

Partner Reinsurance Europe SE

2016

Solvency and Financial Condition Report

| CONTENTS | PAGE |
|---|-----------|
| Summary | <u>2</u> |
| A. Business and Performance | <u>4</u> |
| A.1. Business | <u>4</u> |
| A.2. Underwriting performance | <u>5</u> |
| A.3. Investment performance | <u>7</u> |
| A.4. Performance of other activities | <u>7</u> |
| B. System of Governance | <u>8</u> |
| B.1. General Information on the System of Governance | <u>8</u> |
| B.2. Fit and proper policies and procedures | <u>13</u> |
| B.3. Risk management system including the Own Risk and Solvency Assessment | <u>14</u> |
| B.4. Internal control system | <u>17</u> |
| B.5. Internal audit function | <u>19</u> |
| B.6. Actuarial function | <u>20</u> |
| B.7. Outsourcing | <u>20</u> |
| C. Risk Profile | <u>22</u> |
| C.1. Underwriting risk | <u>22</u> |
| C.2. Market risk | <u>25</u> |
| C.3. Credit risk | <u>28</u> |
| C.4. Liquidity risk | <u>28</u> |
| C.5. Operational risk | <u>29</u> |
| C.6. Other material risks | <u>30</u> |
| C.7. Any other information | <u>31</u> |
| D. Valuation of the Solvency II Balance Sheet | <u>32</u> |
| D.1. Valuation of assets | <u>32</u> |
| D.2. Technical provisions | <u>35</u> |
| D.3. Valuation of other assets and liabilities | <u>46</u> |
| E. Capital Management | <u>48</u> |
| E.1. Own Funds | <u>48</u> |
| E.2. Solvency Capital Requirement and Minimum Capital Requirement | <u>49</u> |
| E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement. | <u>51</u> |
| E.4. Differences between the standard formula and any internal model used | <u>51</u> |
| E.5. Non-compliance with capital requirements | <u>51</u> |
| E.6. Any other information | <u>51</u> |
| Annex – Quantitative Reporting Templates | |
| S.02.01.02 - Balance Sheet | |
| S.05.01.02 - Premiums, claims and expenses by line of business | |
| S.05.02.01 - Premiums, claims and expenses by country | |
| S.12.01.02 - Life and Health SLT Technical Provisions | |
| S.23.01.01 - Own Funds | |
| S.25.01.21 - Solvency Capital Requirement | |
| S.28.01.01 - Minimum Capital Requirement | |

SUMMARY

Partner Reinsurance Europe SE (the "Company" or "PRESE") is an Irish based reinsurance company that writes non-life and life reinsurance business with cedants on a worldwide basis. The Company is regulated by the Central Bank of Ireland ("CBI"). It is part of the PartnerRe Group. On 18 March 2016 the PartnerRe Group was acquired by EXOR N.V ("EXOR"), a Dutch public limited liability company which is listed on the Borsa Italiana's Italian Stock Exchange. See section A.1. of this report for further details about the business of the Company.

The Company earned a post tax profit of €56 million in 2016, which included an underwriting profit, after expenses, of €25 million. See sections A.2., A.3. and A.4. for a discussion of the performance of the Company during the year.

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

The core of the Company's business model is the assumption and management of risk. The Company is exposed to underwriting, market, credit, liquidity and operational risks. See section C of this report for details of the Company's risk profile. During the year the Company substantially reduced its exposures to equity and reduced its net exposure to foreign exchange risk.

The Company had total Own Funds in its Solvency II balance sheet of €1,584 million at 31 December 2016. The assets and liabilities in the Solvency II balance sheet were valued using Solvency II valuation rules. The Solvency II valuation rules are different, in some areas, than those used in the Company's IFRS financial statements, with the valuation of technical provisions being the major area of difference. See section D for more detail on the valuation methods, bases and assumptions of assets and liabilities in the Solvency II balance sheet as well as a comparison to IFRS. There were no significant changes to the valuation basis of the Company's assets and liabilities during the year.

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

| | Tier 1 - unrestricted funds |
|---|------------------------------------|
| | €'000 |
| Ordinary share capital | 10,127 |
| Reconciliation reserve | 681,641 |
| Other own funds approved by the supervisory authority | 891,788 |
| Total Solvency II Own Funds | <u>1,583,556</u> |

All of the Company's Solvency II Own Funds are classified as Tier 1 - unrestricted funds and are fully available to cover the Minimum Capital Requirement ("MCR") and Solvency Capital Requirement ("SCR"). See section E of this report for further details on the Company's Solvency II Own Funds as well as the objectives, policies and processes for managing capital and a reconciliation of Solvency II Own Funds to IFRS net equity. There have been no material changes in the Company's capital management objectives, policies and processes during the year.

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

| | €'000 |
|---|--------------|
| MCR | 450,378 |
| SCR | 1,369,240 |
| Solvency II Own Funds | 1,583,556 |
| Ratio of Eligible Own Funds to SCR | 116% |

The Company has €465 million of reserves, related to the purchase of Paris Re, included in its SCR calculation for underwriting risk in respect of reserves that are fully guaranteed under a reserve agreement with the Axa Group, through ColiseeRe ("guaranteed reserves").

Until year end 2016 the Company had excluded these reserves from its solvency calculations. The Solvency II capital charge related to these reserves impacts the Non-Life Underwriting and Counterparty risk, as well as the risk margin. The Ratio of Eligible Own Funds to SCR adjusted to exclude these guaranteed reserves would have been 126%.

See sections D.2.1. of this report for further details of the guaranteed reserves. See section E.2. for further details of the breakdown of the SCR between the different risk modules and details of the calculation of the MCR.

In March 2017, the Company's parent made an additional investment of €235 million of share capital in the Company. This increased the Company's Ratio of Eligible Own Funds to SCR to 128%, using the 31 December 2016 Solvency II balance sheet and a roll forward of the SCR.

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

Partner Reinsurance Europe SE is a European public limited company incorporated and domiciled in Ireland. The registered office is: 5th Floor, Block 1, The Oval, 160 Shelbourne Road, Dublin 4, Ireland.

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 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 Company's principal offices are located in Ireland, France, Switzerland, Hong Kong, United Arab Emirates and the United Kingdom. On 1 January 2016, the Company's Labuan branch novated its reinsurance assets and liabilities to the Labuan branch of Partner Reinsurance Asia Pte Ltd ("PRA"). The branch was dissolved on 31 May 2016.

The Company has investments in subsidiaries in Brazil and Miami. Partner Reinsurance Europe SE - Escritório de Representação no Brasil Ltda. ("PRE Brazil") acts as a representative office for the Company. Partner Re Miami, Inc. ("PRE Miami") acts as a reinsurance intermediary and provides services for the Company. Both subsidiaries are immaterial for separate reporting in the Company's Solvency II balance sheet.

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

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

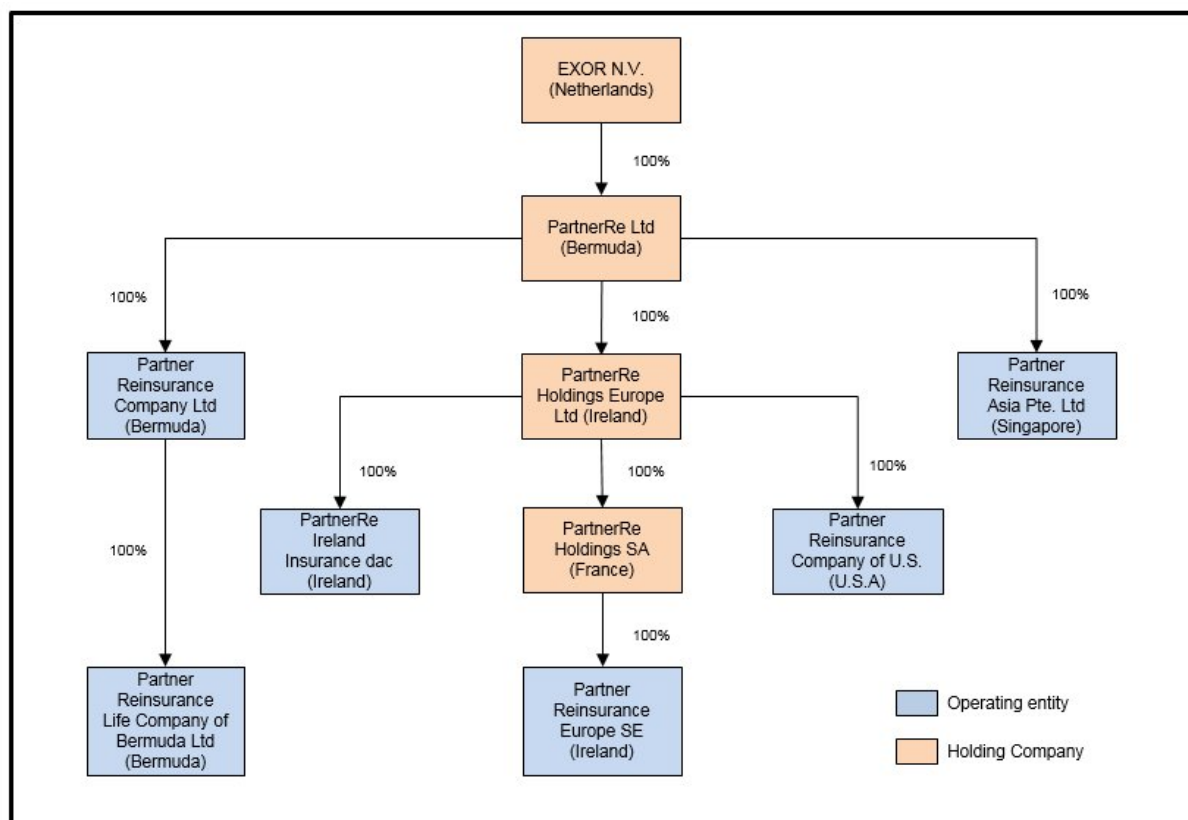
The immediate parent company is PartnerRe Holdings S.A. ("PREHSA"), a company incorporated in France. It owns 100% of the Company's ordinary share capital.

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

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

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

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



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

A.2. UNDERWRITING PERFORMANCE

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

| | Non-Life €'000 | Life €'000 | Total €'000 |
|---|-------------------|---------------|----------------|
| Gross premium written | 1,766,068 | 671,052 | 2,437,120 |
| Net premium written | 708,275 | 300,925 | 1,009,200 |
| Net premium earned | 733,814 | 301,231 | 1,035,045 |
| Net claims incurred | 409,878 | 255,553 | 665,431 |
| Expenses incurred, excluding investment expenses | 298,884 | 45,700 | 344,584 |
| Total underwriting result | 25,052 | (22) | 25,030 |
| Investment expenses | 6,486 | — | 6,486 |
| Underwriting result as reported in the QRT | 18,566 | (22) | 18,544 |

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, credit and suretyship; and miscellaneous financial loss 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.

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

The following table outlines the material Solvency II lines of business. Solvency II line of business proportional reinsurance - fire and other damage to property includes exposures from property, agriculture, energy and engineering risks, proportional reinsurance - credit and suretyship includes exposures from trade credit, mortgage, political risk and surety and proportional reinsurance - marine, aviation and transport includes aviation, marine and energy offshore exposures. Life reinsurance includes life and annuity risks.

| | Proportional Reinsurance - Fire and other damage to property €'000 | Proportional Reinsurance - Credit and suretyship €'000 | Proportional Reinsurance - Marine, aviation and transport €'000 | Life reinsurance €'000 | Other €'000 | Total €'000 |
|---------------------------|---|---|--|---------------------------|----------------|----------------|
| Net premium earned | 225,776 | 107,227 | 125,871 | 240,149 | 336,022 | 1,035,045 |
| Total underwriting result | (10,467) | 17,960 | (2,086) | 8,772 | 4,365 | 18,544 |

The Company's non-life premium income for 2016 was adversely impacted by the transfer of the Company's Singapore branch business to PRA, a challenging reinsurance market and foreign exchange rate movements. However, non-life premium income was largely in line with expectations for 2016.

The Company's life premium income was also adversely impacted by the transfer of the Singapore branch business, cancellations and downward prior period premium adjustments in the mortality line of business. This was partially offset by new business.

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

- Favourable prior years' reserve development in the casualty, marine, aviation, property and credit/surety lines of business following favourable actual versus expected loss experience;
- Over-rider commission received as a result of business retroceded within the Group; and
- Administrative expenses in line with expectations; partially offset by
- Higher than expected mid-sized loss activity during the year, particularly on the offshore, agriculture, property and energy lines of business. Although mid-sized loss activity was higher than expectations, the impact of these claims on the overall underwriting performance was mitigated by the Company's retrocession program.

The Company's life underwriting performance was largely in line with expectations, with the reduction in premium income being offset by positive prior years reserve development.

As required by the Solvency II underwriting 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.

Geographical Analysis

| | Top 5 countries by location of cedant | | | | | | Other €'000 | Total €'000 |
|---|---------------------------------------|------------------|-----------------|------------------|-----------------|------------------------|----------------|----------------|
| | Ireland €'000 | Bermuda €'000 | France €'000 | Germany €'000 | UK €'000 | United States €'000 | | |
| Gross premium written | 163,590 | 129,634 | 126,042 | 204,807 | 595,034 | 284,971 | 933,042 | 2,437,120 |
| Net premium written | 81,550 | 58,028 | 48,539 | 81,184 | 278,188 | 128,849 | 332,862 | 1,009,200 |
| Net premium earned | 76,716 | 63,782 | 49,473 | 77,614 | 287,348 | 126,931 | 353,181 | 1,035,045 |
| Net claims incurred | 71,757 | 48,035 | 17,988 | 50,053 | 213,983 | 29,732 | 233,883 | 665,431 |
| Expenses incurred (including investment expenses) | 28,673 | 18,469 | (7,181) | 34,552 | 92,803 | 73,476 | 110,278 | 351,070 |
| Total underwriting result | (23,714) | (2,722) | 38,666 | (6,991) | (19,438) | 23,723 | 9,020 | 18,544 |

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 2016:

| | €'000 |
|---|-----------------|
| Interest income on Fixed Income and Cash and Cash Equivalents | 64,643 |
| Dividend income on Equities | 979 |
| Net realised losses | (77,403) |
| Net unrealised losses | (42,075) |
| Investment management and other related expenses | (6,486) |
| Total net of expenses | (60,342) |

The Company's investments are primarily held in fixed income securities and accordingly interest income accounts for the vast majority of the income arising from investments. The principal drivers of the net realised and unrealised losses were increases in U.S. Treasury bond interest rates and foreign exchange losses arising from changes in foreign exchange rates, predominately in the Swiss branch, which has a U.S. dollar functional currency and realised foreign exchange losses as a result of the Company's derivative activity. Included within the net unrealised losses for 2016 are net unrealised foreign exchange losses of €34 million due to changes in foreign exchange rates and a net unrealised market loss of €8 million.

The Company had sold the vast majority of its investments in equities by the end of December 2016.

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

As of 31 December 2016 €578 million, or 15% of the Company's fixed income investments were invested in securitizations.

The Company delegates the management of its investment in securitizations directly to the internal asset management unit of the Group which has over a decade of experience in managing this asset class. At the date of this report the Company's exposure to securitizations was exclusively to securitizations issued by U.S. Government Sponsored Enterprises. As such these securitizations are highly rated and are amongst the most liquid of all securitization types.

A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company recognised a €107 million foreign exchange gain in the income statement during the period from the revaluation of reinsurance balances held in currencies other than the functional currency. The Company holds financial assets (mainly investments and derivative instruments) denominated in these other currencies to economically hedge this currency exposure. The Company also recognised a gain of €47 million directly in equity from translating the balance sheets of branches with a functional currency other than Euro.

The Company recognised a total income tax expense of €34 million during the period which was an effective tax rate of 38%, reflecting the location of profits earned across the Company's branches.

The Company leases primarily office space under non-cancellable operating lease arrangements. The Company incurred lease expenses of €11 million during the period.

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

GENERAL GOVERNANCE STANDARDS AND STRUCTURE

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

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

Key elements of the Company's system of governance

Governance and Oversight

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

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

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

Identification, evaluation and management of risks and controls objectives

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

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

Control Environment

The Board is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. The Board has adopted the Group Code of Ethics and Business Conduct which

provides practical guidance for all employees along with supporting Group guidelines and processes in the areas of anti-fraud, anti-bribery, anti-competition, anti-money laundering and terrorism financing. There are employee procedures for the reporting and resolution of suspected fraudulent activities and/or violations of rules, laws, regulation and/or Group Policies.

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

Information and Communication Processes

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

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

Processes for monitoring the effectiveness of the system of governance

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

Board Governance and Oversight

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

Role of Board Committees

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

Review of Board and Committee Roles and Responsibilities

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

Assessment of Board and Committee Performance

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

Compliance Reporting

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

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

Internal Audit Plan

The Board, with the assistance of the Audit Committee, monitors the effectiveness and adequacy of the Company’s internal controls (including the Company’s financial reporting process) and IT systems through reports received from the internal audit team as and when they fall within internal audit’s plan. The Board and

the Audit Committee review and approve the internal audit plan for the year which includes auditing IT systems pre-implementation.

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

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

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

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

Financial Reporting Framework

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

DELEGATION OF RESPONSIBILITIES, REPORTING LINES AND ALLOCATION OF FUNCTIONS

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

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

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

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

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

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

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

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

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

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

BOARD STRUCTURE, COMPOSITION AND COMMITTEES

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

The General Manager is the sole Executive Director.

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

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

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

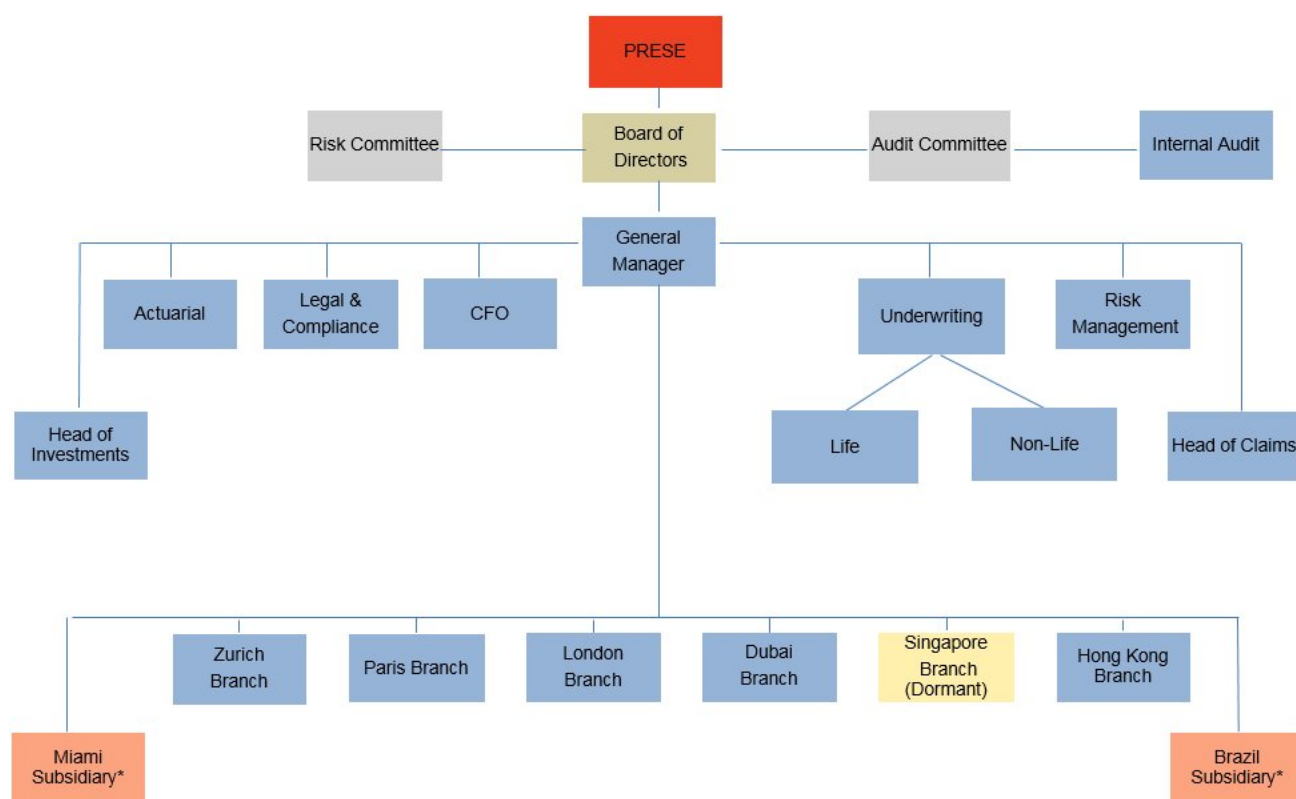
The Risk Committee oversees the management of risk within the Company. Accordingly it oversees the underwriting processes and in particular the development of the Company's risk appetite. There is significant liaison with the Company's CRO (who reports to the Risk Committee on a quarterly basis) and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

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

COMPANY STRUCTURE

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

Organisation Chart for PRESE (including Branches and Subsidiaries)



* Neither of the subsidiary companies are reinsurance carriers, with the subsidiaries in Miami and Brazil acting as a reinsurance intermediary and representative office respectively.

REMUNERATION POLICIES

The remuneration policy is set by the Board and updated on annual basis. It is the intention of the Company to ensure that the ways in which it remunerates its employees, officers and directors meet good practice standards as well as applicable regulatory requirements.

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

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

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

- The philosophy is to remunerate at the median of the appropriate market.
- Remuneration is comprised of base salary and annual incentive ("AI").
- Local requirements relating to remuneration structures will be respected as appropriate.

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

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

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

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

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

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.

B.2. FIT AND PROPER POLICIES AND PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk Management Framework



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

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

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

Risk Monitoring and Management

The Company thinks of risk in multiple dimensions:

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

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

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

Risk Policies and Documentation

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

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

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

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

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

The Company has a BCP which is reviewed annually and updated as necessary.

Own Risk and Solvency Assessment Process

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

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

The main processes are:

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

The ORSA process is executed according to the ORSA policy which is approved by the Board on a yearly basis. As detailed in the policy, the full ORSA process is performed on a yearly basis, but parts of the ORSA process

are performed more regularly when deemed necessary by the Board and/or Senior Management. Such circumstances could relate to a change in the risk profile of the Company, or its financial condition.

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

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

The overall capitalisation of the Company is appropriate to support its strategy over the business plan timeframe.

B.4. INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

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

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

CRO/Risk Management Function

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

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

Finance Function

The Company's Finance function (which is led by the Company's CFO) ensures:

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

Compliance Function

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

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

The strategic objectives of the Compliance Function are:

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

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

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

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

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

Solvency II Internal Control Environment

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

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

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

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

The following central controls also apply:

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

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

B.5. INTERNAL AUDIT FUNCTION

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

- Operations are effective & efficient;
- Financial reporting is reliable;
- There is compliance with laws & regulations;
- Assets are appropriately safeguarded; and
- The Company's risk management policies are consistently applied as documented.

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

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

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

B.6. ACTUARIAL FUNCTION

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

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

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

The duties of the Actuarial Function are under the responsibility of two function holders who provide independent oversight and report to the Board of the Company via the Audit and Risk Committees. One is responsible for the Non-Life business and one for the Life and Health Business. Both acting as Head of Actuarial Function ("HoAF"), a pre-approval controlled function (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.

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

B.7. OUTSOURCING

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

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

| Outsourced Service | Service Provider | Outsourcing Oversight | Jurisdiction | Type of Outsourcing Internal/ External |
|---------------------------|---|---|--|---|
| Underwriting | Partner Reinsurance Europe SE - French, Swiss, Hong Kong, Dubai, London Branches. | Group Chief Underwriting Officer (PCF2) | Zurich, Paris, Dubai, Connecticut, Miami, Canada, Greenwich, Bermuda, London, Sao Paulo, Mexico City | Internal |
| | PartnerRe Connecticut, Partner Reinsurance Company Ltd, PartnerRe America SC, PartnerRe Miami, PartnerRe US (& Canada branch) | General Manager & Head of Underwriting (PCF 8 & 18) | | |
| Claims | Partner Reinsurance Europe SE - Swiss & French branches. | Head of Claims (PCF43) | Zurich, Paris, Greenwich, Singapore | Internal |
| | PartnerRe US | | | |
| | PartnerRe Asia | | | |

| | | | | |
|--|--|---|---|---------------------|
| Business Development & delegated underwriting authorities via Managing General Agents (MGAs) | Third party MGAs | General Manager (PCF8) | London, Dubai, Spain, Portugal | External |
| Life Actuarial & Reserving | Partner Reinsurance Europe SE - French branch. | Head of Actuarial Function Life (PCF48) | Paris | Internal |
| Non Life Actuarial & Reserving | Partner Reinsurance Europe SE - French & Swiss branches. PartnerRe US | Chairman of the Board (PCF3) | Zurich, Paris, Greenwich | Internal |
| Risk Management | Partner Reinsurance Europe SE - French & Swiss branches. PartnerRe US | Chairman of the Board (PCF3) | Paris, Zurich, Greenwich | Internal |
| Legal & Compliance | Partner Reinsurance Europe SE - Swiss & French branches. PartnerRe Asia, Partner Reinsurance Company Ltd, PartnerRe US Dubai - Third Party | Head of Compliance (PCF12) | Zurich, Paris, Bermuda, Greenwich, Singapore, Dubai | Internal & External |
| Finance & Accounting | Partner Reinsurance Europe SE - Swiss & French branches. PartnerRe Asia, Partner Reinsurance | Non-Executive Director (Finance) (PCF2) | Zurich, Paris, Singapore, Bermuda, Greenwich | Internal |
| Internal Audit | Partner Reinsurance Europe SE - Swiss & French branches. Partner Reinsurance Company Ltd | Non-Executive Director (Finance) (PCF2) | Zurich, Paris, Bermuda | Internal |
| Investments | PartnerRe Asset Management | Head of Investments (PCF19) | Greenwich | Internal |

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

C. RISK PROFILE

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

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

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

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

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

C.1. UNDERWRITING RISK

The objective of the Company is to provide risk transfer solutions mainly in the form of reinsurance programs to insurers and selected locally operating reinsurers on a worldwide basis.

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

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

The SCR in the Solvency II framework is based on a Value-at-Risk measure calibrated to a 99.5% confidence level over a 1-year time horizon.

C.1.1. NON-LIFE REINSURANCE RISK

Using the Standard Formula, the SCR for Non-Life Underwriting risk is €823 million on a pre-diversified basis, which is 42% of the Basic Solvency Capital Requirement ("BSCR") before diversification. The SCR calculation is split between:

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

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

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

| Adverse deviation of current net technical provisions | Impact on SCR Non-Life underwriting risk | Impact on Own Funds (before tax)*: |
|--|---|---|
| € million | € million | € million |
| 50 | +12 | -53 |
| 100 | +24 | -106 |
| 150 | +36 | -159 |

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

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

| Additional amount of net premiums underwritten | Impact on SCR Non-Life UW risk |
|---|---------------------------------------|
| € million | € million |
| 50 | +11 |
| 100 | +23 |
| 150 | +34 |

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

Natural catastrophe risk

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

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

At 31 December 2016, the natural catastrophe limit for a peril zone approved by the Risk Committee of the Board, net of retrocession, was €200 million and the actual maximum limit deployed in a single peril zone was €75 million. Actual exposure limits deployed and estimated probable maximum loss in a specific peril zone will vary from period to period depending on Management's assessment of current market conditions, the results of the Company's exposure modelling, and other analysis.

Long-tail non-life reserving risk

The Company defines this risk as the risk that the estimates of ultimate losses for casualty and other long-tail lines will prove to be too low, leading to the need for substantial reserve strengthening.

The Company manages and mitigates the reserving risk for long-tail lines in a variety of ways. Underwriters and pricing actuaries follow a disciplined underwriting process and the Company establishes prudent reserving policies for determining carried reserves.

The Company's limit for long-tail reinsurance risk represents the written premiums for casualty and other long-tail lines for the four most recent calendar quarters. At 31 December 2016, the long-tail reinsurance limit approved by the Risk Committee of the Board, net of retrocession, was €300 million and the actual limit deployed was €112 million.

Trade credit underwriting risk

Trade credit underwriting losses of the magnitude that have the potential to exceed the Company's risk appetite are associated with the systemic impacts of severe economic and financial stress. In these events, underwriting losses may arise from defaults of single large named insureds and from a high frequency of defaults of smaller insureds. In addition, trade credit underwriting risk is highly correlated with default and credit spread widening risk of the standard investment grade fixed income portfolio during times of economic stress or financial crises.

In order to determine a trade credit underwriting limit metric for the purposes of risk accumulation, the Company examined extreme scenarios and measured its exposure to loss under those scenarios.

At 31 December 2016, the trade credit limit, net of retrocession, approved by the Risk Committee was €350 million and the actual limit deployed was €202 million.

Mortgage reinsurance risk

Mortgage insurance underwriting losses that have the potential to exceed the Company's risk appetite are associated with the systemic impacts of severe mortgage defaults, driven by large scale economic downturns and high unemployment.

Mortgage insurance is managed through geographic diversification both within countries and across countries. This is accomplished through the allocation and tracking of capacity across exposure zones (defined as individual countries) and is accompanied by regular extreme event modelling, and a combination of quantitative and qualitative analysis.

The Company utilises total limits deployed, net of retrocession, to manage its exposures. The limits per individual contract are aggregated within an exposure zone to establish the total exposures. Actual exposure deployed and estimated probable maximum losses in a specific zone will vary from period to period depending on Management's assessment of current market conditions, the results from exposure modelling, and other analysis.

The mortgage reinsurance limit approved by the Risk Committee of the Board is net of retrocession. At 31 December 2016, the net mortgage reinsurance limit approved by the Risk Committee of the Board was €400 million worldwide and €300 million in any one country. The actual limit deployed was €230 million worldwide and €192 million in any one country.

C.1.2. LIFE REINSURANCE RISK

The SCR for life underwriting risk is €289 million on a pre-diversified basis, which is 15% of the BSCR before diversification. The Company monitors Life reinsurance risks, with a specific focus on the following risks:

Longevity risks

The Company considers longevity exposure to have a material accumulation potential and has established a limit to manage the risk of loss associated with this exposure. The Company defines longevity risk as the potential for increased actual and future expected annuity payments resulting from annuitants living longer than expected, or the expectation that annuitants will live longer in the future.

In order to determine a longevity limit metric for the purposes of risk accumulation, the Company examines extreme scenarios and measures its exposure to loss under those scenarios. Examples of these scenarios include, but are not limited to, immediate elimination of major causes of death and an extreme improvement in mortality continuing indefinitely. For risk accumulation purposes, the Company selects the most financially adverse scenario and adds an additional margin for potential deviation. The longevity metric used for the Company also recognises the gradual nature of the adverse longevity trends that could eventually require a change in the reserving assumptions and thereby cause a financial loss to the Company's longevity portfolio. To measure utilisation of the longevity limit (accumulation of longevity exposure) the Company accumulates the net present value of adverse losses resulting from the application of the selected most extreme scenario, adds an additional margin to every in-force longevity treaty for potential delays in recognising that an observed mortality deviation is not short term in nature and, where appropriate, includes the notional value of longevity insurance-linked securities.

At 31 December 2016, the longevity limit approved by the Risk Committee of the Board was €350 million and the actual limit deployed was €299 million.

Pandemic risks

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

In order to determine a pandemic limit metric for the purposes of risk accumulation, the Company examined extreme scenarios and measured its exposure to loss under those scenarios. Examples of these scenarios included, but were not limited to, increased mortality associated with past pandemic events (e.g. 1918 Spanish flu) and potential mortality outcomes from transmission scenarios across differing age groups, and across developed and developing countries. For risk accumulation purposes, the Company selected an extreme mortality scenario applied to the insured portfolio in developing and developed countries that would have twice the assumed fatality rate of a 1918 Spanish flu recurring today, combined with an adverse mortality age pattern, and with the same transmissibility characteristics.

At 31 December 2016, the pandemic limit approved by the Risk Committee was €350 million and the actual limit deployed was €223 million.

Mitigation of underwriting risk by use of retrocession

The Company uses external retrocessional agreements to reduce its exposure on certain reinsurance risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events. These agreements provide for the recovery of a portion of losses and loss expenses from retrocessionaires. The Company's external retrocessional agreements cover most of non-life classes of business, and are predominantly bought on a 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 pre-approved based on their financial condition and business practices, with stability, solvency and credit ratings being important criteria. Strict limits per retrocessionaire are also put into place and monitored to mitigate counterparty credit risk.

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

In addition to the external retrocessional agreements, the Company has a Reserve Agreement in place with Colisée Re, a subsidiary of AXA (Colisée Re). See section D.2.1. for details of this agreement.

The Company further mitigates assumed reinsurance risk with the purchase of internal retrocession cover. The Company has entered into two quota-share agreements with Group Companies, a 50% quota-share with Partner Reinsurance Company Limited ("PRCL") and a 10% quota-share with PRA. On 1 January 2017, the percentage cession with PRCL increased to 65% for underwriting years 2017 and onwards.

The main objectives of this retrocession cover are as follows:

- reduce the capital requirements and associated cost of capital for the Company;
- ensure the Company is in a position to be a well capitalised reinsurer for its cedants; and
- ensure the Company receives and maintains an appropriate rating from the rating agencies.

C.2. MARKET RISK

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

The SCR for market risk, using the standard formula, on a pre-diversified basis is €489 million, which is 25% of the BSCR before diversification. See section E.2. of this report for further details.

Investment risk

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

Interest rate risk

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

The Company invests in high quality fixed income securities and actively manages the duration of the fixed income portfolio relative to the duration of the reinsurance liabilities so that the economic value of changes in interest rates has offsetting effects on the Company's assets and liabilities. If market interest rates on fixed income securities were higher/lower by 100bps with all other variables held constant, the market value of fixed income securities would have been lower/higher by €138 million. This sensitivity does not take into account offsetting impact on the change in valuation of technical provisions from a change in interest rates.

Currency risk

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

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

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

Assuming all other variables are held constant, as at the reporting date, if the Euro had weakened by 10% against all other currencies held by the Company, Solvency II Own Funds would have been €126 million lower, inclusive of the effect of derivatives.

Equity risk

The Company defines this risk as the risk of a substantial decline in the value of its equity and equity-like securities which include all invested assets that are not investment grade standard fixed income securities and certain fixed income asset classes that are not liquid.

To mitigate the risk, the Company sets strict limits on its total allocation to equity risk as a proportion of its capital funds as well as ensuring portfolio diversification through appropriate concentration limits by any one name and any one industry. During the period the Company sold substantially all of its equity securities so the exposure to equity risk was minimal at 31 December 2016.

Default/counterparty and credit spread risk

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

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

The Company employs a prudent investment philosophy. It maintains a high quality, well-balanced and liquid portfolio having a total return investment objective, achieved through a combination of optimising current investment income and pursuing capital appreciation. The Company's total invested assets were €5,197 million at 31 December 2016; please refer to section D.1. of this report for a breakdown by asset type. From a risk management perspective, the Company allocates its invested assets into two categories: liability funds and capital funds.

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

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

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

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

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

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

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

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

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

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

C.3. CREDIT RISK

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

Credit risk is referred to counterparty default risk in the SCR calculation. The SCR for counterparty default risk, using the standard formula, on a pre-diversified basis is €280 million, which is 14% of the BSCR before diversification. See section E.2. of this report for further details.

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

The Company uses retrocessional reinsurance agreements to reduce its exposure on certain reinsurance risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events.

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

The Company actively manages its reinsurance exposures by generally selecting retrocessionaires having 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, including escrow funds and letters of credit, as a condition to its entering into a retrocession agreement.

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

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

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.

The Company directly manages one funds held account (in relation to the AXA guaranteed reserves) with one cedant, Colisée Re. This funds held account is backed with assets that are maintained in a segregated investment portfolio by Colisée Re and are managed by the Company through its investment managers, PRAM. The Company is subject to the credit risk of this cedant in the event of insolvency or Colisée Re's failure to honour the value of the funds held balances for any other reason. This risk is mitigated by the fact that Colisée Re no longer actively writes new business and only administers the run-off of the business ceded to the Company, using the funds held to make claim payments. The Company is also exposed to the credit risk of the investment portfolio underlying the funds held balance, however, the Company manages the credit risk in this investment portfolio in a similar manner to the investment portfolio that it directly owns.

The creditworthiness of counterparties is monitored on an on-going basis.

C.4. LIQUIDITY RISK

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

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

The Expected Profit Included in Future Premium ("EPFIP") for the Life business was € 261 million at 31 December 2016. The EIFIP for Life is calculated as the sum of positive best estimate liabilities. A positive best estimate liabilities corresponds to an anticipation of positive future cash flows. The EIPFP 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 EPFIP for the Non-Life business was €161 million at 31 December 2016. The EPFIP represents the difference between the premiums from future exposure arising from contracts that the Company is obligated to as at 31 December 2016 and the expected acquisition costs, losses and expenses relating to these premiums. A lapse rate was assumed on in force contracts relating to future additional premium and on premium relating to business bound but not yet incepted at the closing date. The calculation was discounted using Solvency II yield curves.

C.5. OPERATIONAL RISK

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

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

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

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

The Company is dependent upon the effective functioning and availability of its information technology and application systems platforms. These platforms include, but are not limited to, PartnerRe's proprietary software programs such as catastrophe models as well as those licensed from third-party vendors including analytic and modeling systems. The Company relies on the security of such platforms for the secure processing, storage and transmission of confidential information. Examples of significant cybersecurity events are unauthorized access,

computer viruses, deceptive communications (phishing), malware or other malicious code or cyber-attack, catastrophic events, system failures and disruptions and other events that could have security consequences (a Cybersecurity Event). A Cybersecurity Event could materially impact the Company's ability to adequately price products and services, establish reserves, provide efficient and secure services to clients, brokers, vendors and regulators, value the investments and to timely and accurately report the financial results.

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

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

In addition and as part of its reinsurance business, the Company may also be exposed to additional cyber risks classified as follows:

- **Affirmative Stand-Alone Cyber Cover:** Specific policies for data breach, liabilities, property damage and other losses resulting from information technology failures, either accidental or malicious, generally known as Cyber Liability Insurance Cover.
- **Affirmative Cyber Endorsements:** Cyber endorsements that extend the coverage of a traditional insurance product, such as commercial general liability, to cover cyber-induced losses, typically privacy breaches.
- **Silent Cyber Exposure - Gaps in Explicit Cyber Exclusions or Policies without Cyber Exclusions.**

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

C.6. OTHER MATERIAL RISKS

Strategic Risks

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

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

Group Risk

As mentioned in C.3, the Company implemented intra-group retrocession transactions with PRCL (Bermuda) and PRA (Singapore).

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

Other Potential Material Risks

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

C.7. ANY OTHER INFORMATION

Stress and Sensitivity Testing

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

The SCR in the Solvency II framework is based on a Value-at-Risk measure calibrated to a 99.5% confidence level over a 1-year time horizon. This stress is applied to the various risk modules as required by the Standard Formula. The SCR for each model is included above and in section E.2.

Other stress tests were discussed in the Risk Committee as part of the ORSA process and results were documented into the ORSA Report.

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

D. VALUATION OF THE SOLVENCY II BALANCE SHEET

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

| | Section | 2016 €'000 |
|--|---------|------------------|
| Investments | D.1. | 5,196,981 |
| Other assets | D.3. | 404,837 |
| Total assets | | 5,601,818 |
| Net Non-life technical provisions | D.2.1. | 2,510,448 |
| Net Life technical provisions | D.2.2. | 302,808 |
| Other liabilities | D.3. | 1,205,006 |
| Total liabilities | | 4,018,262 |
| Excess of assets over liabilities | | 1,583,556 |

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

D.1. VALUATION OF ASSETS

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

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

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

| | QMP €'000 | QMPS €'000 | AVM €'000 | Total €'000 |
|--|----------------|------------------|----------------|------------------|
| Government Bonds | 2,115 | 1,700,933 | — | 1,703,048 |
| Corporate Bonds | — | 1,654,304 | 11,323 | 1,665,627 |
| Collateralised securities | — | 578,027 | — | 578,027 |
| Total Fixed Income | 2,115 | 3,933,264 | 11,323 | 3,946,702 |
| Equity | 6 | — | 112 | 118 |
| Real Estate | — | — | 12,824 | 12,824 |
| Investment Funds | 176,082 | — | 16,652 | 192,734 |
| Cash and cash equivalents | 180,444 | — | — | 180,444 |
| Deposits to cedants | — | — | 571,053 | 571,053 |
| Other loans & mortgages | — | — | 290,583 | 290,583 |
| Property, plant & equipment held for own use | — | — | 2,523 | 2,523 |
| Grand Total | 358,647 | 3,933,264 | 905,070 | 5,196,981 |

Fixed Income

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

Equities

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

Collective investment undertakings

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

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

Cash and cash equivalents

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

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

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

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

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

The Company undertakes a review of its deposits to cedants, at each Solvency II reporting period, to assess if a material difference to the amount reported under its IFRS balance sheet could arise under Solvency II valuation principles. In such case the cedant deposits potentially contributing to such difference are identified and revalued on a discounted value basis considering the applicable fixed or guaranteed interest rate applicable to that deposit and the projected run-off of the corresponding reserves. Such cases may arise where a cedant deposit is

both material in amount and whose economic value may vary based on the underlying characteristics of the asset. Accordingly the Company considers cedant deposits to be classified as AVM for valuation purposes under Solvency II.

Other loans and mortgages

These assets consist only of inter-company loans provided by the Company. The value for these assets 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.

Real estate

The amount invested comprises a deposit payment with the property not having been completed nor the title having passed to the Company as of 31 December 2016. As a deposit, the amount is recognised at cost.

Property, plant & equipment held for own use

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

Derivatives

The Company utilises derivative financial instruments, mainly forward foreign exchange contracts and to a lesser extent foreign currency options, as part of its overall currency risk management.

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

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

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

Based on the above the Company's derivatives, as at 31 December 2016, by category are valued under Solvency II as follows:

| | Asset FV | Liability FV | Total |
|------------------------------------|-----------------|---------------------|--------------|
| | €'000 | €'000 | €'000 |
| Foreign currency forward contracts | 1,432,881 | 1,433,858 | (977) |

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

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

| | Solvency II Balance Sheet €'000 | IFRS Balance Sheet €'000 | Variance €'000 |
|--|---------------------------------------|--------------------------------|-------------------|
| Government Bonds | 1,703,048 | 1,703,048 | — |
| Corporate Bonds | 1,665,627 | 1,665,627 | — |
| Collateralised securities | 578,027 | 578,027 | — |
| Total Fixed Income | 3,946,702 | 3,946,702 | — |
| Equity | 118 | 118 | — |
| Real Estate | 12,824 | 12,824 | — |
| Investment Funds | 192,734 | 192,734 | — |
| Cash and cash equivalents | 180,444 | 180,444 | — |
| Deposits to cedants | 571,053 | 554,111 | 16,942 |
| Other loans & mortgages | 290,583 | 290,583 | — |
| Property, plant & equipment held for own use | 2,523 | 2,523 | — |
| Grand Total | 5,196,981 | 5,180,039 | 16,942 |

The variance is attributable solely to Cedent Deposits as a consequent of differences between the IFRS and Solvency II valuations as described above.

D.2. TECHNICAL PROVISIONS

D.2.1. VALUATION OF NON-LIFE TECHNICAL PROVISIONS

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

(a) Non-Life Technical Provisions by line of business

The following table outlines the Solvency II technical provisions for Non-Life business and Health similar to non-life business by line of business, as at 31 December 2016:

| | Claim Provision €'000 | Premium Provision €'000 | Recoverables from Reinsurance contracts €'000 | Risk Margin €'000 | Total Technical Provisions net of Recoverables €'000 |
|---|-----------------------------|-------------------------------|---|----------------------|---|
| Proportional motor vehicle liability reinsurance | 199,300 | 7,475 | 112,501 | 8,412 | 102,686 |
| Proportional marine, aviation and transport reinsurance | 639,157 | 14,397 | 369,075 | 32,080 | 316,559 |
| Proportional fire and other damage to property reinsurance | 833,099 | 42,712 | 462,902 | 35,065 | 447,974 |
| Proportional general liability reinsurance | 529,257 | 8,866 | 227,549 | 28,219 | 338,793 |
| Proportional credit and suretyship reinsurance | 229,563 | (32,042) | 108,781 | 34,595 | 123,335 |
| Non-proportional casualty reinsurance | 1,279,856 | 16,393 | 619,189 | 111,684 | 788,744 |
| Non-proportional Marine, aviation and transport reinsurance | 150,158 | 5,975 | 70,451 | 14,848 | 100,530 |
| Non-proportional property reinsurance | 355,049 | (3,661) | 173,780 | 36,301 | 213,909 |
| Other lines of business | 114,029 | 9,921 | 65,361 | 19,329 | 77,918 |
| Total | 4,329,468 | 70,036 | 2,209,589 | 320,533 | 2,510,448 |

Best Estimate Liability

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

Claims Provisions

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

The selected AME is equal to the expected undiscounted value of the Company's future liabilities as at the valuation date. An additional adjustment was made to the AME to reflect the impact of the movement in the Ogden discount rate on the Company's motor portfolio.

In addition, the method weight selection tends to react more quickly to adverse movements in loss experience than to implied good experience. Moreover, the Company AME approach for the most recent underwriting years is to reserve using A Priori loss ratios based on the full pricing loss ratio, including even those shock type losses that would be known very soon after occurrence.

The future claims payments related to held AME reserves, as well as future expenses linked to non-life reinsurance obligations, were estimated by applying expected payout patterns derived from the Company's historical experience. In accordance with Solvency II technical specifications we have included 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. The expenses were estimated based on

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

As is normal for reinsurers with a large proportional treaty portfolio, the calculation of the best estimate of claim provisions also include expected future cash flows from premiums already earned but not yet received which are reflected within premium receivables in the IFRS balance sheet at the valuation date. The premium payout patterns used were derived from the Company's historical experience.

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

Premium Provision

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

The following table shows the different components included in the calculation of the gross premium provision.

| Line of Business | Undiscounted | | | | | | | Discounting impact | Gross Premium Provision |
|---|---|---------------------|----------------------------------|-------------------------------|-----------------------------------|--|------------------------------------|--------------------|-------------------------|
| | Unearned Premium receivables net of costs | Commission reserves | Additional Premiums net of costs | Premiums on BBNI net of costs | Future losses and expenses on UPR | Future losses and expenses on Additional Premium | Future losses and expenses on BBNI | | |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | | |
| Proportional motor vehicle liability reinsurance | (22,756) | 7 | (25,240) | (38,853) | 31,493 | 25,504 | 39,173 | (1,853) | 7,475 |
| Proportional marine, aviation and transport reinsurance | (103,993) | 137 | (18,711) | (82,810) | 122,509 | 18,721 | 85,018 | (6,472) | 14,397 |
| Proportional fire and other damage to property reinsurance | (166,144) | 7 | (37,165) | (195,883) | 209,645 | 36,999 | 199,749 | (4,496) | 42,712 |
| Proportional general liability reinsurance | (28,494) | 2,078 | (7,832) | (14,769) | 43,799 | 7,627 | 13,634 | (7,176) | 8,866 |
| Proportional credit and suretyship reinsurance | (58,883) | — | (136,386) | (82,257) | 70,206 | 100,105 | 75,340 | (167) | (32,042) |
| Non-proportional casualty reinsurance | (18,865) | — | — | (41,645) | 41,793 | — | 44,742 | (9,630) | 16,394 |
| Non-proportional marine, aviation and transport reinsurance | (3,848) | — | — | (9,172) | 10,939 | — | 8,498 | (443) | 5,975 |
| Non-proportional property reinsurance | (18,547) | — | — | (96,637) | 30,833 | — | 81,109 | (420) | (3,662) |
| Other lines of business | (28,935) | (366) | (850) | (58,081) | 40,110 | 816 | 58,494 | (1,269) | 9,921 |
| Total Technical Provisions for all lines of business | (450,465) | 1,863 | (226,184) | (620,107) | 601,327 | 189,772 | 605,757 | (31,926) | 70,036 |

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

- Unearned future premium receivables net of acquisition costs payable as at 31 December 2016.
- Discounted future losses and loss adjustment expenses relating to the part of the premium not yet exposed to risk at the balance sheet date. This exposure was measured by the Unearned Premium Reserve ("UPR") in the IFRS balance sheet plus the part of the Estimated Premium Income ("EPI") relating to reinsurance proportional business that is not recognised as a receivable in the IFRS financial statements. The default selection for expected future losses was the pricing loss ratio. A lapse rate was assumed such that there was a reduction of expected future profits on in force treaties relating to future additional premium under those treaties which was not yet been recognised as written premium in the IFRS financial statements as at the valuation date.
- Discounted technical profit on Business Bound but Not Incepted ("BBNI"), i.e. contracts deemed to be bound by the date of the closing, including covers beginning after the date of the closing. The business relating to the 1 January 2017 renewal was included within this component. The discounted technical

profit was based on treaty-level pricing assumptions of the undiscounted technical ratio, appropriate payout patterns from the Company's in-force portfolio and underlying currencies. A lapse assumption was implemented on BBNI with a corresponding reduction in expected future profits.

- Future expenses were included within the premium provision as outlined in the previous section on claims provisions.

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

Risk Margin

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

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

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

(b) Level of uncertainty

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

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

(c) Comparison to IFRS reporting

The IFRS Technical reserves of the Company includes the following:

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

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

The following table shows the movement from the Gross Technical reserves in the IFRS financial statements to the Claim Provision under Solvency II:

| Line of Business | Gross IFRS Technical Reserve | Removal of UPR | Removal of Prudence | Impact of the movement in the Ogden discount rate | Change of Claims Expense Basis | Earned Premium Receivables | Guaranteed Reserves Adjustments | Discounting Impact | Other | Solvency II Gross Claim Provision |
|---|------------------------------|------------------|---------------------|---|--------------------------------|----------------------------|---------------------------------|--------------------|------------|-----------------------------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Proportional motor vehicle liability reinsurance | 337,793 | (42,419) | (6,830) | — | 5,751 | (22,798) | (61,544) | (10,653) | — | 199,300 |
| Proportional marine, aviation and transport reinsurance | 936,604 | (159,819) | (24,272) | — | 18,041 | (66,787) | (40,424) | (24,503) | 316 | 639,156 |
| Proportional fire and other damage to property reinsurance | 1,279,657 | (298,739) | (32,259) | — | 23,948 | (102,235) | (17,421) | (19,852) | — | 833,099 |
| Proportional general liability reinsurance | 829,096 | (64,818) | (22,939) | — | 11,754 | (14,950) | (173,526) | (35,360) | — | 529,257 |
| Proportional credit and suretyship reinsurance | 424,373 | (141,968) | (10,960) | — | 7,176 | (41,555) | (644) | (6,858) | — | 229,564 |
| Non-proportional casualty reinsurance | 1,220,028 | (45,814) | (45,679) | 44,191 | 30,238 | (9,075) | 176,434 | (90,467) | — | 1,279,856 |
| Non-proportional marine, aviation and transport reinsurance | 142,255 | (13,939) | (3,053) | — | 3,395 | (5,820) | 32,397 | (5,078) | — | 150,157 |
| Non-proportional property reinsurance | 421,931 | (41,805) | (5,549) | — | 9,784 | (36,140) | 11,895 | (5,067) | — | 355,049 |
| Other lines of business | 299,779 | (59,854) | (13,757) | — | 6,605 | (108,233) | — | (11,087) | 577 | 114,030 |
| Total Technical Provisions for all line of business | 5,891,516 | (869,175) | (165,298) | 44,191 | 116,692 | (407,593) | (72,833) | (208,925) | 893 | 4,329,468 |

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Under a 100% Quota Share agreement with ColiseeRe (a subsidiary of AXA) in France, the Company reinsures most of the cedant's business written prior to 1 January 2006. The Company is also counterparty to a Reserve Agreement, with ColiseeRe, under which any favourable or adverse development on losses incurred prior to 31 December 2005 accrues to or is borne by the cedant such that the Company retains zero reserve risk. As of 31 December 2016, the Company's net liability on the IFRS balance sheet includes €465 million of loss reserves subject to the Reserve Agreement. The portfolio is recorded within the Company's systems as proportional business due to the fact that, as mentioned above, it is assumed via a 100% quota share. The underlying risks are a mixture of proportional and non-proportional reinsurance treaties and for the purposes of calculating the best estimate liability and the claims volume measure for the SCR calculation, the underlying business is reallocated by Solvency II line of business.

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

(d) Reinsurance recoverables

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

95% of retroceded reserves relate to intra-group quota-share agreements with two other entities of the Group. The intra-group agreements are as follows:

- a 50% quota share agreement with PRCL (65% for underwriting year 2017), applying to the complete book of reinsurance business except the pre-2009 business relating to the acquisition of Paris Re portfolio and the reserves guaranteed by AXA;
- Within the above agreement, any Catastrophe business is ceded at 90% rather than 50%;
- A 10% quota-share agreement with PRA for non-Catastrophe business written by the Company's Swiss and French branches;

External retrocessions are mainly on a non-proportional basis and are a small part of the Company's overall retrocession program. Catastrophe business is further ceded externally on a losses occurring basis through a number of quota share agreements. Effective January 1, 2017 the international CAT retro program was amended to additionally cede Marine, Energy Offshore and Aviation business at 12.76% on a losses occurring basis (CAT Plus Quota Share).

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

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

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

- For ceded loss reserves the removal of MFU and ULAE (for the intra-group quota share) is performed at the level of individual retrocession contract by currency. For the discounting adjustment the average discounting observed on gross loss reserves for each discounting currency is applied, as the information on original underwriting year is not available for the ceded loss reserves. The allocation of ceded loss reserves by line of business is based on the same proportion as the gross reserves for the internal quota shares and by line of business for the most material external contracts.
- For premium provisions the unearned reserves (UPR and DAC) were removed and replaced by an estimation of future cash-flows linked with retrocession agreements in force or bound at year-end. The UPR pertaining to the main intra-group and external contracts was identified and the future losses that will arise out of the UPR were estimated by applying estimated loss ratios in line with the ones selected for the corresponding gross exposure. The same approach was applied for the future losses out of additional premium recognised on a gross basis or for BBNI. A specific cash-flow analysis of future losses was not performed as it was considered that they mirror the patterns selected on an inward basis. This is reasonable due to the importance of the intra-group quota share. In addition the future costs that will arise out of the non-proportional cover are calculated separately as they are not included in the IFRS reserves.

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

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

D.2.2. VALUATION OF LIFE TECHNICAL PROVISIONS

(a) Best estimate by line of business

The following table outlines the Solvency II technical provisions for Life business, including short term life business and Health similar to life business as at 31 December 2016:

| | Protection €'000 | Longevity €'000 | Total €'000 |
|---|---------------------|--------------------|----------------|
| Gross best estimate liability | 567,099 | 27,272 | 594,372 |
| Reinsurance recoverable | (343,427) | (36,055) | (379,482) |
| Net best estimate liability | 223,672 | (8,783) | 214,890 |
| Risk margin | | | 87,918 |
| Net best estimate liability plus risk margin | | | 302,808 |

The classification of business described in this section is used for internal management purposes and broadly consistent with the underlying products / homogeneous risk groups. For a split of the technical provisions between the Solvency II lines of business of Life and Health reinsurance see QRT S.12.01.02 in the annex to this report. Health reinsurance is included in short term and long term protection business in the discussions below.

Protection business is subdivided into Short Term ("ST"), Long Term ("LT"), Term and Critical Illness ("TCI") and Guaranteed Minimum Death Benefit ("GMDB"). For Longevity business, distinction is made between standard annuity and non-standard annuity contracts. The risk margin is not allocated to each of the internal management lines of business.

There are no management actions which are considered in the calculation of technical provisions and there are no specific modelling of dynamic policyholder behaviour. Matching adjustment, volatility adjustment and transitional measures were not applied. An explanation of the contract boundaries applied to each of the different internal lines of business is described below. No part of the technical provisions have been calculated as a whole. For practical reasons the granularity retained for this segmentation is done at treaty level and unbundling is not applied at a more granular level.

Material changes to assumptions in the calculation of the technical provisions during the year are updated lapse and mortality assumptions for the TCI and GMDB business. Details of these changes and the rationale are described below. Options and guarantees and the use of an Economic Scenario Generator are only relevant in the calculation of the technical provisions with respect to GMDB business as described below.

Mortality ST and LT

ST includes both proportional business covering group (employee benefits or credit insurance) and individual business, and non-proportional business covering excess of loss per event treaties ("CAT") and excess of loss per risk treaties ("WXL"). The standard duration is one year and covers mortality and disability risks.

The Company applies a non-life approach to the modelling of short term business. The claims projection is split between the part related to Incurred But Not Settled ("IBNS") and the part related to the booked unearned premium reserve for non-proportional business or the unexpired risk percentage for proportional business. Each part is developed with a specific pattern. The projection of future premium/costs is based on the booked receivable at valuation date to which the settlement patterns are applied.

The settlement patterns are derived by analysing the historic payments made in each development quarter in respect of each underwriting year. The chain ladder method is used to fully develop incomplete underwriting years to calculate cumulative development factors. From these the incremental payment factors at each future development quarter are derived which are used as the input settlement pattern. The development patterns distinguish between treaties covering Life & Disability and treaties covering Disability only.

Mortality LT business mainly includes Yearly Renewable Term ("YRT"), quota share protection business but also includes financing treaties and long term care and long term credit insurance contracts that provide cover against risk occurrence over multi year periods. The portfolio consists mainly of mortality risk but also includes disability risk.

The modelling of financing business and of the most material proportional treaties is done on an ad-hoc basis using pricing projection models. For the remaining part, modelling is approached with a simplified bulk model approach. Premiums, claims and cost are based on the underwriting estimation used for IFRS accruals. Future cash flows are projected assuming an annual decrease in volume. The cash flows are projected over 10 years after the insured period end.

The business consists of both treaties in run-off and those open to new business and allowance is made for contracts bound at valuation date with an attaching period in the future (deemed bound but not incepted business or BBNI). The key assumption for this line of business relates to the assumed loss ratio.

TCI

This line covers long term individual business sold in Ireland or in the UK. The underlying product is a term life assurance (term usually between 10 and 25 years). The risks covered are either death, or critical illness (including or not disability), or both. There is no benefit paid in case of maturity or surrender.

The reinsurance cash flows for each policy are projected on an incurred/due basis using proprietary actuarial software for each policy in the cedant data. The cash flows produced are retreated to integrate the reinsurance accounting lag (incurred/due vs. paid cash flows). For this purpose, some specific patterns are used to release booked IBNS and booked receivable/payable at valuation date and to project future premiums/costs and claims development.

For business in run-off, there is no allowance for contracts bound at valuation date with an attaching period in the future ("BBNI"). For the treaties open to new business, there is a lag between bordereau date and closing date and estimates are made to acknowledge the policies sold between both dates, even if the Company have not been informed yet. The policies expected to start after the closing date are excluded, even if they are eventually bound before closing from the cedants point of view.

For both Level and Risk/YRT premium types, premium basis is guaranteed at original inception until the term of the underlying policy. However, there is a part of the portfolio for which the premiums can be reviewed in some specific circumstances. The increase (or decrease) of the premium basis can be done at every 5-year anniversary of the underlying policy. Between two anniversaries, the basis is guaranteed and the change is applied to the whole portfolio. In line with the examples on the contract boundaries provided in Solvency II guidance, all future premiums belong to the contract even for reviewable business.

The key assumptions are the biometric incidence rates (both basis of mortality or morbidity and improvement or deterioration), and the lapse rates. The best estimate assumptions are derived from investigations of observed experience. Both mortality and lapse assumptions were updated at December 31, 2016 to reflect emerging experience. The combined overall impact of the updated mortality and lapse assumptions is an increase in the Net Best Estimate Liability of €8 million.

GMDB

GMDB covers are sold as riders to unit-linked insurance products. The GMDB cover provides a guaranteed benefit in case of death of the insured person, independent of the fund value of the unit-linked policy. Therefore, the payout from the GMDB rider depends on the performance of the underlying funds. GMDB riders are usually reinsured on long-term quota share basis, with the reinsurance premiums expressed as a percentage of the value of underlying assets. The portfolio is mainly concentrated in the French market.

The Company reinsures this risk on a Quota Share basis. Depending on the premium structure, the business can be split into two parts; A Priori and A Posteriori. For A Priori, the premiums are expressed either as a percentage of the invested premium or as a percentage of the fund values. For A Posteriori, the premiums are usually expressed as a percentage of a defined mortality table which will apply to the actual sum at risk. There is no surrender value guarantee and the Company's exposure is limited to the sum at risk on death.

The Company reinsures GMDB business primarily in the French market. The A Priori business makes up approximately 90% of the reserves and 99% of the Present Value of Future Profits ("PVFP") for GMDB business on a Market Consistent Embedded Value ("MCEV") basis.

The A Priori is modelled using a model point approach with a proprietary modelling suite. The A Posteriori and Index-Linked are modelled using Excel with the A Priori run-off patterns as a basis for the projections. The reinsurance cash flows are projected on an incurred/due basis and then retreated to integrate the reinsurance accounting lag (incurred/due vs. paid cash flows). For this purpose, some specific patterns are used to release booked IBNS and booked receivable/payable at valuation date and to project future premiums/costs and claims development.

For business that is in run-off, there is no allowance for contracts bound at valuation date with an attaching period in the future (BBNI). Unit Linked products offer the policyholder the option to increase their investment as an additional premium. These premiums are not contractually forecast, nor are they known in amount or timing. When these premiums are made, however, this increases the level of GMDB and as such affects the economics of the contract and the level of financial guarantee given.

Future premiums are accounted for in the projections as the Company cannot compel the policyholder to pay the additional premium, but cannot unilaterally terminate the contract, nor unilaterally reject the additional premium from the policyholder nor unilaterally modify his tariff. Additional premiums are also not excluded from the scope because the guaranteed return of premium increases with additional premiums and consequently will under a number of circumstances have an associated cost for the Company, and therefore a discernible effect on the economics of the contract.

The key assumptions are investment return, investment volatility, mortality, lapses and policyholder switches. The best estimate assumptions are derived from investigations of observed experience. Economic assumptions are modelled stochastically using a set of risk-neutral economic scenarios provided by an external vendor. The valuation is performed on a market consistent basis according to MCEV guidelines. Consistency with the prescribed risk free rate is achieved by following the 3 step process as described in the Technical documentation of the methodology to derive Solvency II's risk-free interest rate term structures. Euro Equity is calibrated to EURO STOXX 50 implied volatilities.

Both mortality and lapse assumptions were updated at 31 December 2016 to reflect emerging experience. The combined overall impact of the updated mortality and lapse assumptions on the Net Best Estimate Liability is neutral.

Longevity

Under standard annuity longevity swap contracts the cedant pays expected annuity payments (fixed leg) to the Company, while the Company reimburses the cedant for actual annuity payments made (floating leg).

The large groups of annuitants underlying the business originate from pension funds or insured books. Annuitants are not individually underwritten and are expected to experience standard mortality. The treaties are in run-off and closed to entry of new annuitants.

Non-Standard or impaired life annuity contracts are mainly underwritten in the United Kingdom. An impaired life annuity is a single premium product which offer improved annuity payments to those with shorter life expectancy. Policies are individually underwritten. The treaties are in run-off and closed to entry of new annuitants.

The reinsurance cash flows for each policy are projected on an incurred/due basis using proprietary actuarial software for each policy in the cedant data. The cash flows produced are retreated to integrate the reinsurance accounting lag (incurred/due vs. paid cash flows). For this purpose, some specific patterns are used to release booked IBNS and booked receivable/payable at valuation date and to project future premiums/costs and claims development.

As this business is in run-off, there is no allowance for contracts bound at valuation date with an attaching period in the future (BBNI). The main risk covered is longevity risk and the most important biometric assumptions driving the liability are the mortality base level and rate of improvement.

For standard annuities, the base mortality rate assumption is expressed as a proportion of internal benchmark rates which are derived using a combination of population data and internal company data. For non-standard annuities, the experienced mortality of people known to have a medical impairment at the time of purchase varies significantly depending on the nature and degree of the impairment. Therefore the best estimate models are based on conditions (Diabetes, Myocardial Infarction, Prostate cancer, Breast cancer, etc.) and are further

subdivided by a number of risk / severity factors relevant to the condition in question. The survival models themselves are defined as additions (extra mortality) to expected mortality rates that would be suitable for an average standard annuitant (of the same age and gender) in the underlying population. The model includes a method for combining extra mortality rates for multiple conditions.

Mortality improvement rates are derived from past population trends and projected into the future and methodologies used are in line with the Continuous Mortality Investigation bureau.

Risk Margin

The risk margin is based on a transfer scenario of existing reinsurance obligations. It is calculated by determining the cost of providing an amount of eligible Own Funds equal to the SCR necessary to support the reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible Own Funds is called Cost-of-Capital rate and equals 6%. In other words the risk margin is equal to the current values of all Costs-of-Capital that will be determined yearly until the current portfolio is fully extinct. The risk margin is calculated on a total Life basis and is not allocated to each of the internal management lines of business described in this section.

(b) Level of uncertainty

The key lines of business where there is exposure to material adverse development is in respect of Longevity (both impaired annuity and mortality swap business), TCI business and GMDB business. Uncertainty also exists with respect to the projections of future expenses.

The main drivers of a need for increased technical provisions for TCI business would be increased rates of mortality as well as pandemic risk. Lapse risk and worse than expected morbidity would have a less severe but still potentially material impact on technical provisions. The mortality and morbidity assumptions for some of the TCI business are based on experience observed at the time of pricing. Actual experience might diverge from the expected basis due to heterogeneity in the underlying portfolios.

For Longevity business, the critical assumption is the level of mortality improvement. Underestimating the rate of mortality improvement can lead to a significantly higher actual liability than expected. The improvement assumptions are consistent across the contracts and have been derived from industry data in line with investigations by the UK Continuous Mortality Investigation Bureau. Actual experience might diverge from the expected basis due to heterogeneity in the underlying portfolios.

In relation to GMDB business, loss of profits in the case of adverse lapse experience is the most significant non-economic risk.

For each class of business, technical provisions include an allowance for future expenses. Future expenses are typically expressed as a fixed percentage of future premiums. The expense factors used by line of business have been derived from a study performed in 2013. The portfolio structure has been quite stable since then and the assumptions remain appropriate. The assumptions are further validated by reconciling first year projected expenses with both actual and planned annual expenses (direct and overhead) related to the management of the portfolio. The reconciliation is performed at group level and the portion allocated to the Company is representative of the weight of the best estimate liabilities. The assumptions generally exclude expenses related to the acquisition of new business. The only exception is the BBNI business which include an allowance for acquisition expenses. Projected expenses also include an allowance for inflation (the applied inflation curve corresponds to an annual average of roughly 2%). The definition of expenses to be reserved for is more extensive under Solvency II than IFRS.

(c) Comparison to 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 2016.

| NET of retrocession | Protection €'000 | Longevity €'000 | Risk Margin €'000 | Total €'000 |
|--|---------------------|--------------------|----------------------|-----------------|
| IFRS reserves | 505,946 | 102,218 | — | 608,164 |
| Payables / receivables | (73,730) | (20,029) | — | (93,759) |
| UPR | 4,840 | — | — | 4,840 |
| Deferred acquisition costs & deposit accounting assets | (127,990) | — | — | (127,990) |
| Net IFRS balance sheet | 309,066 | 82,189 | — | 391,255 |
| Net best estimate | 223,672 | (8,783) | 87,918 | 302,808 |
| Difference | (85,394) | (90,972) | 87,918 | (88,447) |

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). The modelling methodology is generally consistent between IFRS and Solvency II (Best Estimate) however the assumptions used are different. The assumption underlying IFRS reserves and deferred expenses have been generally set to pricing assumptions for mortality, lapses, interest rates and administrative expenses. An additional Provision for Adverse Deviation (PAD) is added to the IFRS reserves as a prudent margin for uncertainty. As Solvency II is calculated on a Best Estimate basis there is no PAD recognised.

These assumptions are locked-in for IFRS reporting: this means that assumptions are generally not updated except in case of reserve deficiency (Loss recognition event). In practice, this means that Best Estimate reserve assumptions and IFRS assumptions tend to diverge over the time as non-economic Best Estimate assumptions (mortality, lapse) are regularly updated based on the actual experience of the portfolio and/or industry. For GMD business, IFRS assumptions are globally consistent with Solvency II except that the IFRS methodology uses Real World scenarios (rather than Risk Neutral scenarios) and no additional premium is taken into account. Historical pricing interest rates used for IFRS compared to up to date yield curve used in Best Estimate Reserve is another important area of divergence. Expense assumptions are also not aligned. Finally, there is no deferred acquisition costs or deferred income reserve recognised within the Solvency II balance sheet framework.

(d) Reinsurance recoverables

The Company has entered a quota share (50%) retrocession agreement with PRCL which covers all treaties except certain financing treaties. The share of the arrangement was increased from 50% to 65% in respect of new business incepting on or after 1 January 2017. The increased share is not applied to renewals and new tranches of business on existing business that incepted on or before 31 December 2016. The Company has also entered a quota share (10%) arrangement to PRA from the French and Swiss branches which came into effect on 1 January 2015. The reinsurance recoverables from these retrocession contracts are calculated on the same basis as the gross best estimate liability. This retrocession contracts apply after any recoveries from certain external retrocession arrangements, including:

- a 55% quota share arrangement on non-standard longevity business;
- an individual surplus program;
- a Group XL program;
- a Cat XL cover program on a per event basis; and
- a few minor specific treaties.

The recoverable amounts recognised in the Solvency II from these external retrocession arrangements are not material.

(e) Simplifications used in the calculation of technical provisions

The following simplifications have been used in calculating technical provisions:

- Data - policy-level data for mortality business are generally not available from cedants. For the most part, inferences are performed on a treaty level based on historic accounts. The bordereaux on part of the GMDB portfolio is not up to date and the data in respect of a small number of TCI treaties is not being stored on the Company's data platform which impacts the accuracy of projections.
- Modelling of long term mortality business - due to the absence of policy level data for certain long term mortality contracts, the methodology of projecting future cash flows is performed at a treaty level using treaty level assumptions.
- The timing of cash flow settlement is difficult to model accurately as it depends on accounting lags which are volatile and can vary significantly on a treaty level and can change over time. The current approach for deriving cash flow settlement patterns based on past experience on a line of business level does not capture all features of the actual timing of cash flows currently being observed.
- Recognition of future investments from policyholders for GMDB business - there is market wide uncertainty around the interpretation of the Solvency II technical specifications on contract boundaries and future premiums for GMDB business.

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 technical provisions.

D.3. VALUATION OF OTHER ASSETS AND LIABILITIES

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

| | Note | Solvency II Balance Sheet €'000 | IFRS Balance Sheet €'000 | Variance €'000 |
|---|------|---------------------------------------|--------------------------------|-------------------|
| Other assets | | | | |
| Deferred tax assets | 5 | 76,657 | 9,205 | 67,452 |
| Insurance and intermediaries receivables | 1 | 210,795 | 210,795 | — |
| Reinsurance receivables | 2 | 72,345 | 72,345 | — |
| Receivables (trade, not insurance) | 3 | 44,225 | 44,225 | — |
| Other assets | | 815 | 815 | — |
| | | 404,837 | 337,385 | 67,452 |
| Other liabilities | | | | |
| Pension benefit obligations | | 1,386 | 1,386 | — |
| Deposits from reinsurers | 4 | 609,563 | 609,563 | — |
| Deferred tax liabilities | 5 | 152,672 | 167,781 | (15,109) |
| Insurance and intermediaries payables | 1 | 71,141 | 71,141 | — |
| Reinsurance payables | 2 | 67,834 | 67,834 | — |
| Payables (trade, not insurance) | 3 | 288,295 | 288,295 | — |
| Net derivative liability | D.1. | 977 | 977 | — |
| Other liabilities | | 13,138 | 13,138 | — |
| | | 1,205,006 | 1,220,115 | (15,109) |
| Total other assets and liabilities | | (800,169) | (882,730) | 82,561 |

Notes

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

2. Reinsurance receivables and payables are amounts owed or due under retrocession contracts and are valued at their account balance which equates to fair value due to the short term nature of the balances.
3. Receivables and payables (trade, not insurance) are amounts owed by or due to employees, Group companies, business partners etc, as well as payables and receivables from securities purchased and are generally valued at their account balances. Most balances are current items and are collected in a short timeframe so the face value is deemed to equal fair value.
4. Deposits from reinsurers are amounts deposited under retrocession contracts, which are used to settle claims. They are measured at their account balances which is deemed to equate to fair value.
5. Deferred tax assets and liabilities are valued based on the tax impact of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II rules and the values ascribed to assets and liabilities as recognised and valued for tax purposes. Deferred tax assets are also recognised from the carry forward of unused tax credits and the carry forward of unused tax losses.

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

The Company had unrecognised foreign tax credit carry forward of €76 million, unrecognised other tax assets related to foreign branches of €4 million and unrecognised tax loss carry forward of €4 million which have no expiry date.

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 PREHSA fulfill the criteria in that they:

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

The various capital contributions from the Group 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 and is full eligible to cover the MCR and SCR. There are currently no ancillary own fund items. There are no restricted tier 1, tier 2 or tier 3 items included in Own Funds. There are no deductions from Solvency II Own Funds due to restrictions on availability or transferability of Own Funds within the undertaking. The Company has not applied the transitional arrangements referred to in Articles 308b(9) and 308b(10) of the Directive.

The Company's ordinary share capital is €10 million. The balance of Solvency II Own Funds, of €1,574 million, is split between the reconciliation reserve and other own funds approved by the supervisory authority. The following table shows a breakdown of the total Solvency II Own Funds as at 31 December 2016:

| | Tier 1 - unrestricted funds |
|---|------------------------------------|
| | €'000 |
| Ordinary share capital | 10,127 |
| Reconciliation reserve | 681,641 |
| Other own funds approved by the supervisory authority | 891,788 |
| Total Solvency II Own Funds | <u>1,583,556</u> |

The reconciliation reserve is made up of IFRS retained earnings, IFRS currency translation reserve and the valuation differences between IFRS and Solvency II. The other own funds approved by the supervisory authority are equal to the additional paid in capital of the Company.

There was no change to the ordinary share capital of the Company during the period. The reconciliation reserve changed as a result of the profit earned during the year, the foreign exchange gains recognised in the currency translation reserves and the change in Solvency II valuation differences. The Company did not make any dividend payments to its shareholder in 2016. The Company did reduce the amount of other own funds approved by the supervisory authority by €44 million during the year as a result of the difference between the stock compensation expense booked in the income statement and the amount recharged from PartnerRe Ltd. This difference was booked against Additional Paid In Capital as required by IFRS accounting rules.

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 CFO and the Risk Management Function and is reported to the Risk & Audit Committees as well as the Board on a quarterly basis.

Any dividend payments must be approved by the Board and will take account of the short-term and long-term interests of shareholders as well as maintaining a balance between the interests of shareholders and other key stakeholders, namely 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 SCR (or such higher capital requirement as the Board may determine, from time to time).

Reconciliation of Solvency II Own Funds to IFRS Net Equity

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

| | 2016 |
|---|------------------|
| | €'000 |
| IFRS Shareholders Equity | 1,893,382 |
| Goodwill and Other Intangibles | (257,880) |
| Revaluation of Investments | 16,942 |
| Revaluation of Non-Life Reserves | (253,932) |
| Revaluation of Life Reserves | 102,483 |
| Revaluation of Other Assets and Liabilities | 82,561 |
| Solvency II Own Funds | 1,583,556 |
| Change in Equity | (309,826) |

- Goodwill of €234 million is valued at zero under Solvency II rules so reduces shareholders equity compared to IFRS. Intangible assets of €24 million, relate to renewal rights and have been valued at zero on the Solvency II balance sheet to reflect the difficulty of evidencing exchange transactions for the same or similar assets.
- The Company values the majority of its investments at fair value in its IFRS financial statements so in most cases the IFRS value is the same at the Solvency II value. See section D.1. for further details of the valuation basis of investments.
- See section D.2.1. of this report for a detailed explanation of the differences in valuation of non-life technical provisions.
- See section D.2.2. for a detailed explanation of the differences in valuation of life technical provisions.
- The difference between other assets and liabilities primarily arises from the difference in deferred tax balances due to the tax impact of the other valuation adjustments. See section D.3. for further details of the valuation basis for other assets and liabilities. A detailed line by line Solvency II balance sheet is provided in the Quantitative Reporting Template number S.02.01.02 in the annex to this report.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The amount of the Company's SCR and MCR at the end of the reporting period are €1,369 million and €450 million respectively.

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

| | 2016 €'000 |
|--|------------------|
| Market risk | 489,318 |
| Counterparty default risk | 280,287 |
| Life Underwriting risks | 289,210 |
| Health underwriting risk | 66,329 |
| Non-Life underwriting risk | 822,585 |
| Sum of risk components | 1,947,729 |
| Diversification effects | (632,635) |
| BSCR | 1,315,094 |
| Adjustment for the loss absorbing effect of deferred taxes | (80,514) |
| SCR operational risk | 134,660 |
| SCR | 1,369,240 |
| Solvency II Own Funds | 1,583,556 |
| Ratio of Eligible Own Funds to SCR | 116% |

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

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

Risk-mitigation techniques (such as retrocession) are taken into account by the departments responsible for the calculation of the different 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 in the Counterparty risk module.

During 2016, the Company substantially reduced its exposures to equity and reduced its net exposure to Foreign Exchange risk. As a consequence, the capital charge for Market risk has decreased by €90 million as at 31 December 2016.

The Company has €465 million of reserves, related to the purchase of Paris Re, included in its SCR calculation for underwriting risk in respect of reserves that are fully guaranteed under a reserve agreement with the Axa Group, through ColiseeRe.

Until year end 2016 the Company had excluded these reserves from its solvency calculations. The Solvency II capital charge related to these reserves impacts the Non-Life Underwriting and Counterparty risk, as well as the risk margin. The Ratio of Eligible Own Funds to SCR adjusted to exclude these guaranteed reserves would have been 126%.

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

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

| | 2016 €'000 |
|---------------------------|----------------|
| Linear MCR | 450,378 |
| SCR | 1,369,240 |
| MCR cap | 616,158 |
| MCR floor | 342,310 |
| Combined MCR | 450,378 |
| Absolute floor of the MCR | 3,600 |
| MCR | 450,378 |

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

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

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

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

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

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

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

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

E.6. ANY OTHER INFORMATION

The Company issued €235 million of capital to its parent in March 2017 to further strength its financial condition.

Annex I
S.02.01.02
Balance sheet

Balance sheet

| | Solvency II value | |
|--|-------------------|------------------|
| | C0010 | |
| Assets | | |
| Intangible assets | R0030 | 0 |
| Deferred tax assets | R0040 | 76,657 |
| Pension benefit surplus | R0050 | 0 |
| Property, plant & equipment held for own use | R0060 | 2,523 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 5,585,260 |
| Property (other than for own use) | R0080 | 12,824 |
| Holdings in related undertakings, including participations | R0090 | 0 |
| Equities | R0100 | 118 |
| Equities - listed | R0110 | 6 |
| Equities - unlisted | R0120 | 113 |
| Bonds | R0130 | 3,946,702 |
| Government Bonds | R0140 | 1,703,048 |
| Corporate Bonds | R0150 | 1,665,627 |
| Structured notes | R0160 | 0 |
| Collateralised securities | R0170 | 578,027 |
| Collective Investments Undertakings | R0180 | 192,734 |
| Derivatives | R0190 | 1,432,881 |
| Deposits other than cash equivalents | R0200 | 0 |
| Other investments | R0210 | 0 |
| Assets held for index-linked and unit-linked contracts | R0220 | 0 |
| Loans and mortgages | R0230 | 290,583 |
| Loans on policies | R0240 | 0 |
| Loans and mortgages to individuals | R0250 | 0 |
| Other loans and mortgages | R0260 | 290,583 |
| Reinsurance recoverables from: | R0270 | 2,589,072 |
| Non-life and health similar to non-life | R0280 | 2,209,590 |
| Non-life excluding health | R0290 | 2,176,594 |
| Health similar to non-life | R0300 | 32,996 |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | 379,482 |
| Health similar to life | R0320 | 85,196 |
| Life excluding health and index-linked and unit-linked | R0330 | 294,286 |
| Life index-linked and unit-linked | R0340 | 0 |
| Deposits to cedants | R0350 | 571,053 |
| Insurance and intermediaries receivables | R0360 | 210,795 |
| Reinsurance receivables | R0370 | 72,345 |
| Receivables (trade, not insurance) | R0380 | 44,225 |
| Own shares (held directly) | R0390 | 0 |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | 0 |
| Cash and cash equivalents | R0410 | 180,444 |
| Any other assets, not elsewhere shown | R0420 | 817 |
| Total assets | R0500 | 9,623,774 |

Annex I
S.02.01.02
Balance sheet

Balance sheet

| | Solvency II value | |
|---|-------------------|-----------|
| | C0010 | |
| Liabilities | | |
| Technical provisions – non-life | R0510 | 4,720,037 |
| Technical provisions – non-life (excluding health) | R0520 | 4,626,831 |
| Technical provisions calculated as a whole | R0530 | 0 |
| Best Estimate | R0540 | 4,314,967 |
| Risk margin | R0550 | 311,864 |
| Technical provisions - health (similar to non-life) | R0560 | 93,207 |
| Technical provisions calculated as a whole | R0570 | 0 |
| Best Estimate | R0580 | 84,537 |
| Risk margin | R0590 | 8,670 |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 | 682,290 |
| Technical provisions - health (similar to life) | R0610 | 152,802 |
| Technical provisions calculated as a whole | R0620 | 0 |
| Best Estimate | R0630 | 142,221 |
| Risk margin | R0640 | 10,581 |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 | 529,488 |
| Technical provisions calculated as a whole | R0660 | 0 |
| Best Estimate | R0670 | 452,151 |
| Risk margin | R0680 | 77,337 |
| Technical provisions – index-linked and unit-linked | R0690 | 0 |
| Technical provisions calculated as a whole | R0700 | 0 |
| Best Estimate | R0710 | 0 |
| Risk margin | R0720 | 0 |
| Contingent liabilities | R0740 | 0 |
| Provisions other than technical provisions | R0750 | 0 |
| Pension benefit obligations | R0760 | 1,386 |
| Deposits from reinsurers | R0770 | 609,563 |
| Deferred tax liabilities | R0780 | 152,672 |
| Derivatives | R0790 | 1,433,858 |
| Debts owed to credit institutions | R0800 | 0 |
| Financial liabilities other than debts owed to credit institutions | R0810 | 0 |
| Insurance & intermediaries payables | R0820 | 71,141 |
| Reinsurance payables | R0830 | 67,834 |
| Payables (trade, not insurance) | R0840 | 288,295 |
| Subordinated liabilities | R0850 | 0 |
| Subordinated liabilities not in Basic Own Funds | R0860 | 0 |
| Subordinated liabilities in Basic Own Funds | R0870 | 0 |
| Any other liabilities, not elsewhere shown | R0880 | 13,142 |
| Total liabilities | R0900 | 8,040,219 |
| Excess of assets over liabilities | R1000 | 1,583,556 |

| | 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 | 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 | 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 | 0 | 307 | 0 | 7,475 | 10,652 | 14,397 | 42,712 | 8,866 | -32,042 | -1,552 | 513 | 16,394 | 5,975 | -3,661 | 70,036 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | 0 | 498 | -2 | 6,825 | 7,875 | 344 | 14,130 | 6,023 | -13,755 | 7,034 | 614 | 9,789 | 2,597 | -4,715 | 37,257 |
| Net Best Estimate of Premium Provisions | R0150 | 0 | -191 | 2 | 650 | 2,777 | 14,053 | 28,582 | 2,843 | -18,287 | -8,586 | -101 | 6,605 | 3,378 | 1,054 | 32,779 |
| Claims provisions | | | | | | | | | | | | | | | | |
| Gross - Total | R0160 | 0 | 11,909 | 9,676 | 199,300 | 38,642 | 639,156 | 833,099 | 529,257 | 229,564 | -8,330 | 62,133 | 1,279,856 | 150,157 | 355,049 | 4,329,468 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | 0 | 5,435 | 5,435 | 105,676 | 21,374 | 368,731 | 448,772 | 221,526 | 122,537 | -3,919 | 21,016 | 609,401 | 67,854 | 178,494 | 2,172,332 |
| Net Best Estimate of Claims Provisions | R0250 | 0 | 6,474 | 4,241 | 93,624 | 17,268 | 270,425 | 384,327 | 307,731 | 107,027 | -4,411 | 41,117 | 670,455 | 82,303 | 176,555 | 2,157,136 |
| Total Best estimate - gross | R0260 | 0 | 12,214 | 9,676 | 206,774 | 49,294 | 653,554 | 875,811 | 538,123 | 197,521 | -9,882 | 62,647 | 1,296,251 | 156,132 | 351,388 | 4,399,503 |
| Total Best estimate - net | R0270 | 0 | 6,281 | 4,243 | 94,274 | 20,044 | 284,479 | 412,909 | 310,574 | 88,740 | -12,997 | 41,017 | 677,062 | 85,682 | 177,608 | 2,189,916 |
| Risk margin | R0280 | 0 | 785 | 395 | 8,412 | 2,586 | 32,080 | 35,065 | 28,219 | 34,595 | 8,073 | 7,490 | 111,684 | 14,848 | 36,301 | 320,533 |
| 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 | 0 | 12,998 | 10,071 | 215,187 | 51,880 | 685,634 | 910,876 | 566,342 | 232,116 | -1,809 | 70,137 | 1,407,935 | 170,981 | 387,689 | 4,720,037 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | 0 | 5,933 | 5,433 | 112,501 | 29,250 | 369,075 | 462,902 | 227,549 | 108,781 | 3,115 | 21,630 | 619,189 | 70,451 | 173,780 | 2,209,589 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total | R0340 | 0 | 7,065 | 4,638 | 102,686 | 22,630 | 316,559 | 447,974 | 338,793 | 123,335 | -4,924 | 48,507 | 788,746 | 100,530 | 213,909 | 2,510,448 |

Annex I
S.23.01.01

Own funds

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

Ordinary share capital (gross of own shares)

Share premium account related to ordinary share capital

Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings

Subordinated mutual member accounts

Surplus funds

Preference shares

Share premium account related to preference shares

Reconciliation reserve

Subordinated liabilities

An amount equal to the value of net deferred tax assets

Other own fund items approved by the supervisory authority as basic own funds not specified above

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

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand

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

Unpaid and uncalled preference shares callable on demand

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

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

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

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

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

Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total 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 Expected profits included in future premiums (EPIFP)

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|-------|--------------|-----------------------|---------------------|--------|--------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | 10,127 | 10,127 | | | |
| R0030 | | | | | |
| R0040 | | | | | |
| R0050 | | | | | |
| R0070 | | | | | |
| R0090 | | | | | |
| R0110 | | | | | |
| R0130 | 681,641 | 681,641 | | | |
| R0140 | | | | | |
| R0160 | | | | | |
| R0180 | 891,788 | 891,788 | | | |
| R0220 | | | | | |
| R0230 | | | | | |
| R0290 | 1,583,556 | 1,583,556 | | | |
| R0300 | | | | | |
| R0310 | | | | | |
| R0320 | | | | | |
| R0330 | | | | | |
| R0340 | | | | | |
| R0350 | | | | | |
| R0360 | | | | | |
| R0370 | | | | | |
| R0390 | | | | | |
| R0400 | | | | | |
| R0500 | 1,583,556 | 1,583,556 | | | |
| R0510 | 1,583,556 | 1,583,556 | | | |
| R0540 | 1,583,556 | 1,583,556 | | | |
| R0550 | 1,583,556 | 1,583,556 | | | |
| R0580 | 1,369,240 | | | | |
| R0600 | 450,378 | | | | |
| R0620 | 115.65% | | | | |
| R0640 | 351.61 | | | | |
| | C0060 | | | | |
| R0700 | 1,583,556 | | | | |
| R0710 | | | | | |
| R0720 | | | | | |
| R0730 | 901,915 | | | | |
| R0740 | | | | | |
| R0760 | 681,641 | | | | |
| R0770 | 261,099 | | | | |
| R0780 | 161,324 | | | | |
| R0790 | 422,423 | | | | |

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Market risk
 Counterparty default risk
 Life underwriting risk
 Health underwriting risk
 Non-life underwriting risk
 Diversification
 Intangible asset risk

Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

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
 Method used to calculate the adjustment due to RFF/MAP nSCR aggregation
 Net future discretionary benefits

| | Net solvency capital requirement | Gross solvency capital requirement | Allocation from adjustments due to RFF and Matching adjustments portfolios |
|-------|----------------------------------|------------------------------------|--|
| | C0030 | C0040 | C0050 |
| R0010 | 489,318 | 489,318 | 0 |
| R0020 | 280,287 | 280,287 | 0 |
| R0030 | 289,210 | 289,210 | 0 |
| R0040 | 66,329 | 66,329 | 0 |
| R0050 | 822,585 | 822,585 | 0 |
| R0060 | -632,635 | -632,635 | |
| R0070 | 0 | 0 | |
| R0100 | 1,315,094 | 1,315,094 | |

C0100

| | |
|-------|-------------------|
| R0120 | 0 |
| R0130 | 134,660 |
| R0140 | 0 |
| R0150 | -80,514 |
| R0160 | 0 |
| R0200 | 1,369,240 |
| R0210 | 0 |
| R0220 | 1,369,240 |
| R0400 | 0.00 |
| R0410 | 0.00 |
| R0420 | 0.00 |
| R0430 | 0.00 |
| R0440 | 0.00 |
| R0450 | (4) No adjustment |
| R0460 | 0.00 |

Annex I
S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

| | | C0010 |
|--------------|-------|---------|
| MCRNL Result | R0010 | 388,392 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|--|-------|---|---|
| | | C0020 | C0030 |
| Medical expense insurance and proportional reinsurance | R0020 | 0 | 0 |
| Income protection insurance and proportional reinsurance | R0030 | 6,281 | 3,748 |
| Workers' compensation insurance and proportional reinsurance | R0040 | 4,243 | 0 |
| Motor vehicle liability insurance and proportional reinsurance | R0050 | 94,274 | 46,537 |
| Other motor insurance and proportional reinsurance | R0060 | 20,044 | 25,940 |
| Marine, aviation and transport insurance and proportional reinsurance | R0070 | 284,479 | 114,530 |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 412,909 | 219,306 |
| General liability insurance and proportional reinsurance | R0090 | 310,574 | 55,533 |
| Credit and suretyship insurance and proportional reinsurance | R0100 | 88,740 | 108,364 |
| Legal expenses insurance and proportional reinsurance | R0110 | 0 | 0 |
| Assistance and proportional reinsurance | R0120 | 0 | 0 |
| Miscellaneous financial loss insurance and proportional reinsurance | R0130 | 0 | 20,093 |
| Non-proportional health reinsurance | R0140 | 41,017 | 2,129 |
| Non-proportional casualty reinsurance | R0150 | 677,062 | 40,166 |
| Non-proportional marine, aviation and transport reinsurance | R0160 | 85,682 | 12,699 |
| Non-proportional property reinsurance | R0170 | 177,608 | 59,230 |

Linear formula component for life insurance and reinsurance obligations

| | | C0040 |
|-------------|-------|--------|
| MCRL Result | R0200 | 61,985 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|-------|---|--|
| | | C0050 | C0060 |
| Obligations with profit participation - guaranteed benefits | R0210 | 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 | 214,890 | |
| Total capital at risk for all life (re)insurance obligations | R0250 | | 82,103,984 |

Overall MCR calculation

| | | C0070 |
|---------------------------|-------|-----------|
| Linear MCR | R0300 | 450,378 |
| SCR | R0310 | 1,369,240 |
| MCR cap | R0320 | 616,158 |
| MCR floor | R0330 | 342,310 |
| Combined MCR | R0340 | 450,378 |
| Absolute floor of the MCR | R0350 | 3,600 |

| | | |
|-----------------------------|-------|---------|
| Minimum Capital Requirement | R0400 | 450,378 |
|-----------------------------|-------|---------|