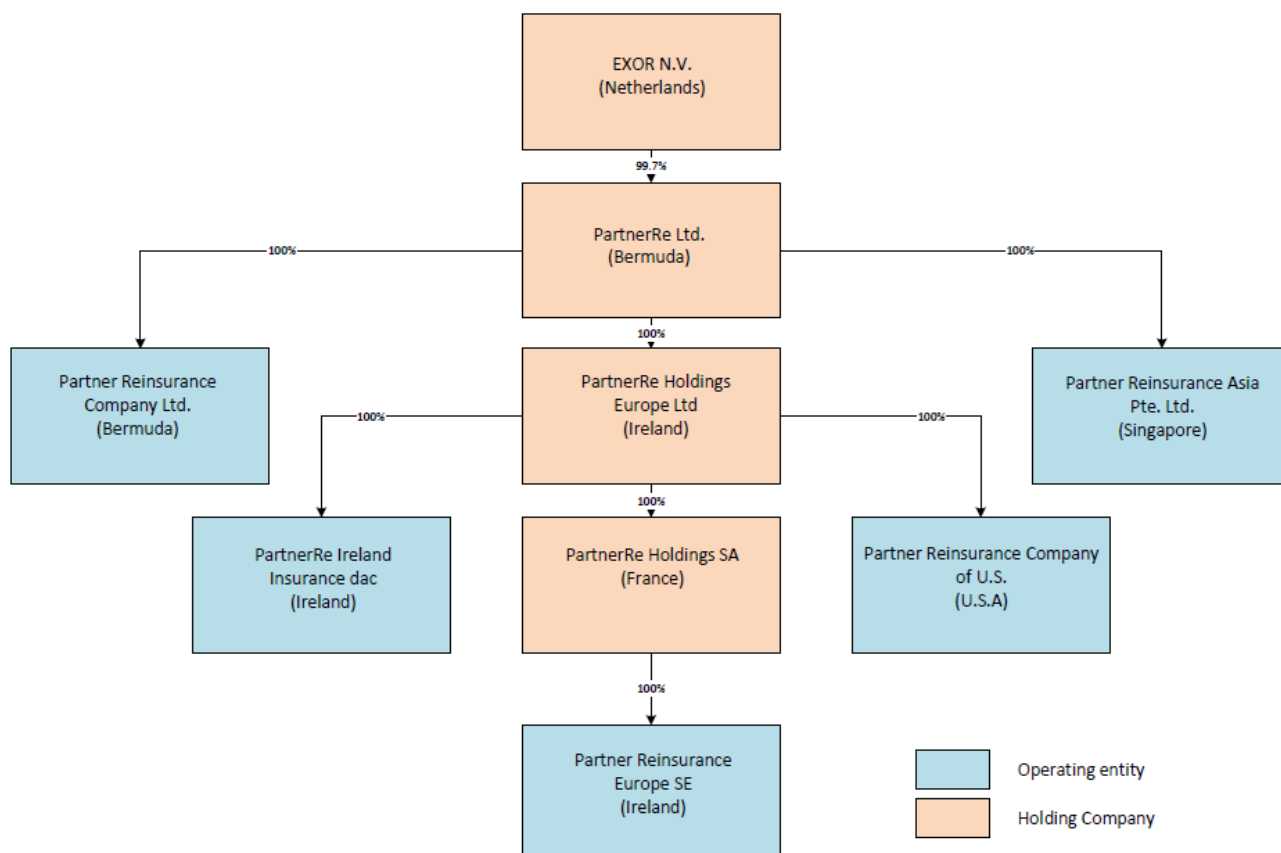
	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>
MCR	413,548	359,733
SCR	1,654,192	1,431,039
Solvency II Own Funds	2,423,161	2,137,726
<b>Ratio of Eligible Own Funds to SCR</b>	<b>146%</b>	<b>149%</b>

## 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., 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 has entered the U.K. Temporary Permission Regime which secured the Company's right to continue to trade within the U.K. and access the U.K. (re)insurance market until the end of 2023.

Since 1 January 2021, the U.K. Branch is subject to U.K. specific regulations as a result of U.K.'s departure from the E.U. These regulations are in addition to existing Central Bank of Ireland (CBI) requirements. These regulatory requirements will increase over the course of 2022 and will require the Company to file annual 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.

Management expects to make an application for full authorisation of the Company's U.K. branch during 2022. This will ensure access to the U.K. reinsurance market when the Temporary Permission Regime ceases.

### 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 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.

The January 2022 non-life renewals showed a continuation of firming of reinsurance terms and conditions with property segments at the forefront with respect to rate increases and structural changes.

Primary rate increases either met or exceeded expectations in most of the lines of business. Casualty and Specialty lines continued to see the strongest primary rate increases albeit at a slower rate than in 2021. Original rate increases were partly offset by higher ceding commissions but the Company continued to improve the overall priced profitability of the non-life portfolio. In the Natural Catastrophe line of business, the Company saw rate increases specifically on business affected by the European summer storms and floods.

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.

In terms of the Company's life portfolio, the active 1 January 2022 renewals only impacted a portion of the short-term in-force premium in the mortality and disability lines, which is a relatively limited portion of the overall life portfolio. For those treaties that actively renew, pricing conditions and terms were flat or slightly up compared to the prior year renewal.

Management expects moderate continued growth in the Company's life portfolio in 2022 from new business initiatives in Longevity in the U.K., and in long-term protection in Europe and Asia, 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 as per the Company's financial statements for the year ending 2021 and 2020:

2021	Non-Life €'000	Life €'000	Total €'000
Gross premium written	2,182,632	843,298	3,025,930
Net premium written	695,604	320,221	1,015,825
Net premium earned	646,842	321,534	968,376
Net claims incurred	351,326	263,911	615,237
Acquisition cost	84,107	(10,517)	73,590
<b>Technical result</b>	<b>211,409</b>	<b>68,140</b>	<b>279,549</b>
- Administration expenses	90,104	44,859	134,963
- Overhead expenses	5,210	2,520	7,730
- Investment expenses	5,984	2,975	8,959
<b>Total underwriting result</b>	<b>110,111</b>	<b>17,786</b>	<b>127,897</b>

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	597,120	316,855	913,975
Net claims incurred	440,299	263,746	704,045
Acquisition cost	95,539	(7,893)	87,646
<b>Technical result</b>	<b>61,282</b>	<b>61,002</b>	<b>122,284</b>
- Administration expenses	75,785	40,215	116,000
- Overhead expenses	6,120	3,247	9,367
- Investment expenses	6,255	3,320	9,575
<b>Total underwriting result</b>	<b>(26,878)</b>	<b>14,220</b>	<b>(12,658)</b>

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 as per the Company's financial statements by the material Solvency II lines of business for the year ending 2021 and 2020.

2021	Proportional Reinsurance - Fire and other damage to property	Proportional Reinsurance - Marine, aviation and transport	Proportional Reinsurance - General Liability	Other	Life and Health Reinsurance	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	699,626	448,289	449,785	584,932	843,298	3,025,930
Net premium written	202,687	115,073	192,466	185,378	320,221	1,015,825
Net premium earned	191,632	108,254	144,260	202,696	321,534	968,376
Net claims incurred	109,663	58,939	81,071	101,653	263,911	615,237
Acquisition cost	23,205	9,266	30,741	20,895	(10,517)	73,590
<b>Technical result</b>	<b>58,764</b>	<b>40,049</b>	<b>32,448</b>	<b>80,148</b>	<b>68,140</b>	<b>279,549</b>
- Administration expenses	26,736	15,103	20,126	28,139	44,859	134,963
- Overhead expenses	1,502	849	1,131	1,728	2,520	7,730
- Investment expenses	1,773	1,002	1,335	1,875	2,974	8,959
<b>Total underwriting result</b>	<b>28,753</b>	<b>23,095</b>	<b>9,856</b>	<b>48,406</b>	<b>17,787</b>	<b>127,897</b>

2020	Proportional Reinsurance - Fire and other damage to property	Proportional Reinsurance - Marine, aviation and transport	Proportional Reinsurance - General Liability	Other	Life and Health Reinsurance	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premium written	512,086	279,834	263,896	664,008	837,216	2,557,040
Net premium written	165,256	81,929	110,334	211,417	314,639	883,575
Net premium earned	180,582	90,107	103,914	222,517	316,855	913,975
Net claims incurred	131,392	78,700	73,106	157,101	263,746	704,045
Acquisition cost	28,930	11,972	21,218	33,419	(7,893)	87,646
<b>Technical result</b>	<b>20,260</b>	<b>(565)</b>	<b>9,590</b>	<b>31,997</b>	<b>61,002</b>	<b>122,284</b>
- Administration expenses	22,919	11,436	13,189	28,241	40,215	116,000
- Overhead expenses	1,851	923	1,065	2,281	3,247	9,367
- Investment expenses	1,892	944	1,089	2,330	3,320	9,575
<b>Total underwriting result</b>	<b>(6,402)</b>	<b>(13,868)</b>	<b>(5,753)</b>	<b>(855)</b>	<b>14,220</b>	<b>(12,658)</b>

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.

#### Proportional reinsurance - fire and other damage to property

Gross premiums written for the year ended 2021 is €700m, this represents an increase of €188m when compared to the year ended 2020. This increase was mainly as a result of renewal increases in energy onshore and property, as well as increases in engineering driven by prior underwriting year premium reductions booked during 2020.

Net premium earned for the year ended 2021 is €192m, this represents an increase of €11m when compared to year ended 2020.

The technical result was €59m for the year ended 31 December 2021. This represents an increase of €39m when compared to year ended 2020. This increase was mainly driven by an improvement in the loss ratio compared to prior year as a result of a reduction in material events during the year.

The underwriting result was €29m for the year ended 2021. This represents an improvement in the underwriting result of €35m when compared to the year ended 2020 mainly driven by the increase in technical result mentioned above, partially offset by a small increase in the administration expenses in 2021.



### **Proportional Reinsurance - marine, aviation and transport**

Gross premium written for the year ended 2021 is €448m, this represents an increase of €168m when compared to the year ended 2020. This increase was mainly driven by increased premium across all lines but mainly in Aviation following reduced premium exposure in 2020.

Net premium earned for the year ended 2021 is €108m, this represents an increase of €18m when compared to the year ended 2020.

The technical result was €40m for the year ended 31 December 2021. This represents an increase of €41m when compared to year ended 2020. This increase was mainly driven by an improvement in the loss ratio compared to prior year as a result of a reduction in material events during the year.

The underwriting result was €23m for the year ended 2021. This represents an improvement in the underwriting result of €37m when compared to the year ended 2020 mainly driven by the increase in technical result mentioned above.

### **Proportional reinsurance - general liability**

Gross premium written for the year ended 2021 was €450m, this represents an increase of €186m when compared to the year ended 2020. The increase was mainly due to a number of new contracts and increased premium on existing contracts, as well as an increase in casualty premium assumed from PartnerRe Ireland Insurance dac (PRIIdac), a related company.

Net premium earned for the year ended 2021 was €144m, this represents an increase of €40m when compared to the year ended 2020.

The technical result was €32m for the year ended 2021. This represents an increase of €23m when compared to the year ended 2020. The increase was due to a decrease in the net loss ratio from 70% in 2020 to 56% in 2021. The decrease in loss ratio was driven by higher loss emergence from prior underwriting years in 2020 compared to 2021.

The underwriting result was €10m for the year ended 2021. This represents an increase of €16m when compared to the year ended 2020, mainly driven by the increase in technical result mentioned above.

### **Other**

There are a number of offsetting impacts within this category, however the key lines of business driving the result for this category are proportional credit and suretyship and the non-proportional lines of business. Premiums were generally down in this category in 2021 relative to 2020, with the exception of proportional motor vehicle liability and proportional workers' compensation. The main drivers for the increase in the underwriting result year on year are the proportional - credit and suretyship and non-proportional - property lines of business. For the proportional - credit and suretyship line, the increase in the 2021 results was due to positive prior year development in 2021, coupled with large losses driven mainly by COVID-19 in 2020. For the non-proportional - property line, the increase in the 2021 result was due to a reduction in losses driven mainly by COVID-19 and other large loss events in property in 2020.

### **Life and health reinsurance**

Gross premium written for the year ended 2021 was €843m, this represents an increase of €6m when compared to the year ended 2020. The increase was mainly driven by a large Longevity deal written in 2021 and business growth in the long-term segment partially offset by reduction in the short-term segment.

The underwriting result was €18m for the year ended 2021. 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 2021, the underwriting profit was driven by favorable reserves movement in 2021 compared to adverse reserves movement in 2020. This was partially offset by higher COVID-19 losses and decreased gains related to recaptures in the long-term business.

### **Expenses**

The Company had administrative expenses of €135.0m (2020: €115.9m). The increase compared to 2020 is driven by an increase in allocated costs from related entities mainly due to higher personnel expenses, an increase in personnel expenses due to an increase in headcount, as well as higher annual incentive accruals.

## Geographical Analysis

2021	Top 5 countries by location of cedant							Other	Total
	Ireland	United Kingdom	United States	Germany	France	Bermuda			
	€'000	€'000	€'000	€'000	€'000	€'000			
Gross premium written	101,458	960,823	697,258	280,913	196,341	112,341	676,796	3,025,930	
Net premium written	39,421	327,397	231,911	99,656	67,400	39,813	210,227	1,015,825	
Net premium earned	51,029	317,704	190,065	74,042	66,398	39,978	229,160	968,376	
Net claims incurred	44,322	253,745	99,262	29,761	31,999	53,775	102,373	615,237	
Acquisition cost	4,165	2,764	34,443	11,529	4,197	3,097	13,395	73,590	
<b>Underwriting profit</b>	<b>2,542</b>	<b>61,195</b>	<b>56,360</b>	<b>32,752</b>	<b>30,202</b>	<b>(16,894)</b>	<b>113,392</b>	<b>279,549</b>	
Administration expenses	7,119	44,324	26,517	10,330	9,264	5,578	31,831	134,963	
Overhead expenses	400	2,490	1,489	580	520	313	1,938	7,730	
Investment expenses	472	2,939	1,758	685	615	370	2,120	8,959	
<b>Total underwriting result</b>	<b>(5,449)</b>	<b>11,442</b>	<b>26,596</b>	<b>21,157</b>	<b>19,803</b>	<b>(23,155)</b>	<b>77,503</b>	<b>127,897</b>	

2020	Top 5 countries by location of cedant						Other	Total
	Ireland	United Kingdom	United States	Germany	France	Australia		
	€'000	€'000	€'000	€'000	€'000	€'000		
Gross premium written	139,047	798,515	459,566	143,688	147,248	109,175	759,801	2,557,040
Net premium written	52,486	289,961	156,148	49,172	52,500	35,610	247,698	883,575
Net premium earned	44,890	301,403	155,161	53,771	53,180	36,480	269,090	913,975
Net claims incurred	35,898	278,484	76,807	53,745	23,012	36,105	199,994	704,045
Acquisition cost	4,861	8,107	29,113	7,384	4,088	(350)	34,443	87,646
<b>Underwriting profit</b>	<b>4,131</b>	<b>14,812</b>	<b>49,241</b>	<b>(7,358)</b>	<b>26,080</b>	<b>725</b>	<b>34,653</b>	<b>122,284</b>
Administration expenses	5,697	38,253	19,693	6,824	6,750	4,630	34,153	116,000
Overhead expenses	460	3,089	1,590	551	545	374	2,758	9,367
Investment expenses	470	3,158	1,626	563	557	382	2,819	9,575
<b>Total underwriting result</b>	<b>(2,496)</b>	<b>(29,688)</b>	<b>26,332</b>	<b>(15,296)</b>	<b>18,228</b>	<b>(4,661)</b>	<b>(5,077)</b>	<b>(12,658)</b>

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 2021 and 2020:

	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>
Interest and dividend income	82,939	77,399
Net realised (losses)/gains	(3,204)	1,970
Net unrealised (losses)/gains	(51,907)	42,630
Investment management and other related expenses	(8,959)	(9,575)
<b>Total net of expenses</b>	<b>18,869</b>	<b>112,424</b>

The decrease is mainly due to unrealised losses on the fixed income portfolio driven by increases in worldwide risk free rates.

Interest and dividend income increased in 2021 compared to 2020 due to the impact of higher reinvestment rates, driven by the increases in worldwide risk-free rates during the year.

As of 2021, €424m (2020: €695m), or 10% (2020: 20%) 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 losses for the financial year 2021 of €124m (2020: gain €115m) in the income statement from the revaluation of all balances held in currencies other than the functional currencies of the Company. The Company also recognised a positive movement of €110m (2020: loss €123m) 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 €11m (2020: €1m). The increase in other income is primarily attributable to the life financial solutions business and a write down of a receivable in 2020.

The Company recognised a total income tax expense of €26m (2020: €24m) giving an effective tax rate of 52.8% (2020: 10.6%). The effective tax rate is driven by the location of profits earned across the various tax jurisdictions in which the Company operates.

### A.5. ANY OTHER INFORMATION

There is no other material information regarding the business and performance of the Company.

## B. SYSTEM OF GOVERNANCE

### B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

#### Board Structure and Responsibilities

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

Business Strategy; to set and oversee the business strategy for the Company. To this end, the Board shall consider and challenge the appropriateness of the cascaded Group strategy for the Company and as applicable make necessary amendments to same;

Values and Objectives; to set and uphold the values and standards necessary to ensure that the Company's obligations to shareholders and other stakeholders, including customers, employees and creditors, are met;

Ethics, business conduct and conflicts of interest; to conduct effective, prudent and ethical oversight of the Company;

Risk management, internal controls and control functions; to ensure the establishment and oversight of the control functions of Risk Management, Actuarial, Internal Audit and Compliance, thereby ensuring that they have adequate resources and sufficient authority to operate effectively as well as an appropriate financial reporting and accounting framework and a remuneration framework in line with the risk strategies of the Company;

Governance System; to define the corporate governance system and promote the highest standards of corporate governance (including an appropriate risk culture). Ensure that effective and clear structures and reporting arrangements exist within the Company especially with respect to outsourcing. To ensure the establishment and operation of prudent and effective controls to assess and manage the risks associated with the Company's operations;

Business lines and key operational decisions; to approve any material organisational and operational decisions;

Financial condition, risk profile and capital position; to regularly assess the financial condition, risk profile and solvency position of the Company, to establish a robust risk appetite statement setting out the risks to which the Company is exposed and to ensure identified risks are addressed by appropriate contingency plans which reflect the areas in which the Board considers the Company to be particularly exposed, the Company's documented risk appetite and risk management framework. To assess capital, borrowing and liquidity needs and risks. The Board has ultimate responsibility for and ownership of the Company's Own Risk and Solvency Assessment (ORSA) process;

Appointment of senior executives and performance monitoring; to ensure the Company has appropriate succession plans and to select Senior Management on a fit and proper basis. The Board is responsible for endorsing the appointment of Pre-Approval Controlled Functions (PCFs) and individuals who may have a material impact on the risk profile of the Company (and monitoring on an on-going basis their appropriateness for the role).

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 four 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.

Two Directors (one NED and one INED) resigned from the Board during 2021. One INED was appointed to the Board during 2021.

The Board has established two sub-committees: the Audit Committee and the Risk Committee.

#### 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 is comprised of three directors comprising two INEDs and one Group NED. The Chair of the Audit Committee is an INED.

## The Risk Committee

The Risk Committee has been established to provide oversight and advice to the Board on the Company's current risk exposures and its future risk strategy. The Committee has oversight responsibility for company policies and activities related to overall management of the Company's risks pursuant to the business strategy and risk management policy established by the Board.

The Risk Committee is comprised of four directors comprising two INEDs, one Group NED and the Executive Director.

## Powers Delegated by the Board

The Board has reserved certain powers for itself and has delegated other powers. This delegation is documented in the Board's Delegation of Authority Policy. Authorities that have not been previously delegated and powers that have not been reserved for the Board are delegated to the General Manager.

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

The LEM is the senior executive team within the Legal Entity and is established for the purpose of providing advice and making recommendations to the General Managers in respect of the Company's operations. The LEM is responsible for managing the overall business, implementing the business plan in line with the agreed strategy and overseeing the management of risk and regulatory compliance across the organisations.

The LEM has established a number of subcommittees to aid its management of the Company. These are:

- Legal Entity Reserving and Capital Committee
- Branch Managers' Committee
- U.K. Branch Oversight Committee
- Investments Committee

### ***Legal Entity Reserving and Capital Committee***

The Legal Entity Reserving and Capital Committee is responsible for the review and approval of the Technical Provisions, Solvency Capital Requirement, Solvency II Balance Sheet and Own Funds of the Company before the quarterly Quantitative Reporting Templates (QRTs) are filed with the CBI. The committee also reviews these items in advance of the submission of annual returns and makes recommendation to the Audit Committee in respect of the returns.

The committee also reviews and approves the assumptions and assumption changes supporting the calculation of the Technical Provisions on an annual basis before submission to the Board.

The committee is chaired by the Chief Financial Officer (CFO) and the other members are the Life and Non-Life Heads of Actuarial Function (HoAFs), the Chief Risk Officer (CRO) and the General Manager. The committee meets at least quarterly.

### ***Branch Managers' Committee***

The sub-committee's main responsibilities are to monitor and review issues arising from the day-to-day operation of the Branches, reviewing the commercial performance of the Branches, reporting on legal and regulatory developments in the respective jurisdictions that affect the operation of the Company and risk incidents or events that have occurred during the quarter.

The Committee meets once a quarter and is chaired by the General Manager. The other members of the Committee are the Branch Managers, CRO, CFO and the Head of Compliance.

### ***U.K. Branch Oversight Committee***

The U.K. Branch Oversight Committee is the Governing Body, as defined in the Prudential Regulatory Authority's Rulebook, of the U.K. Branch.

Its responsibilities include management and oversight of the U.K. branch. In addition the committee reviews and approves the U.K. specific regulatory returns and the approval of U.K. branch specific policies for Risk Management, Internal Audit, Outsourcing, Regulatory Reporting and Compliance.

The U.K. Branch Oversight Committee is chaired by the General Manager and its members are the U.K. Branch Manager, CFO, CRO, HoAF, Head of Compliance, Head of Longevity and Senior Legal Counsel.

### **Investments Committee**

The Investments Committee is responsible for providing oversight of investments and monitoring and analysing the Company's investment results and portfolio movements. In addition, the committee reviews any potential investment opportunities.

The committee ensures that the investment portfolio remains compliant with the investment guidelines, asset allocation plan & risk appetite limits

The Investments Committee is chaired by the CFO and its members are the Head of Investments, the GM, the CRO, the Director of Finance Operations and the Group Chief Investment Officer.

### **Authority and independence of key functions**

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

The CRO leads the Risk Management functions and is also a member of the LEM.

The CRO reports on a quarterly basis to the Risk Committee.

#### **Actuarial function**

The Company has two Actuarial function's covering life and non-life business respectively each with a respective Head of Actuarial Function. The HoAFs are responsible for coordinating the calculation of technical provisions, informing the Board of the reliability and adequacy of the calculation of Technical Provisions and providing an opinion on the Company's retrocession and underwriting policy.

The HOAFs are both members of the LEM.

#### **Finance function**

The Company's Finance function has responsibility for ensuring the accuracy of the Company's financial reports and quarterly/annual statutory filings, ensuring compliance with relevant accounting standards and corporate law requirements, the monitoring of solvency ratios and calculations and ensuring that sufficient capital is maintained to meet business and regulatory requirements. The function is led by the CFO who is a member of the LEM.

The CFO reports to the Audit Committee and the Board on a quarterly basis.

#### **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 and reports to the Audit Committee and the Board on a quarterly basis.

#### **Compliance function**

The Compliance functions advises the Company on compliance with the laws, regulations and administrative provisions adopted pursuant to the Solvency II Directive. The function also identifies and assesses the impact of any changes in the legal environment, on the operations of the Company. In addition, the function designs, implements and execute a compliance monitoring framework to provide assurance to the Board on the adequacy of measures taken by the company to meet regulatory requirements

The function is led by the Head of Compliance who is a member of the LEM. The Head of Compliance reports to the Board on quarterly basis.

## Material changes in the governance of the Company in 2021

### ***Changes in Board membership***

Two Directors (one NED and one INED) resigned from the Board during 2021. One INED was appointed to the Board during 2021.

### **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 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.

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

### ***Corporate Governance***

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 complying with Group policies for the Company and ensure that these policies take full account of local business needs, Irish laws and regulations and the supervisory requirements of the CBI. Where necessary, Company specific guidelines are adopted along with Group policies to ensure compliance with local business needs and laws, regulations and supervisory requirements.

## 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, HoAFs (life and non-life), EEA Branch Managers, Head of Underwriting, Head of Investments, Head of Claims and Head of Information Technology). 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 Risk Management Framework (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 Compliance and Risk functions are part of the second line of defence 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 HoAFs are part of the second line of defence (independent of the first line Reserving function) and provide independent review and advice to management, the Audit Committee and the Board on data, models, methodologies and assumptions.

The third line of defence is Internal Audit and 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 team. The CRO and the Risk team collaborate with and are supported by Risk 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 activities 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 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 Risk Committee and Board in understanding the Company's risk profile and the setting of risk appetite and risk limits.

In the context of the COVID pandemic which developed during 2020 and is ongoing, risks relating to the Company's life, non-life and investment portfolios were assessed as part of COVID monitoring within the management team and with the Board. The regular COVID monitoring updates to the Board were discontinued at the end of June 2021; monthly monitoring by management remains in place. Risks related to COVID continue to be monitored by the management team and are included in the annual ORSA.

## 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 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 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 2021 ORSA includes COVID 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 limits, 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.

#### 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;
- Updates 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 and Board 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 and Board.

## **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, Bermuda, 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.

## **B.8. ANY OTHER INFORMATION**

The system of governance has been established taking account the size, nature and scale of the Company's operations. The Compliance Function conducts an annual review of the Corporate Governance Requirements. Accordingly, the system of governance is considered adequate for the Company.

There is no other material information regarding the system of governance of the Company

## C. RISK PROFILE

The Company comprehensively identifies and assesses risks in the annual risk identification and assessment process, resulting in the Risk Assessment Report (RAR). Key risks identified in the RAR 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 retrocession agreements to reduce its exposure on certain assumed underwriting risks 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 retrocession 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 and credit rating 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 retrocession 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 retrocession 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 2021 can be summarised as follows.

#### (1) Non-Life whole account quota share with Partner Reinsurance Company Ltd (PRCL):

- 65% for underwriting years 2017-present
- 50% for underwriting years 2016 and prior
- 90% for pure Catastrophe business
- Excluding various special businesses written mainly in Latin and North America

#### (2) Non-Life whole account quota share with Partner Reinsurance Asia Pte Ltd (PRA):

- 10% for business written through the Company's Swiss and French branches

#### (3) Life whole account quota share with PRCL:

- 75% for business written through the Company's Swiss and French branches incepting in 2017-present
- 60% for business written through the Company's Swiss and French branches incepting in 2016 and prior
- 65% for business written through the Company's head office incepting in 2017-present
- 50% for business written through the Company's head office incepting in 2016 and prior
- 90% for Longevity business incepting in 2020-present
- Excluding non-risk transfer and various other special businesses written mainly in Latin and North America and Hong Kong

#### (4) 100% Life quota share to PRCL and PRE Life Bermuda Re Ltd, respectively, on underlying mortality business with two specific clients

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 €802m (2020: €773m), which is 33% (2020: 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 non-life underwriting risk SCR.

The following sensitivities assess the impact on the non-life underwriting risk SCR 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):
	2021	2021	2020	2020
€m	€m	€m	€m	€m
50	+11	(55)	+12	(56)
100	+23	(110)	+24	(112)
150	+34	(165)	+36	(168)

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
	2021	2020
€m	€m	€m
50	+8	+8
100	+16	+15
150	+24	+23

The Company's RAR identified natural catastrophe and casualty 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 annual aggregate level. The overall approach to risk measurement has remained unchanged, however, the modelling of individual peril-zones and annual aggregation is reviewed and updated on a regular basis. The Company's RAF includes a key risk indicator for natural catastrophe risk which is monitored in respect of compliance with stated risk appetite on a quarterly basis in the Risk Committee and Board.

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

mitigation arrangements to the risk profile is reviewed on an ongoing basis by the Risk function and a dedicated retro team within the Underwriting function.

The Company has world-wide exposures to natural catastrophe. Exposures have increased during 2021 within approved risk appetite. On a gross basis, the largest concentration is to European windstorm, Latin American earthquake and U.K. flood. On a net basis, exposures are dominated by Latin American earthquake, US/ Caribbean windstorm and other American perils.

Stress and scenario testing for natural catastrophe risk is undertaken in the annual risk assessment and in the ORSA including scenarios where external retrocessionaires default on their obligations to the Company. The stress and scenario testing shows that the Company can absorb such losses and remain within stated risk appetite with respect to its solvency ratio.

### **Casualty risk**

Casualty risk is the risk that the estimates of ultimate losses for casualty lines of business will prove to be too low, leading to the need for reserve strengthening.

The Company measures casualty reserve risk with metrics based on premium volume, SCR and modelling in the internal capital model. The overall approach to risk measurement has remained unchanged during 2021. The Company's RAF includes a key risk indicator for casualty risk which is monitored in respect of compliance with stated risk appetite on a quarterly basis in the Risk Committee and Board.

The Company manages and mitigates reserve risk for casualty lines by following a disciplined underwriting process and applying prudent reserving policies for determining carried reserves. Casualty risk is also covered by internal retrocession. The appropriateness of risk mitigation arrangements to the risk profile is reviewed on an ongoing basis by the Risk function.

The Company writes professional lines and general casualty with active cycle management in terms of volume and portfolio mix. Since 2015, transactional liability business has been written; this business is mostly U.S.-based and assumed from PRIdac, a related company. Latin American and Asian exposures are small. The portfolio is balanced with no significant concentrations. Exposures have increased in 2021 within approved risk appetite.

Stress and scenario testing for casualty risk is undertaken in the annual risk assessment and the ORSA and includes scenario with adverse development of reserves over a multi-year period. The stress and scenario testing shows that the Company can absorb such losses and remain within stated risk appetite with respect to its solvency ratio.

### **C.1.2. LIFE UNDERWRITING RISK**

The SCR for life underwriting risk, using the Standard Formula, on a pre-diversified basis is €470m (2020: €440m), which is 20% (2020: 22%) of the Basic Solvency Capital Requirement (BSCR) before diversification.

The life underwriting risk requirement includes mortality, longevity, disability, lapse, expense, revision and catastrophe risk.

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

#### **Mortality trend risk**

Mortality trend risk is the risk that mortality improvements or the trend of mortality improvements deviate from expectation. Improvements in mortality or mortality trend can lead to increased actual and future expected annuity payments (longevity risk), deteriorations in mortality or mortality trend can lead to losses arising from higher than anticipated death rates on insured portfolios (mortality risk).

The Company measures mortality trend risk with a dedicated mortality trend model. The overall approach to risk measurement has remained unchanged. The Company's RAF includes a key risk indicator for mortality trend risk which is monitored in respect of compliance with stated risk appetite on a quarterly basis in the Risk Committee and Board.

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. The appropriateness of risk mitigation arrangements to the risk profile is reviewed on an ongoing basis by the Risk function.

In aggregate, the Company has higher exposure to longevity risk than to mortality risk. Its longevity risk is geographically concentrated in the U.K. 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). In 2021, exposure to mortality and longevity risk has grown in line with the approved life strategy.

Stress and scenario testing for mortality trend risk is undertaken in the annual risk assessment and the ORSA and is based on the mortality trend model of the Company. The stress and scenario testing shows that the Company can absorb such losses and remain within stated risk appetite with respect to its solvency ratio.

## **C.2. MARKET RISK**

The SCR market risk, using the Standard Formula, on a pre-diversified basis is €780m (2020: €481m), which is 32% (2020: 24%) of the Basic Solvency Capital Requirement (BSCR) before diversification.

The market risk requirement includes interest rate, equity, property, credit spread, currency and concentration risk.

The increase in 2021 of year over year pre-diversified SCR market risk is primarily as a result of:

- Increased exposure to Type 2 equity from a) private equity funds arising from both increased investments in the asset class and increased market value of existing investments and b) increased charge arising from the Company's more favourable equity exposure to its GMDB life underwriting business.
- Increased currency risk primarily due to increased exposure to GBP from the Company's life longevity business, increased exposure to CHF due to the amount of capitalized expenses linked to underwriting costs in CHF and increased exposure to USD arising from increased net assets in USD.
- Increased exposure to credit spread risk due to a reallocation of assets from government bonds and U.S. agency mortgage backed securities to corporate bonds.

The Company's RAR identified interest rate, currency, credit spread and inflation 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 measures interest rate risk with metrics quantifying the impact of changes of interest rates on the Company's balance sheet. These metrics distinguish the exposure by currency and term and take convexity of assets and liabilities and the interest rate risk exposure of the risk margin into account where relevant. These metrics have been introduced during 2021 and replace the similar but less detailed metrics the Company considered previously. The Company's quarterly risk report to the Risk Committee includes standardised reporting on interest rate risk.

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 and with the metrics described above. The Company does not have specific risk mitigation arrangements such as interest rate hedges.

The Company is mainly exposed to falling EUR and rising USD interest rates; exposure to movements in other interest rates is significantly smaller. The exposure to EUR is mainly driven by the Company's liabilities and the exposure to USD mainly by the Company's asset holdings in USD. Exposures can vary over time as assets and liabilities change in line with investment and business developments. During 2021, exposure has decreased as the difference between asset and liability durations has decreased.

Stress and scenario testing for interest rate risk is undertaken in the annual risk assessment and the ORSA and includes stand-alone sensitivities and a variety of short-term and long-term combination scenarios which include losses due to other market or insurance risks in addition to losses due to changes in interest rates. The stress and scenario testing shows that the Company can absorb such losses and remain within stated risk appetite with respect to its solvency ratio.

### **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 overall approach to risk measurement has remained unchanged. The Company's RAF includes a key risk indicator for currency risk which is monitored in respect of compliance with stated risk appetite on a quarterly basis in the Risk Committee and Board.

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 effectiveness of the hedging strategy is monitored on an ongoing basis in the quarterly SCR calculations and risk reporting and in the annual risk assessment.

The Company is exposed to currency exposures in most currencies due to its global business activities. After hedging, the Company's main exposure is to GBP and USD where it has long positions and CHF where it has a short position. Exposures can vary over time as assets and liabilities change in line with investment and business developments. Exposures have increased during 2021.

Stress and scenario testing for currency risk is undertaken in the annual risk assessment and the ORSA and includes the impact of currency fluctuations on the Company's SCR. The stress and scenario testing shows that the Company is exposed to the depreciation of EUR against other major currencies and to the appreciation of CHF and USD against EUR and that it can absorb such scenarios and remain within stated risk appetite with respect to its solvency ratio.

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 €150m decrease in Solvency II own funds (including the effect of derivatives and excluding the effect on risk margin) (2020: €89m decrease including the effect of derivatives and excluding the effect on risk margin).

### **Equity risk**

Equity risk is 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 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. The overall approach to risk measurement has remained unchanged. The Company's RAF includes a key risk indicator for equity risk which is monitored in respect of compliance with stated risk appetite on a quarterly basis in the Risk Committee and Board.

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. These limits are reviewed annually by the Company's Investment Committee and approved by the Risk Committee and Board.

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. During 2021, exposure to equity risk has increased within approved risk appetite.

Stress and scenario testing for equity risk is undertaken in the annual risk assessment and the ORSA and includes the impact of equity shocks on the Company's equity-sensitive liabilities. The stress and scenario testing shows that the Company can absorb such losses and remain within stated risk appetite with respect to its solvency ratio.

### **Credit spread risk**

Credit spread risk is 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 credit spread risk with metrics based on credit quality and duration of fixed income instruments and with metrics based on the impact on market value due to changes in market credit spreads. The overall approach to risk measurement has remained unchanged in 2021. The Company's RAF includes a key risk indicator for credit spread risk which is monitored in respect of compliance with stated risk appetite on a quarterly basis in the Risk Committee and Board.

Credit spread risk is managed and mitigated with limits on credit quality and concentration to any single name or sector. Credit spread risk can change from period to period depending on market conditions and asset-liability management actions.

The Company's key exposures are corporate bonds most of which are investment grade (mostly A or BBB) with concentration in the Financial Industry. Secondary exposures are mortgage backed securities and alternative credit investments. In 2021, exposure to credit spread risk has increased within approved risk appetite.

Stress and scenario testing for credit spread risk is undertaken in the annual risk assessment and the ORSA and includes stand-alone sensitivities and a variety of short-term and long-term combination scenarios which include losses due to other market or insurance risks in addition to losses due to changes in credit spreads. The stress and scenario testing shows that the Company can absorb such scenarios and remain within stated risk appetite with respect to its solvency ratio.

### **Inflation risk**

Inflation risk is the risk of a reduction in purchasing power per unit of money overall or in respect of specific products or services resulting in increased claims and expenses and potentially in monetary action (changes in interest rates) resulting in realised and unrealised gains and losses on the Company's fixed income portfolio.

The Company measures claims and expense inflation risk with a scenario-based metric (introduced during 2021) and inflation risk in combination with interest rate risk with stress and scenario testing in the annual RAR and ORSA (overall approach unchanged). The Company's RAF includes a monitoring metric for claims and expense inflation risk which is monitored on a quarterly basis in the Risk Committee and Board.

The impact of claims inflation is mitigated by external and internal retrocession. The appropriateness of risk mitigation arrangements to the risk profile is reviewed on an ongoing basis by the Risk function.

Claims and expense inflation risk arises mostly in respect of non-life claims payments and to a lesser extent in respect of capitalized life expenses. As the scenario-based metric to monitor claims and expense inflation risk has been introduced in 2021, a comparison to previous year's exposure is not available. Claims and expense inflation risk arises in the currencies of the underlying liabilities.

Stress and scenario testing for inflation risk is undertaken in the annual risk assessment and the ORSA and includes stand-alone inflation and combination scenarios. The stress and scenario testing shows that the Company can absorb such scenarios and remain within stated risk appetite with respect to its solvency ratio.

### **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 €5,655m at 31 December 2021 (2020: €5,350m); 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. Company management meets regularly with representatives of PartnerRe Asset Management Corp via the Company's formal Investment Committee.

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 €279m (2020: €296m), which is 12% (2020: 14%) of the BSCR before diversification.

The Company measures credit risk with metrics based on SCR, credit ratings, single-counterparty exposures and the solvency ratio of Group-internal counterparties. The overall approach to risk measurement has remained unchanged. The Company's RAF includes key risk indicators for credit risk with internal and external retrocessionaires which is monitored in respect of compliance with stated risk appetite on a quarterly basis in the Risk Committee and Board.

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 uses retrocession 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, thereby exposing the Company to credit risk with retrocessionaires. 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 in 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 in counterparties with strong credit ratings and managing concentration risk by limiting the aggregate exposure to any individual counterparty through the use of appropriate limits.

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.

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.

Stress and scenario testing for credit risk is undertaken in the annual risk assessment and the ORSA. The stress and scenario testing shows that the Company relies on related companies of the Group remaining going concern. The Company considers residual credit risk with related companies of the Group as remote.

#### **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 measures 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, reinsurance losses with rapid pay-out, collateralisation of new reinsurance business and downgrade potentially triggering collateralisation requirements in the Company's investments and reinsurance portfolios. The overall approach to risk measurement has remained unchanged. The Company's RAF includes a key risk indicator for liquidity risk which is monitored in respect of compliance with stated risk appetite on a quarterly basis in the Risk Committee and Board.

The Company mitigates liquidity risk by holding a large part of its investments in investment grade standard fixed income securities and other liquid instruments and by imposing strict limits on illiquid investments.

The Company is exposed to liquidity risk mainly through claims arising from its reinsurance contracts and a decline in disposal value of the Company's assets in financial market crises. Liquidity risk may also arise from a difference in timing between claims payments and recoveries from reinsurance ceded, from collateral calls on collateralised business and from a reduction in liquidity inflows. Liquidity risk has remained within approved risk appetite during 2021.

Stress and scenario testing for liquidity risk is undertaken in the quarterly liquidity stress test as set out above. The stress and scenario testing shows that the Company remains in a positive excess liquidity position after the scenario considered in the liquidity stress test.

#### **Expected profit included in future premium**

The expected profit included in future premium (EPIFP) for the non-life business was €514m at 31 December 2021 (2020: €372m). 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 €1,118m at 31 December 2021 (2020: €896m). 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 2021 and 2020:

<b>Line of business</b>	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>
Proportional motor vehicle liability reinsurance	5,594	6,833
Proportional marine, aviation and transport reinsurance	88,821	48,786
Proportional fire and other damage to property reinsurance	189,939	134,397
Proportional general liability reinsurance	97,874	39,193
Proportional credit and suretyship reinsurance	51,723	71,047
Non-proportional casualty reinsurance	8,634	5,549
Non-proportional marine, aviation and transport reinsurance	9,792	6,257
Non-proportional property reinsurance	58,029	53,746
Other lines of business	3,373	6,622
<b>Total Non-life</b>	<b>513,779</b>	<b>372,430</b>
Life and health STL	1,118,468	895,692
<b>Total</b>	<b>1,632,247</b>	<b>1,268,122</b>

## **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, human resources and model risk. The Company also monitors branch matters, strategic and emerging risks which may relate to operational risks.

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 risk relates to business continuity and emergency management. Process and execution management risk relates to underwriting and reporting processes. Outsourcing risk is financial, operational, regulatory or reputational risk related to the outsourcing of processes or services within PartnerRe Group or to third parties. Legal and compliance risks relate to regulatory obligations and legal risks in relation to the Company's business activities. Fraud risk relates to intentionally deceptive actions potentially resulting in financial statement fraud, misappropriation of assets, claims or tax fraud. Human resources risk relates to the risk of strategic or financial underachievement due to a lack of critical skills. Model risk relates to model errors and inaccurate outputs and the risk of inappropriate use of models.

The Company manages and mitigates 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.

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 behaviour, regulation, competitive structure and macroeconomic, legal and social trends. Strategic risks are managed by strong governance procedures, including a robust system of processes and internal controls.

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 RAR has identified Brexit and Group risks as material strategic risks. Climate change is also classified as a strategic risk.

### **Brexit impacts**

The Company has entered the U.K. Temporary Permission Regime which secured the Company's right to continue to trade within the U.K. and access the U.K. (re)insurance market until the end of 2023.

Since 1 January 2021, the U.K. Branch is subject to U.K. specific regulations as a result of U.K.'s departure from the E.U. These regulations are in addition to existing Central Bank of Ireland (CBI) requirements. These regulatory requirements will increase over the course of 2022 and will require the Company to file annual 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.

Management expects to make an application for full authorisation of the Company's U.K. branch during 2022. This will ensure access to the U.K. reinsurance market when the Temporary Permission Regime ceases.

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 risks of financial and operational nature. 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.

### **Climate change risk**

Climate change gives rise to financial risks through three main channels: physical risks, transition risks and liability risks. Physical risks relate to higher frequency and severity of extreme weather events (such as floods, storms, wildfires, heat waves), persistent shifts in climate (such as precipitation/drought and higher temperatures) and rise of sea levels. Transition risks relate to the process of adjustment (such as regulatory and legislative changes, changing consumer preferences, reputational risk) which could lead to a reassessment of asset values and loss of business. Liability risks relate to potential climate-related claims under liability policies and potential claims for failing to manage, mitigate or disclose climate-related risks, for example in professional lines.

The Company is exposed to increased tropical cyclone activity on its property and specialty portfolio and to increased frequency of heatwaves and drought on its agriculture portfolio. With current knowledge, the Company is not considered to be significantly exposed to changes in severity or frequency of other natural catastrophe perils (wildfire, flood) and to the impact of climate change on its life business. Policy action, in particular a disorderly transition, and changes in consumer attitudes could result in loss of business in the lines of business engineering, energy offshore and aviation and impact medium and long-term credit & political risk claims activity. The Company has assets potentially exposed to transition risks in line with the financial industry average.

### **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 serves to manage reputational risk.

Reputational 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. No significant reputational risks for the Company have been identified.

### **Emerging risks**

Emerging risks are subject to the risk identification, assessment, monitoring and reporting as set out in section B.3 in this report.

## **C.7. ANY OTHER INFORMATION**

There is no other material information in respect of the Company's risk profile.

## D. VALUATION FOR SOLVENCY PURPOSES

### D.1. VALUATION OF ASSETS

This table provides quantitative information on the variances between the valuation of assets in the Solvency II Balance Sheet compared to values reported under IFRS. For reconciliation purposes, the categories listed below for the IFRS Balance Sheet have been aligned to those of the Solvency II Balance Sheet.

	2021			2020		
	Solvency II Valuation €'000	IFRS Valuation €'000	Variance €'000	Solvency II Valuation €'000	IFRS Valuation €'000	Variance €'000
Fixed income securities	4,171,264	4,171,264	—	3,559,549	3,559,549	—
Equities	41,725	42,331	(606)	1,194	1,748	(554)
Other loans and mortgages	353,026	353,026	—	411,874	411,874	—
Derivatives	2,757,302	2,757,302	—	2,616,547	2,616,415	132
Collective Investments Undertakings	233,066	233,066	—	267,538	267,538	—
Participations and related undertakings	117,816	117,816	—	90,963	90,963	—
Cash and cash equivalents	118,988	118,988	—	344,957	344,957	—
Deposits other than cash equivalents	20,756	20,756	—	28,386	28,386	—
Deposits to cedants	472,687	431,280	41,407	536,116	484,591	51,525
Property, plant & equipment held for own use	65,672	65,672	—	49,195	49,195	—
Property (other than for own use)	59,642	59,642	—	59,981	59,981	—
Reinsurance recoverable	2,939,264	6,461,122	(3,521,858)	3,032,867	5,642,221	(2,609,354)
Reinsurance receivables	74,012	74,012	—	72,495	72,495	—
Insurance and intermediaries receivable	115,183	115,183	—	71,157	71,157	—
Receivables (trade, not insurance)	40,118	40,118	—	64,368	64,368	—
Deferred tax asset	29,433	2,189	27,244	88,291	4,546	83,745
Other assets	628	628	—	608	608	—
<b>Grand total</b>	<b>11,610,582</b>	<b>15,064,395</b>	<b>(3,453,813)</b>	<b>11,296,086</b>	<b>13,770,592</b>	<b>(2,474,506)</b>

#### Fixed income

Fixed income securities are generally priced by independent pricing services and brokers. Each pricing source will have its own proprietary method to determine fair value which will incorporate information such as credit spreads, interest rate data, market news and an option adjusted spread. The Company will classify these assets as Quoted Market Price in Active Markets for Similar Assets (QMPS) for valuation purposes under Solvency II. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. There is no variance in valuation when compared to the IFRS Balance Sheet.

#### 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 Quoted Market Price in Active Markets for the Same Assets (QMP) for valuation purposes under Solvency II. Private equity securities are classified as Alternative Valuation Methods (AVM) for valuation purposes. The joint venture is recognised at the equity cost in the IFRS balance sheet while the fair value is applied under Solvency II.

#### Property (other than for own use)

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 Company considers investment properties to be classified as AVM for valuation purposes under Solvency II.

### **Collective investment undertakings**

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 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 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 cases that the cedant deposits potentially contributing to a 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**

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.

### **Receivables (trade, not insurance)**

Receivables (trade, not insurance) are amounts owed by Group companies, business partners, etc., as well as 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 equal to fair value.

### **Insurance and intermediaries receivable**

Insurance and intermediaries receivable are amounts 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.

### **Reinsurance receivables**

Reinsurance receivables are amount due under reinsurance contracts and are valued at their account balance which equates to fair value due to the short-term nature of the balance.

### **Reinsurance recoverables**

Reinsurance recoverables (reinsurance share of technical provisions) reflect the estimated amounts which are recoverable under reinsurance contracts. Reinsurance recoverables on the Solvency II Balance Sheet are calculated in a manner consistent with the best estimate liabilities. For further details of the valuation of reinsurance recoverables, refer to section D.2.

### **Deferred tax assets**

Deferred tax assets are valued based on the tax impact of the temporary difference between the values ascribed to assets recognised and valued in accordance with Solvency II rules and the values ascribed to assets 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 are not discounted. The difference between the values of the Solvency II balance sheet deferred tax assets and the IFRS values are due to the tax impact of valuation adjustments to other assets on the balance sheet.

### **Derivatives**

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.

## **D.2. TECHNICAL PROVISIONS**

### **D.2.1. VALUATION OF NON-LIFE TECHNICAL PROVISIONS**

Under Solvency II, the Technical Provisions (TPs) are determined as a discounted Best Estimate Liability (BEL) augmented by a risk margin (RM). The BEL includes claims and premium provisions and is defined as the mean of the full range of possible future outcomes on a discounted cash flow basis, taking into account the time value of money, and with all existing contracts being valued, whether they have already incepted or are yet to incept. The RM 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.

A matching adjustment is not applied, nor is a volatility adjustment used in the calculation of the TPs. Cash flows are discounted in line with EIOPA risk-free yield curves, with no adjustment for any transitional arrangements.

### **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 2021 and 2020:

2021	Claims Provision €'000	Premium Provision €'000	Recoverables from Retrocession contracts €'000	Risk Margin €'000	Total Technical Provisions net of Recoverables €'000
Proportional motor vehicle liability reinsurance	104,674	785	(63,086)	2,485	44,858
Proportional marine, aviation and transport reinsurance	551,845	(44,944)	(350,480)	13,078	169,499
Proportional fire and other damage to property reinsurance	1,016,047	(85,796)	(618,697)	16,750	328,304
Proportional general liability reinsurance	613,493	(32,529)	(304,617)	40,634	316,981
Proportional credit and suretyship reinsurance	231,163	7,706	(164,033)	18,736	93,572
Non-proportional casualty reinsurance	1,013,762	8,689	(612,777)	116,831	526,505
Non-proportional marine, aviation and transport reinsurance	110,844	3,259	(76,740)	2,792	40,155
Non-proportional property reinsurance	524,568	(19,050)	(354,944)	27,183	177,757
Other lines of business	89,625	(103)	(52,365)	7,521	44,678
<b>Total</b>	<b>4,256,021</b>	<b>(161,983)</b>	<b>(2,597,739)</b>	<b>246,010</b>	<b>1,742,309</b>

2020	Claim Provision €'000	Premium Provision €'000	Recoverables from Retrocession contracts €'000	Risk Margin €'000	Total Technical Provisions net of Recoverables €'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
<b>Total</b>	<b>4,028,682</b>	<b>(19,176)</b>	<b>(2,495,370)</b>	<b>251,573</b>	<b>1,765,709</b>

### Best Estimate Liability

The BEL is determined gross of the amounts recoverable from retrocession contracts, which are held separately on the asset side of the Solvency II balance sheet. The valuations of best estimate provision for claims outstanding and for unearned premium are carried out separately. Projections are performed separately for the inwards and ceded business but the bases, methodology and assumptions are considered consistently.

All data is converted to euro before modelling, but the location in which the business was written and original currency of the contracts is considered for the purpose of granularity and discounting. In calculating the BEL, risks are grouped homogeneously and considered by region at Solvency II line of business, as defined under Solvency II. The calculation accounts for the lifetime of existing obligations within contract boundaries. There is no deviation in methodology between lines of business.

The BEL captures the best estimation of future cash flows relating to existing obligations for each of the claims provision and premium provision independently. Premium, losses, expenses and costs are considered separately and all cash flows are discounted using prescribed EIOPA risk-free yield curves for Solvency II reporting.

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 business, including business incepted post-technical cutoff date (PostTCO), 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 existing data sets used to estimate the BEL will not be complete as they only contain events which have already been experienced in the time frame covered by the data. An ENIDs (Events not in Data) loading is applied, which represents the gap between the existing data set and a complete data set.

### **Recoverables from retrocession contracts**

The projection of retrocession recoverables is performed separately to the projection of the inwards business. As most of the ceded business is predominantly proportional, the bases, methodology and assumptions are consistent with those for inwards business.

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 reinsurers.

### **Material Changes to Assumptions during 2021**

There have been no material changes to assumptions underlying the BEL calculation during 2021.

### **Risk Margin**

The RM is calculated by determining the cost of providing an amount of Eligible Own Funds equal to the Solvency Capital Requirement (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%.

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

The RM is considered on a standalone basis such that 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;
- 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.

### **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 are 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.

- IFRS reserves considers actual historical experience to date. Under Solvency II, we need to allow for possibilities beyond this to consider the full range of possible future outcomes, including experience which may not be captured within the historical data.
- IFRS UPR is replaced with a best estimate of the premium provision which takes into account the expected cost of claims and expenses relating to 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 premium provision also considers bound but not incepted (BBNI) contracts, which is not required in the IFRS calculation.

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

2021	Best Estimate Liability €'000	Risk Margin €'000	Solvency II Technical Provision €'000	Gross IFRS Technical Reserve €'000	Difference €'000
Proportional motor vehicle liability reinsurance	105,459	2,485	107,944	118,436	(10,492)
Proportional marine, aviation and transport reinsurance	506,902	13,078	519,980	872,071	(352,091)
Proportional fire and other damage to property reinsurance	930,250	16,750	947,000	1,487,005	(540,005)
Proportional general liability reinsurance	580,964	40,634	621,598	941,449	(319,851)
Proportional credit and suretyship reinsurance	238,869	18,736	257,605	486,569	(228,964)
Non-proportional casualty reinsurance*	1,022,452	116,831	1,139,283	1,164,317	(25,034)
Non-proportional marine, aviation and transport reinsurance	114,103	2,792	116,895	132,079	(15,184)
Non-proportional property reinsurance	505,518	27,183	532,701	605,433	(72,732)
Other lines of business	89,521	7,521	97,042	112,719	(15,677)
<b>Total</b>	<b>4,094,038</b>	<b>246,010</b>	<b>4,340,048</b>	<b>5,920,078</b>	<b>(1,580,030)</b>

2020	Best Estimate Liability €'000	Risk Margin €'000	Solvency II Technical Provision €'000	Gross IFRS Technical Reserve €'000	Difference €'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)
<b>Total</b>	<b>4,009,506</b>	<b>251,573</b>	<b>4,261,079</b>	<b>5,209,970</b>	<b>(948,891)</b>

\* 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. There is no use of management actions in assumptions supporting TPs.

## 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 2021 and 2020:

	2021			2020				
	Protection €'000	Longevity €'000	Non-Life Annuities €'000	Total €'000	Protection €'000	Longevity €'000	Non-Life Annuities €'000	Total €'000
Gross best estimate liability	992,882	(513,850)	62,599	541,631	1,153,745	(392,914)	60,220	821,051
Reinsurance recoverable	(611,994)	308,022	(37,551)	(341,523)	(712,675)	211,293	(36,114)	(537,496)
<b>Net best estimate liability</b>	<b>380,888</b>	<b>(205,828)</b>	<b>25,048</b>	<b>200,108</b>	<b>441,070</b>	<b>(181,621)</b>	<b>24,106</b>	<b>283,555</b>
Risk margin	—	—	—	257,119	—	—	—	264,303
<b>Net technical provisions</b>				<b>457,227</b>				<b>547,858</b>

## Relevant assumption and model changes

### Non-economic assumption and model changes

The key assumptions for Protection are biometric incidence rates (both base mortality or morbidity rates and improvement or deterioration) and lapse rates. For GMDB, investment return and volatility are also relevant due to the nature of the investment guarantees. The key assumptions for Longevity are base mortality and mortality improvement. Future expenses are based on the 2022 Plan. Projected expenses include an allowance for future inflation.

### Economic assumptions

The impact of economic movements was largely driven by the increase in yields and recovery of equity markets which have a favourable on BEL, particularly on 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. 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.

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. 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. A set of risk-neutral economic scenarios is provided by an external vendor.
- The segments without policy data information includes both ST and LT. 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 allocated to Solvency II line of business. There has been no changes to the approach to calculate the risk margin during 2021.

### **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 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. On the Protection side, Mortality risk is the risk of loss arising from higher than anticipated death rates under the insured portfolios.

The mortality trend risk is systemic by nature as any change in trend is likely to impact the overall book at the same time. Though, 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. A key assumption underlying TPs is in respect of future mortality improvement. Future mortality improvements are by their nature uncertain and so are a material area of expert judgement.

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 has exposure to behavioural risks such as lapse. Some segments are exposed to a decrease in lapse when others like Financing are exposed to an increase in lapse. Another behavioural risk is related to the option to switch from non-risky investments to riskier investments as part of the GMDB product. As the performance of the non-risky Euro Fund has declined over the recent years, there is more incentive to switch to Unit Linked Funds with higher anticipated returns.

The Company is directly exposed to market risk through its GMDB book. The market risk exposure has been increasing due to the growth of the two treaties open to new business. The exposure to market risks is higher because the guarantees are “at-the-money” and there is also a riskier underlying asset mix.

Finally, for ST business with long development tail, 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.

### **Simplifications used in the calculation of technical provisions**

The Company applies a number of simplifications in the calculation of TPs with the most material items being:

- 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.

### **Reinsurance recoverables**

The Company uses both external and internal retrocession. The main counterparty for the Company in respect of Life and Health SLT is PRCL another entity of the Group parent. The external retrocession arrangements in place are not material.

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.

### 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 2021 and :2020

Net of retrocession	2021					2020				
	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	622,561	98,407	32,986	—	753,954	600,290	104,114	27,941	—	732,345
Payables / receivables	(97,709)	(40,819)	—	—	(138,528)	(105,922)	(40,983)	—	—	(146,905)
UPR	486	—	—	—	486	1,675	—	—	—	1,675
Deferred acquisition costs/ Deposit accounting assets	(65,308)	—	—	—	(65,308)	(61,473)	—	—	—	(61,473)
<b>Net IFRS liability</b>	<b>460,031</b>	<b>57,588</b>	<b>32,986</b>	<b>—</b>	<b>550,604</b>	<b>434,570</b>	<b>63,131</b>	<b>27,941</b>	<b>—</b>	<b>525,642</b>
<b>Net BEL</b>	<b>380,888</b>	<b>(205,828)</b>	<b>25,048</b>	<b>257,119</b>	<b>457,228</b>	<b>441,070</b>	<b>(181,621)</b>	<b>24,106</b>	<b>264,303</b>	<b>547,858</b>
<b>Difference</b>	<b>(79,142)</b>	<b>(263,416)</b>	<b>(7,938)</b>	<b>257,119</b>	<b>(93,376)</b>	<b>6,500</b>	<b>(244,752)</b>	<b>(3,835)</b>	<b>264,303</b>	<b>22,216</b>

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 main sources of differences are listed below.

- The first one relates to profit emergence for long duration 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 contracts or FinSol business.
- Additionally, US GAAP reserving methodology for long duration contracts requires a Provision for Adverse Deviation (PAD) to be added to the 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.
- Finally, US GAAP reserving methodology for GMDDB tend to be less sensitive to economic movements than the market consistent approach used in Solvency II.

### D.3. VALUATION OF OTHER LIABILITIES

This section outlines the valuation basis and comparison for other liabilities excluding TPs as at 31 December 2021 and 2020. For reconciliation purposes, the categories listed below for the IFRS balance sheet have been aligned to those of the Solvency II balance sheet.

	2021			2020		
	Solvency II Valuation	IFRS Valuation	Variance	Solvency II Valuation	IFRS Valuation	Variance
	€'000	€'000	€'000	€'000	€'000	€'000
<b>Other liabilities</b>						
Deposits from reinsurers	818,254	818,254	—	742,164	742,164	—
Payables (trade, not insurance)	153,235	153,235	—	234,235	234,235	—
Reinsurance payables	169,961	169,961	—	102,665	102,665	—
Insurance and intermediaries payables	43,958	43,958	—	45,405	45,405	—
Deferred tax liabilities	53,144	90,491	(37,347)	35,276	78,090	(42,814)
Pension benefit obligations	433	433	—	454	454	—
Other liabilities	55,483	55,483	—	39,845	39,845	—
Derivative liability	2,753,803	2,753,803	—	2,611,881	2,611,881	—
<b>Total other liabilities</b>	<b>4,048,271</b>	<b>4,085,618</b>	<b>(37,347)</b>	<b>3,811,925</b>	<b>3,854,739</b>	<b>(42,814)</b>

### Deposits from reinsurers

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 as these balances are considered current.

### Payables (trade, not insurance)

Payables (trade, not insurance) are amounts due to Group companies, business partners, etc., as well as payables 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.

### Reinsurance payables

Reinsurance payables are amounts 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.

### Insurance and intermediaries payables

Insurance and intermediaries payables are amounts 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.

### Deferred tax liabilities

Deferred tax liabilities are valued based on the tax impact of the temporary difference between the values ascribed to liabilities recognised and valued in accordance with Solvency II rules and the values ascribed to liabilities as recognised and valued for tax purposes.

Deferred tax liabilities are not discounted. The difference between the values of the Solvency II balance sheet deferred tax liabilities and the IFRS values are due to the tax impact of valuation adjustments to other liabilities on the balance sheet.

## D.4. ALTERNATIVE METHODS FOR VALUATION

In certain circumstances for some assets and liabilities an alternative method of valuation is used to determine the value. These methods are applied where the valuation is not possible to determine using the default method i.e. QMP or QMPS. All valuation methods applied have been explained within the relevant sections in D.1. Assets and D.3. Other liabilities.

## D.5. ANY OTHER INFORMATION

There is no other material information regarding the valuation of assets and liabilities for solvency purposes.

## 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 time horizon used for business planning is three years, which aligns with the ORSA and the business plan.

The following table shows a breakdown of the total Solvency II Own Funds as at 31 December 2021 and 2020:

	Tier 1 - unrestricted funds €'000	Tier 3 €'000	Total €'000
<b>2021</b>			
Ordinary share capital	245,092	—	245,092
Reconciliation reserve	1,236,281	—	1,236,281
Net deferred tax liabilities	—	—	—
Other Own Funds approved by the supervisory authority	941,788	—	941,788
<b>Total Solvency II Own Funds</b>	<b>2,423,161</b>	<b>—</b>	<b>2,423,161</b>
	Tier 1 - unrestricted funds €'000	Tier 3 €'000	Total €'000
<b>2020</b>			
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
<b>Total Solvency II Own Funds</b>	<b>2,084,711</b>	<b>53,015</b>	<b>2,137,726</b>

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 2021 or 2020.

#### 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 2021 and 2020:

	2021 €'000	2020 €'000
<b>IFRS Shareholders' Equity</b>	<b>2,625,899</b>	<b>2,492,898</b>
Goodwill	(215,763)	(198,949)
Revaluation of investments	40,903	50,970
Revaluation of non-life reserves	(159,413)	(291,772)
Revaluation of life reserves	67,612	(42,114)
Revaluation of other assets and liabilities	63,923	126,693
<b>Solvency II Own Funds</b>	<b>2,423,161</b>	<b>2,137,726</b>
<b>Change in equity</b>	<b>(202,738)</b>	<b>(355,172)</b>

- Goodwill of €216m (2020: €199m) is valued at zero under Solvency II rules so reduces shareholders' equity compared to IFRS. The movement of €17.4m is due to foreign exchange rate movements.
- In the majority of cases, the Company values the majority of its investments at fair value in its IFRS financial statements so the IFRS value is the same at the Solvency II value. Differences arise in the valuation of deposit to cedants. 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. of this report 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.1. and D.3. for further details of the valuation basis for other assets and liabilities, respectively.
- A detailed line-by-line Solvency II balance sheet is provided in the Quantitative Reporting Template (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 2021 are €1,654m and €414m (2020: €1,431m and €360m) respectively.

The table below shows the components of the SCR (using the Standard Formula) as at 31 December 2021 and 2020.

	2021 €'000	2020 €'000
Market risk	779,635	481,318
Counterparty default risk	278,581	295,546
Life underwriting risks	470,270	440,097
Health underwriting risk	72,360	51,597
Non-life underwriting risk	801,602	773,195
<b>Sum of risk components</b>	<b>2,402,448</b>	<b>2,041,753</b>
Diversification effects	(820,391)	(699,646)
<b>BSCR</b>	<b>1,582,057</b>	<b>1,342,107</b>
Adjustment for the loss absorbing effect of deferred taxes	(53,123)	(35,048)
SCR operational risk	125,258	123,980
<b>SCR</b>	<b>1,654,192</b>	<b>1,431,039</b>
<b>Solvency II Own Funds</b>	<b>2,423,161</b>	<b>2,137,726</b>
<b>Ratio of eligible Own Funds to SCR</b>	146 %	149 %

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 146% (2020:149%), which represents an excess of own funds over SCR of €769m (2020: €707m), a reduction in the ratio coverage when compared to 2020 of 3%. The decrease in the SII ratio is driven by the increase in the SCR.

The SCR has increased by €223m 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, spread and currency risks,
- An increase in the non-life underwriting risk charge predominately due to an increase in premium risk,
- An increase in the life underwriting risk charge due to an increase in EUR and GBP yields, new business over the year partially offset by run-off of existing business and a weakening of the Euro against GBP, offset by;
- A decrease in the counterparty default risk charge mainly driven by a reduction in deposits with cedants partially offset by an increase in receivables,
- 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 applies the following simplifications:

- Calculation of risk mitigation effect of risk mitigation techniques and the risk adjusted value of collateral within counterparty default risk. Applying this simplification approach has no material impact on the SCR.

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 2021 and 2020:

	2021 €'000	2020 €'000
Linear MCR	382,707	359,733
SCR	1,654,192	1,431,039
MCR cap	744,386	643,967
MCR floor	413,548	357,760
Combined MCR	413,548	359,733
Absolute floor of the MCR	3,600	3,600
<b>MCR</b>	<b>413,548</b>	<b>359,733</b>

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. The increase in the MCR is therefore driven by the increase in the SCR described above.

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

See QRT 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.

### **E.6. ANY OTHER INFORMATION**

There is no other material information regarding capital management.

**Annex I**  
**SE.02.01.01**  
**Balance Sheet**  
**31 December 2021**

	<b>Solvency II value</b>
	<b>C0010</b>
<b>Assets</b>	
Goodwill	<b>R0010</b>
Deferred acquisition costs	<b>R0020</b>
Intangible assets	<b>R0030</b> 0.00
Deferred tax assets	<b>R0040</b> 29,433,045.06
Pension benefit surplus	<b>R0050</b> 0.00
Property, plant & equipment held for own use	<b>R0060</b> 65,672,123.40
Investments (other than assets held for index-linked and unit-linked contracts)	<b>R0070</b> 7,401,570,534.02
Property (other than for own use)	<b>R0080</b> 59,642,292.83
Holdings in related undertakings, including participations	<b>R0090</b> 117,815,928.50
Equities	<b>R0100</b> 41,725,092.88
Equities - listed	<b>R0110</b> 39,760,606.58
Equities - unlisted	<b>R0120</b> 1,964,486.30
Bonds	<b>R0130</b> 4,171,263,585.40
Government Bonds	<b>R0140</b> 1,095,949,216.19
Corporate Bonds	<b>R0150</b> 2,650,618,653.03
Structured notes	<b>R0160</b> 0.00
Collateralised securities	<b>R0170</b> 424,695,716.18
Collective Investments Undertakings	<b>R0180</b> 233,065,828.33
Derivatives	<b>R0190</b> 2,757,302,279.06
Deposits other than cash equivalents	<b>R0200</b> 20,755,527.02
Other investments	<b>R0210</b> 0.00
Assets held for index-linked and unit-linked contracts	<b>R0220</b> 0.00
Loans and mortgages	<b>R0230</b> 353,025,657.96
Loans on policies	<b>R0240</b> 0.00
Loans and mortgages to individuals	<b>R0250</b> 0.00
Other loans and mortgages	<b>R0260</b> 353,025,657.96
Reinsurance recoverables from:	<b>R0270</b> 2,939,263,551.25
Non-life and health similar to non-life	<b>R0280</b> 2,597,740,470.22
Non-life excluding health	<b>R0290</b> 2,566,365,100.47
Health similar to non-life	<b>R0300</b> 31,375,369.75
Life and health similar to life, excluding health and index-linked and unit-linked	<b>R0310</b> 341,523,081.03
Health similar to life	<b>R0320</b> 53,135,915.63
Life excluding health and index-linked and unit-linked	<b>R0330</b> 288,387,165.40
Life index-linked and unit-linked	<b>R0340</b> 0.00
Deposits to cedants	<b>R0350</b> 472,687,175.57
Insurance and intermediaries receivables	<b>R0360</b> 115,182,507.58
Reinsurance receivables	<b>R0370</b> 74,012,499.38
Receivables (trade, not insurance)	<b>R0380</b> 40,117,772.25
Own shares	<b>R0390</b> 0.00
Amounts due in respect of own fund items or initial fund called up but not yet paid in	<b>R0400</b> 0.00
Cash and cash equivalents	<b>R0410</b> 118,987,961.91
Any other assets, not elsewhere shown	<b>R0420</b> 628,970.04
<b>Total assets</b>	<b>R0500</b> 11,610,581,798.42



	<b>Solvency II value</b>
	<b>C0010</b>
<b>Liabilities</b>	
Technical provisions - non-life	R0510 4,340,047,316.49
Technical provisions - non-life (excluding health)	R0520 4,274,101,234.77
TP calculated as a whole	R0530 0.00
Best Estimate	R0540 4,035,120,788.92
Risk margin	R0550 238,980,445.85
Technical provisions - health (similar to non-life)	R0560 65,946,081.73
TP calculated as a whole	R0570 0.00
Best Estimate	R0580 58,916,879.45
Risk margin	R0590 7,029,202.27
Technical provisions - life (excluding index-linked and unit-linked)	R0600 798,750,718.21
Technical provisions - health (similar to life)	R0610 120,513,351.38
TP calculated as a whole	R0620 0.00
Best Estimate	R0630 104,008,660.58
Risk margin	R0640 16,504,690.80
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650 678,237,366.83
TP calculated as a whole	R0660 0.00
Best Estimate	R0670 437,622,918.52
Risk margin	R0680 240,614,448.31
Technical provisions - index-linked and unit-linked	R0690 0.00
TP calculated as a whole	R0700 0.00
Best Estimate	R0710 0.00
Risk margin	R0720 0.00
Other technical provisions	R0730
Contingent liabilities	R0740 351,884.79
Provisions other than technical provisions	R0750 0.00
Pension benefit obligations	R0760 433,358.00
Deposits from reinsurers	R0770 818,254,077.65
Deferred tax liabilities	R0780 53,144,275.24
Derivatives	R0790 2,753,803,321.09
Debts owed to credit institutions	R0800 0.00
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 0.00
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 43,958,011.02
Reinsurance payables	R0830 169,960,575.13
Payables (trade, not insurance)	R0840 153,235,489.59
Subordinated liabilities	R0850 0.00
Subordinated liabilities not in basic own funds	R0860 0.00
Subordinated liabilities in basic own funds	R0870 0.00
Any other liabilities, not elsewhere shown	R0880 55,482,837.81
<b>Total liabilities</b>	R0900 9,187,421,865.03
<b>Excess of assets over liabilities</b>	R1000 2,423,159,933.39



Annex I  
S.05.01.02  
Premiums, Claims and Expenses by line of business  
31 December 2021

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
<b>Premiums written</b>								
Gross	R1410					72,959,321.51	770,338,833.96	843,298,155.47
Reinsurers' share	R1420					46,855,653.51	476,221,697.67	523,077,351.18
Net	R1500					26,103,668.00	294,117,136.29	320,220,804.29
<b>Premiums earned</b>								
Gross	R1510					73,429,296.99	774,146,926.00	847,576,222.99
Reinsurers' share	R1520					47,227,556.67	478,815,022.92	526,042,579.59
Net	R1600					26,201,740.32	295,331,903.08	321,533,643.40
<b>Claims incurred</b>								
Gross	R1610					47,427,695.80	646,966,362.44	694,394,058.24
Reinsurers' share	R1620					31,294,790.17	403,795,425.77	435,090,215.94
Net	R1700					16,132,905.63	243,170,936.67	259,303,842.30
<b>Changes in other technical provisions</b>								
Gross	R1710					0.00	0.00	0.00
Reinsurers' share	R1720					0.00	0.00	0.00
Net	R1800					0.00	0.00	0.00
<b>Expenses incurred</b>	R1900					6,699,533.11	37,744,248.31	44,443,781.42
<b>Other expenses</b>	R2500							
<b>Total expenses</b>	R2600							44,443,781.42
<b>Total amount of surrenders</b>	R2700							

Annex I  
S.05.02.01  
Premiums, Claims and Expenses by country  
31 December 2021

	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	(FR) France	(CH) Switzerland	
	C0080	C0140	C0090	C0090	C0090	C0090	C0090	
<b>Premiums written</b>								
Gross - Direct Business	R0110	0.00	0.00	0.00	0.00	0.00	0.00	
Gross - Proportional reinsurance accepted	R0120	21,186,308.77	1,409,945,273.07	630,840,031.37	406,014,972.32	242,481,613.95	56,028,044.25	53,394,302.41
Gross - Non-proportional reinsurance accepted	R0130	1,911,421.40	252,283,267.41	64,499,889.41	92,577,775.57	32,622,244.03	38,488,727.89	22,183,209.12
Reinsurers' share	R0140	14,189,315.58	1,119,469,473.51	464,202,994.87	344,689,234.02	177,626,087.96	66,142,984.12	52,618,856.96
Net	R0200	8,908,414.59	542,759,066.97	231,136,925.91	153,903,513.87	97,477,770.02	28,373,788.02	22,958,654.56
<b>Premiums earned</b>								
Gross - Direct Business	R0210	0.00	0.00	0.00	0.00	0.00	0.00	
Gross - Proportional reinsurance accepted	R0220	49,098,061.10	1,202,283,027.59	503,778,418.73	362,521,576.82	179,041,508.49	51,170,290.95	56,673,171.50
Gross - Non-proportional reinsurance accepted	R0230	1,986,064.59	254,318,848.58	70,093,448.61	91,723,583.79	31,929,723.00	35,902,804.95	22,683,223.64
Reinsurers' share	R0240	30,442,170.10	978,674,734.33	385,121,216.93	309,941,700.11	139,107,349.39	59,964,694.81	54,097,603.00
Net	R0300	20,641,955.59	477,927,141.85	188,750,650.42	144,303,460.50	71,863,882.10	27,108,401.09	25,258,792.14
<b>Claims incurred</b>								
Gross - Direct Business	R0310	0.00	0.00	0.00	0.00	0.00	0.00	
Gross - Proportional reinsurance accepted	R0320	43,253,423.77	641,521,842.33	265,422,021.43	171,246,741.82	136,156,332.51	21,345,782.34	4,097,540.46
Gross - Non-proportional reinsurance accepted	R0330	-948,849.95	165,105,533.75	35,312,121.27	105,085,710.84	-6,259,547.55	13,294,057.90	18,622,041.23
Reinsurers' share	R0340	26,989,608.68	567,536,771.13	210,384,564.59	194,218,292.47	92,505,117.31	25,007,437.93	18,431,750.15
Net	R0400	15,314,965.15	239,090,604.95	90,349,578.11	82,114,160.19	37,391,667.64	9,632,402.32	4,287,831.55
<b>Changes in other technical provisions</b>								
Gross - Direct Business	R0410	0.00	0.00	0.00	0.00	0.00	0.00	
Gross - Proportional reinsurance accepted	R0420	0.00	0.00	0.00	0.00	0.00	0.00	
Gross - Non-proportional reinsurance accepted	R0430	0.00	0.00	0.00	0.00	0.00	0.00	
Reinsurers' share	R0440	0.00	0.00	0.00	0.00	0.00	0.00	
Net	R0500	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Expenses incurred</b>	R0550	6,692,568.10	157,126,047.77	71,063,469.93	43,427,700.82	25,423,326.68	6,987,712.89	3,531,269.36
<b>Other expenses</b>	R1200							
<b>Total expenses</b>	R1300		157,126,047.77					

Annex I  
S.05.02.01  
Premiums, Claims and Expenses by country  
31 December 2021

	Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations					
			(GB) United Kingdom	(FR) France	(AU) Australia	(BM) Bermuda	(JP) Japan	
	C0220	C0280	C0230	C0230	C0230	C0230	C0230	
<b>R1400</b>								
<b>Premiums written</b>								
Gross	R1410	78,360,359.13	766,815,446.80	462,229,638.01	101,823,683.23	56,665,001.65	52,281,102.84	15,455,661.93
Reinsurers' share	R1420	47,847,626.10	476,592,763.09	288,736,477.29	62,797,191.21	34,433,759.02	32,974,688.52	9,803,020.94
Net	R1500	30,512,733.03	290,222,683.71	173,493,160.71	39,026,492.02	22,231,242.63	19,306,414.32	5,652,641.00
<b>Premiums earned</b>								
Gross	R1510	78,191,751.34	767,930,456.78	462,257,005.94	102,796,208.54	56,864,813.80	52,281,102.84	15,539,574.32
Reinsurers' share	R1520	47,804,513.95	477,594,506.88	288,855,517.52	63,506,288.40	34,593,679.22	32,974,693.28	9,859,814.52
Net	R1600	30,387,237.39	290,335,949.89	173,401,488.42	39,289,920.14	22,271,134.58	19,306,409.57	5,679,759.80
<b>Claims incurred</b>								
Gross	R1610	72,205,447.05	680,110,551.25	444,040,984.44	54,938,835.59	53,834,396.89	50,264,598.34	4,826,288.93
Reinsurers' share	R1620	43,974,526.74	425,782,210.01	277,835,203.00	33,592,370.00	35,453,016.30	31,950,738.01	2,976,355.96
Net	R1700	28,230,920.31	254,328,341.24	166,205,781.44	21,346,465.60	18,381,380.60	18,313,860.33	1,849,932.97
<b>Changes in other technical provisions</b>								
Gross	R1710	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reinsurers' share	R1720	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net	R1800	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Expenses incurred</b>	R1900	6,240,032.98	37,923,036.04	14,515,883.39	8,626,552.11	3,894,819.09	3,299,885.71	1,345,862.77
<b>Other expenses</b>	R2500							
<b>Total expenses</b>	R2600		37,923,036.04					



Annex I  
S.17.01.02  
Non-Life Technical Provisions  
31 December 2021

	Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation		
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance	
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0170	C0180
Technical provisions calculated as a whole																		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole																		
Technical provisions calculated as a sum of BE and RM																		
Best Estimate																		
Premium provisions																		
Gross - Total	R0060	-	18,063	- 369,125	785,021	57,194	- 44,942,609	- 85,796,677	- 32,529,764	7,705,622	-	-	-	190,566	8,689,119	3,258,045	- 19,049,649	- 161,984,195
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	56,661	- 156,391	1,408,012	183,528	- 27,465,236	- 42,428,117	- 1,395,301	20,099,670	-	-	-	146,593	8,157,034	2,627,975	- 9,366,066	- 48,131,637
Net Best Estimate of Premium Provisions	R0150	-	38,599	- 212,734	622,991	126,334	- 17,477,374	- 43,368,559	- 31,134,463	- 12,394,048	-	-	-	43,973	532,085	630,070	- 9,683,583	- 113,852,557
Claims provisions																		
Gross - Total	R0160	-	8,338,527	3,827,847	104,674,007	30,547,795	551,844,713	1,016,046,756	613,493,385	231,163,400	-	-	-	46,911,001	1,013,762,386	110,844,482	524,567,561	4,256,021,863
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	4,995,314	2,638,967	61,678,226	20,806,402	377,945,471	661,124,798	306,012,702	143,932,996	-	-	-	23,694,225	604,620,270	74,112,298	364,310,438	2,645,872,108
Net Best Estimate of Claims Provisions	R0250	-	3,343,213	1,188,880	42,995,781	9,741,392	173,899,242	354,921,960	307,480,683	87,230,404	-	-	-	23,216,776	409,142,116	36,732,184	160,257,123	1,610,149,755
Total Best estimate - gross	R0260	-	8,356,590	3,458,722	105,459,028	30,604,989	506,902,103	930,250,082	580,963,622	238,869,022	-	-	-	47,101,567	1,022,451,504	114,102,527	505,517,912	4,094,037,668
Total Best estimate - net	R0270	-	3,304,615	976,146	42,372,790	9,615,058	156,421,868	311,553,401	276,346,220	74,836,356	-	-	-	23,260,749	409,674,201	37,362,254	150,573,540	1,496,297,198
Risk margin	R0280	-	156,450	340,905	2,484,760	491,119	13,077,540	16,750,155	40,634,425	18,736,141	-	-	-	6,531,847	116,830,877	2,792,357	27,183,070	246,009,648
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	-	8,513,040	3,799,627	107,943,788	31,096,108	519,979,643	947,000,237	621,598,047	257,605,163	-	-	-	53,633,414	1,139,282,382	116,894,884	532,700,982	4,340,047,316
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	5,051,975	2,482,576	63,086,238	20,989,931	350,480,235	618,696,681	304,617,401	164,032,666	-	-	-	23,840,818	612,777,303	76,740,274	354,944,372	2,597,740,470
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	-	3,461,065	1,317,051	44,857,550	10,106,178	169,499,408	328,303,557	316,980,646	93,572,497	-	-	-	29,792,596	526,505,079	40,154,610	177,756,610	1,742,306,846

Annex I  
S.19.01.21  
Non-Life Insurance Claims Information  
Gross Claims Paid (non-cumulative) - Development year  
(absolute amount)  
€'000

		-	1	2	3	4	5	6	7	8	9	10
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											48,176
N-9	R0160	54,797	309,424	184,510	89,886	52,003	41,614	23,391	16,095		7,703	
N-8	R0170	38,491	305,008	202,573	112,914	62,840	59,825	46,122	28,533	14,390		
N-7	R0180	30,596	331,630	191,419	135,693	63,379	54,051	52,649	29,610			
N-6	R0190	33,389	344,486	288,591	139,946	97,733	61,907	45,344				
N-5	R0200	2,896	332,218	203,600	138,243	65,424	46,931					
N-4	R0210	35,690	339,573	267,246	148,455	72,089						
N-3	R0220	21,519	333,610	231,913	133,345							
N-2	R0230	15,668	302,618	245,863								
N-1	R0240	41,074	258,072									
N	R0250	-16,251										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	48,176	48,176
N-9	R0160	7,703	789,072
N-8	R0170	14,390	870,697
N-7	R0180	29,610	889,027
N-6	R0190	45,344	1,011,396
N-5	R0200	46,931	789,312
N-4	R0210	72,089	863,053
N-3	R0220	133,345	720,386
N-2	R0230	245,863	564,149
N-1	R0240	258,072	299,146
N	R0250	-16,251	-16,251
Total	R0260	885,271	6,828,165

Gross undiscounted Best Estimate Claims Provisions - Development year  
(absolute amount)  
€'000

		0	1	2	3	4	5	6	7	8	9	10
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											719,886
N-9	R0160	0	0	0	0	229,512	188,929	154,626	137,486	105,231	92,202	
N-8	R0170	0	0	0	343,636	308,744	252,960	205,022	149,944	129,975		
N-7	R0180	0	0	482,698	382,609	315,891	274,606	197,152	176,656			
N-6	R0190	0	667,022	512,255	383,605	285,219	235,781	208,725				
N-5	R0200	504,804	620,794	490,073	354,738	263,432	251,284					
N-4	R0210	521,793	646,936	511,693	369,490	329,409						
N-3	R0220	446,176	704,559	627,808	539,198							
N-2	R0230	393,712	774,745	676,753								
N-1	R0240	475,669	772,286									
N	R0250	505,963										

		Year end (discounted data)
		C0360
Prior	R0100	701,659
N-9	R0160	88,481
N-8	R0170	124,893
N-7	R0180	168,547
N-6	R0190	199,112
N-5	R0200	238,674
N-4	R0210	315,800
N-3	R0220	518,726
N-2	R0230	655,833
N-1	R0240	750,874
N	R0250	493,421
Total	R0260	4,256,022



Annex I  
S.23.01.01  
Own funds  
31 December 2021

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

Ordinary share capital (gross of own shares)  
Share premium account related to ordinary share capital  
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings  
Subordinated mutual member accounts  
Surplus funds  
Preference shares  
Share premium account related to preference shares  
Reconciliation reserve  
Subordinated liabilities  
An amount equal to the value of net deferred tax assets  
Other own fund items approved by the supervisory authority as basic own funds not specified above

**Own funds from the financial statements that 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

**Deductions**

Deductions for participations in financial and credit institutions

**Total basic own funds after deductions**

**Ancillary own funds**

Unpaid and uncalled ordinary share capital callable on demand

Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand

Unpaid and uncalled preference shares callable on demand

A legally binding commitment to subscribe and pay for subordinated liabilities on demand

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC

Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC

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

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

Other ancillary own funds

**Total ancillary own funds**

**Available and eligible own funds**

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

**SCR**

**MCR**

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

**Reconciliation reserve**

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

**Reconciliation reserve**

**Expected profits**

Expected profits included in future premiums (EPIFP) - Life business

Expected profits included in future premiums (EPIFP) - Non-life business

**Total EPIFP**

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	245,091,505.00	245,091,505.00			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	1,236,280,526.00	1,236,280,526.00			
R0140					
R0160	0.00				0.00
R0180	941,787,902.00	941,787,902.00			
R0220	0.00				
R0230					
R0290	2,423,159,933.00	2,423,159,933.00			0.00
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	2,423,159,933.00	2,423,159,933.00			0.00
R0510	2,423,159,933.00	2,423,159,933.00			
R0540	2,423,159,933.00	2,423,159,933.00			0.00
R0550	2,423,159,933.00	2,423,159,933.00			
R0580	1,654,192,170.00				
R0600	413,548,042.00				
R0620	146.4860%				
R0640	585.9440%				
	<b>C0060</b>				
R0700	2,423,159,933.00				
R0710					
R0720					
R0730	1,186,879,407.00				
R0740	0.00				
R0760	1,236,280,526.00				
R0770	1,118,467,872.00				
R0780	513,777,607.00				
R0790	1,632,245,479.00				

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 779,634,943.41	779,634,943.41	0.00
Counterparty default risk	R0020 278,580,698.85	278,580,698.85	0.00
Life underwriting risk	R0030 470,270,210.10	470,270,210.10	0.00
Health underwriting risk	R0040 72,360,412.98	72,360,412.98	0.00
Non-life underwriting risk	R0050 801,602,185.84	801,602,185.84	0.00
Diversification	R0060 -820,391,671.80	-820,391,671.80	
Intangible asset risk	R0070 0.00	0.00	
<b>Basic Solvency Capital Requirement</b>	R0100 1,582,056,779.37	1,582,056,779.37	

**Calculation of Solvency Capital Requirement**

Adjustment due to RFF/MAP nSCR aggregation  
Operational risk  
Loss-absorbing capacity of technical provisions  
Loss-absorbing capacity of deferred taxes  
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC  
**Solvency Capital Requirement excluding capital add-on**  
Capital add-on already set  
**Solvency capital requirement**  
**Other information on SCR**  
Capital requirement for duration-based equity risk sub-module  
Total amount of Notional Solvency Capital Requirements for remaining part  
Total amount of Notional Solvency Capital Requirement for ring fenced funds  
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios  
Diversification effects due to RFF nSCR aggregation for article 304

	C0100
R0120	0.00
R0130	125,258,472.16
R0140	0.00
R0150	-53,123,081.77
R0160	0.00
R0200	1,654,192,169.76
R0210	0.00
R0220	1,654,192,169.76
R0400	0.00
R0410	0.00
R0420	0.00
R0430	0.00
R0440	0.00

Annex I  
S.28.01.01  
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity  
31 December 2021

Linear formula component for non-life insurance and reinsurance obligations

	C0010		Net (of reinsurance/SPV) best estimate and TP calculated as a whole		Net (of reinsurance) written premiums in the last 12 months	
	R0010		C0020		C0030	
MCRNL Result		290,145,775.82				
Medical expense insurance and proportional reinsurance	R0020		0.00		0.00	
Income protection insurance and proportional reinsurance	R0030		3,304,614.73		2,522,516.70	
Workers' compensation insurance and proportional reinsurance	R0040		976,145.89		3,250,501.86	
Motor vehicle liability insurance and proportional reinsurance	R0050		42,372,789.69		5,768,137.23	
Other motor insurance and proportional reinsurance	R0060		9,615,058.12		2,590,326.52	
Marine, aviation and transport insurance and proportional reinsurance	R0070		156,421,867.90		115,073,110.80	
Fire and other damage to property insurance and proportional reinsurance	R0080		311,553,401.19		202,686,673.96	
General liability insurance and proportional reinsurance	R0090		276,346,220.43		192,465,824.79	
Credit and suretyship insurance and proportional reinsurance	R0100		74,836,355.97		48,937,055.87	
Legal expenses insurance and proportional reinsurance	R0110		0.00		0.00	
Assistance and proportional reinsurance	R0120		0.00		0.00	
Miscellaneous financial loss insurance and proportional reinsurance	R0130		0.00		0.00	
Non-proportional health reinsurance	R0140		23,260,749.09		1,481,022.53	
Non-proportional casualty reinsurance	R0150		409,674,201.23		34,460,166.30	
Non-proportional marine, aviation and transport reinsurance	R0160		37,362,253.67		12,085,443.89	
Non-proportional property reinsurance	R0170		150,573,540.24		74,282,509.33	

Linear formula component for life insurance and reinsurance obligations

	C0040		Net (of reinsurance/SPV) best estimate and TP calculated as a whole		Net (of reinsurance/SPV) total capital at risk	
	R0200		C0050		C0060	
MCRL Result		92,561,097.74				
Obligations with profit participation - guaranteed benefits	R0210		0.00			
Obligations with profit participation - future discretionary benefits	R0220		0.00			
Index-linked and unit-linked insurance obligations	R0230		0.00			
Other life (re)insurance and health (re)insurance obligations	R0240		200,108,498.08			
Total capital at risk for all life (re)insurance obligations	R0250				126,226,884,690.55	

Overall MCR calculation

	C0070	
Linear MCR	R0300	382,706,873.57
SCR	R0310	1,654,192,169.76
MCR cap	R0320	744,386,476.39
MCR floor	R0330	413,548,042.44
Combined MCR	R0340	413,548,042.44
Absolute floor of the MCR	R0350	3,600,000.00
<b>Minimum Capital Requirement</b>	<b>R0400</b>	<b>413,548,042.44</b>