XL Re Europe SE

AN XL GROUP LTD COMPANY

Solvency and Financial Condition Report ("SFCR")

Year Ended

December 31, 2016

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Directors' Statement

The Board of Directors acknowledge their responsibility for ensuring that this Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the CBI rules and Solvency II regulations. The Board confirms that there is a written Solvency II Disclosure Policy in place to ensure the ongoing appropriateness of any information disclosed. The Board is satisfied that:

(a) throughout the financial year in question, XL Re Europe SE has complied in all material respects with the requirements of the Central Bank of Ireland rules and Solvency II regulations as applicable to the Company; and

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued to comply, and will continue to comply in future.

By order of the Board

A. Barrage

Director

19 May 2017

Summary

Unless otherwise stated, all amounts in this report are presented in thousands of Euros (€'000), with the Euro being the Company's reporting currency in the Financial Statements.

As 2016 is the first year of Solvency II being in force, having been implemented with effect from January 1, 2016, comparative figures are only shown where appropriate.

XL Group Ltd, the ultimate parent company, domiciled in Bermuda will publish its Group Financial Condition Report in line with Bermuda Monetary Authority requirements by June 30, 2017 and this will be available to download from the XL Group website (www.xlgroup.com).

XL Group Ltd and its (re)insurance subsidiaries operate under the XL Catlin brand.

Business and performance

The Company's ultimate holding company is XL Group Ltd, incorporated in Bermuda, which through its subsidiaries (the XL Group) is a leading provider of insurance and reinsurance coverages, to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. XL Group Ltd's ordinary shares are listed on the New York stock exchange (NYSE XL).

The Company, formerly XL Re Europe Limited, was incorporated in Ireland on 10 July 2006. Its principal activity is writing non-life reinsurance business together with the orderly winding down of its life business.

The 2016 trading environment was competitive across all classes. Clients continue to diversify their portfolios and optimize reinsurance purchases to preserve underwriting margin and maintain adequate returns on capital. Despite the competitive trading environment, the company was able to leverage XL Group's enhanced market position and financial strength to create new opportunities. The Company continues to seek selective opportunities and its consistent underwriting strategy remains attractive to its customer base.

The Company generated €620m of Gross Written Premium in 2016 and a combined ratio of 99.2%.

Further details of the organisation's business and performance are provided in Section A below. Also refer to XL's Form 10-K for the year ended December 31, 2016 for additional information.

System of governance

The Company is authorised by the Central Bank of Ireland to undertake the business of non-life and life reinsurance in accordance with the European Union (Insurance and Reinsurance) Regulations, 2015. It has established branch operations in London, Le Mans, Zurich and Dubai.

The Company's board of directors (the Board) is committed to effective corporate governance and has established comprehensive corporate governance and risk management frameworks for the Company's operations. The Board discharges its legal and fiduciary responsibilities through the various committees that have been established.

The Company's internal control framework operates according to a three lines of defence model where the (1) business, (2) risk management and compliance and (3) independent audit work together to ensure that risk management is effective.

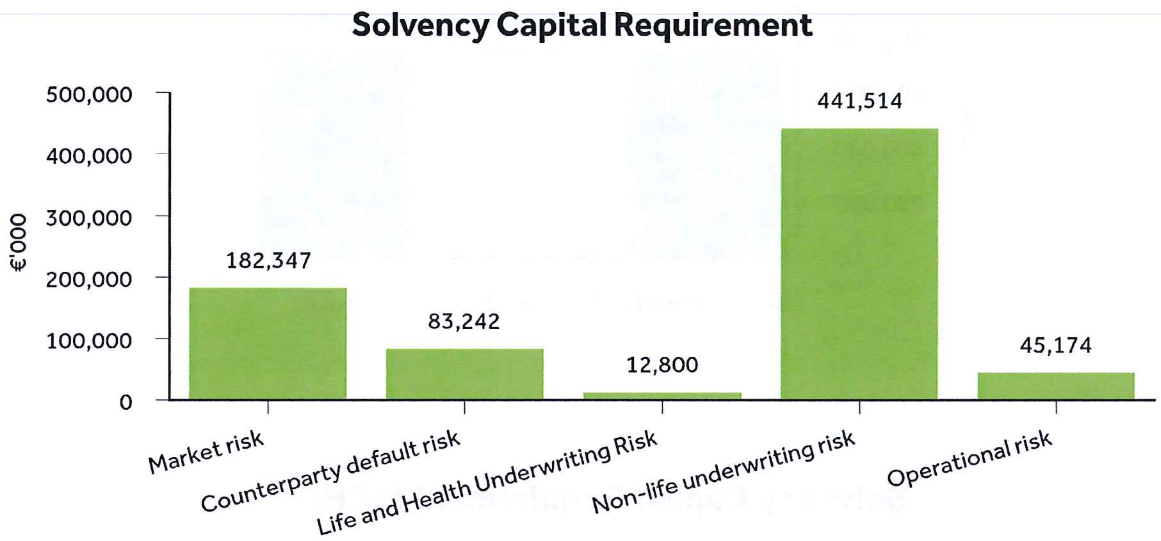
The internal control framework determines risk appetites and risk limits, establishes risk policies, identifies and manages the risks to the Company's objectives and monitors the capital requirements. All of this is captured by the Risk Management Framework ("RMF") and Own Risk and Solvency Assessment ("ORSA") activities that are carried out throughout the year with oversight by the Board. The Company is supported by a number of group-wide processes in the achievement of its risk management objectives.

The Company calculates its Solvency Capital Requirement ("SCR") using the Standard Formula.

Further details of the Company's systems of governance are provided in Section B below.

Risk profile

The key risks within the Solvency Capital Requirement "SCR" are shown below:



Each separate category of risk is described in detail in Section C below including a description of the measures used to assess these risks and a description of the material risks which the Company is exposed to.

Valuation for solvency purposes

An analysis of the valuation of assets and non-technical liabilities in the Solvency II balance sheet, together with the recognition and valuation bases applied, is provided in Sections D.1 and D.3.

Section D.2 discloses the value of technical provisions as well as a description of the bases, methods and main assumptions used for their valuation for solvency purposes.

Capital management

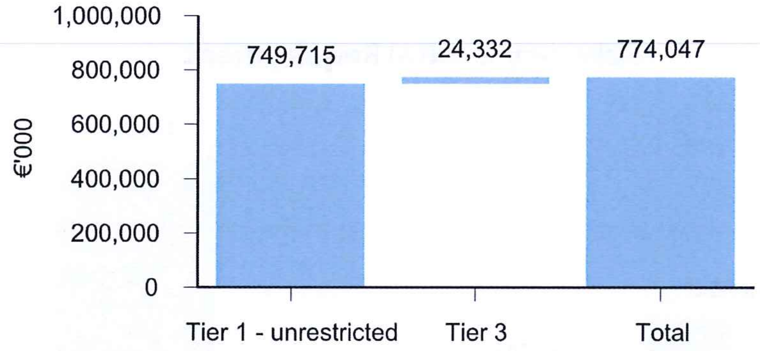
The Board monitors the capital requirements of the Company and seeks to maintain an efficient capital structure, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are to:

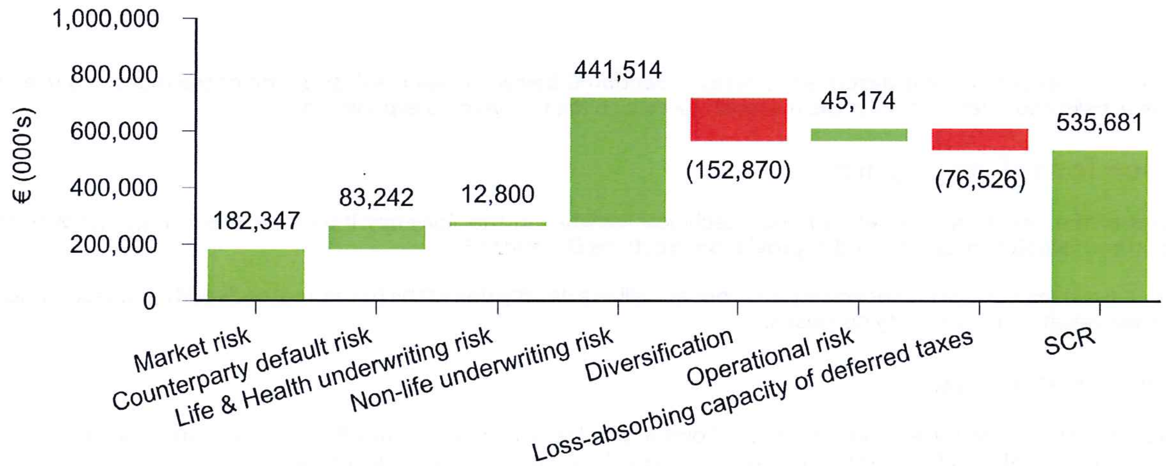
- match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- maintain financial strength to support new business growth;
- satisfy the requirements of its policyholders and regulators;
- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- allocate capital efficiently to support underwriting; and
- manage exposures to movements in exchange rates.

The key figures presented below give a short overview of the composition of the Eligible Own Funds from a tiering perspective and the composition of the required capital following Solvency II.

Eligible Own Funds to meet the SCR



Solvency Capital Requirement (SCR)



The Company is required to hold sufficient capital to cover its Solvency Capital Requirement which is calculated using the Standard Formula, as well as covering its Minimum Capital Requirement ("MCR").

	€'000
SCR	535,681
MCR	173,068
Total eligible own funds to meet the SCR	774,047
Total eligible own funds to meet the MCR	749,715
	%
Ratio of Eligible own funds to SCR	144.5%
Ratio of Eligible own funds to MCR	433.2%

The company has complied continuously with both the MCR and the SCR throughout the reporting period.

The objective of the Company's capital management strategy is to maintain sufficient own funds to cover the SCR and MCR with an appropriate buffer. The company carries out a regular review of the solvency ratio as part of the risk monitoring and capital management system.

The Company will continue to use the standard formula to calculate the regulatory SCR until such time as the Company has a regulatory approved internal model. The Company carries out regular review of the solvency ratio as part of the Company's risk monitoring and capital management framework.

A. Business and Performance

A.1. Business

A1.1 Name and legal form of the undertaking

XL Re Europe SE is incorporated as a company limited by shares in the Republic of Ireland. The registered office is:

XL House,
8 St Stephen's Green,
Dublin 2.
Ireland.

A.1.2 Supervisory authorities

Irish Regulator

Central Bank of Ireland ('CBI')
P.O.Box 11517
North Wall Quay
Spencer Dock
Dublin 1

Group Supervisor

Bermuda Monetary Authority ('BMA')
BMA House
43 Victoria Street
Hamilton, P.O. Box 2447
Bermuda

A.1.3 External auditor

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

A.1.4 Company holders

The Company's immediate holding company is XL Bermuda Ltd, a company registered in Bermuda which holds 100% of the ownership interest and voting rights. The Company's ultimate holding company undertaking is XL Group Ltd, a company incorporated in Bermuda.

A.1.5 Related undertakings

The Company has no investments in Group undertakings.

A.1.6 Position within legal structure of the group

The Company's position within the legal structure of the XL Group can be seen from the simplified structure chart below:

XL Group Ltd
100%
Bermuda

XLIT Ltd
100%
Cayman

EXEL Holdings Limited
100%
Cayman

XL Bermuda Ltd
100%
Bermuda

XL Re Europe SE
Ireland

A.1.7 Material lines of business and geographical areas

The following public QRTs give details of the material Solvency II lines of business and geographical areas where the company carries out its business:

S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country

This analysis is based upon Irish GAAP totals, while the allocation is to Solvency II lines of business and geographies.

The below table shows the material lines of business and material geographical areas by premium written during the year by location of underwriting entity. It also includes business underwritten in Italy through a cover holder:

Line of business	Ireland	France	United Kingdom	Dubai	Switzerland	Italy	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non-proportional Health	308	158		112		4,350	**4,928**
Non-proportional property reinsurance	39,573	101,783	1,323	6,114	12,778	9,653	**171,224**
Non-proportional casualty reinsurance	1,234	24,732	64,220	3,773	15,332	3,501	**112,792**
Non-proportional marine, aviation and transport reinsurance	966	48	12,885	3,539	12,782	235	**30,455**
Life reinsurance		6,400	9,318				**15,718**
Proportional motor vehicle liability reinsurance	92,119	47	18	12,661	288	626	**105,759**
Proportional marine, aviation and transport reinsurance	45,709	(43)	—	3,123	4	370	**49,163**
Proportional fire and other damage to property reinsurance	49,613	645	(4)	12,883	2,688	10,617	**76,442**
Proportional general liability reinsurance	42,604	(305)	409	4,966		2,776	**50,450**
Proportional credit and suretyship reinsurance	1,334	170			1,769		**3,273**
	273,460	**133,635**	**88,169**	**47,171**	**45,641**	**32,128**	**620,204**

A.1.8 Significant events in the last reporting year

In February 2017 an announcement was made changing the Ogden discount rate used to determine the cost of bodily injury awards in the UK. The rate change from 2.5% to -0.75% with immediate effect increased unsettled liabilities in the UK motor and liability portfolio.

A.2. Underwriting Performance

A.2.1 Underwriting performance: Current year

Since the Company prepares its financial statements in accordance with Irish GAAP, the underwriting performance information given in this section is on an Irish GAAP basis.

The table below provides the key performance indicators.

	2016	2015	Percentage Change
	€'000	€'000	%
Gross written premiums			
– Non-life	604,486	408,199	48.1 %
– Life	15,719	19,701	(20.2)%
Net earned premium			
– Non-life	240,644	174,627	37.8 %
– Life	(4)	(622)	(99.4)%
Net claims incurred			
– Non-life	169,447	58,145	191.4 %
– Life	(1,476)	(538)	174.3 %
Non-life ratios			
Loss ratio	70.4%	33.3%	
Combined ratio	99.2%	68.7%	

Gross written premiums increased for non-life business by €196.3m or by 48.1% from €408.2m to €604.5m. The increase is across most lines of business as per the table below and is as a result of organic growth, a small number of large bespoke opportunities and the movement of business written previously on Catlin risk carriers to XL Re Europe SE. This includes a portfolio of business written in Italy through a cover holder.

The combined ratio increased for non-life business from 68.7% in 2015 to 99.2% in 2016. The increase in combined ratio during 2016 is mainly attributable to the change in the Ogden discount rate in the UK.

Gross Premiums Written by Business Mix

Gross premiums written	Fire & other damage to property €'000	Marine, Aviation & Transit €'000	Liability €'000	Credit & Surety €'000	Other €'000	Total €'000
2016	232,700	79,618	267,249	5,025	19,894	604,486
2015	173,818	69,693	163,991	292	405	408,199

Net earned premiums increased for non-life business by €66.0m or by 37.8% from €174.6m to €240.6m. The increase can be seen on all lines of business as per the table below and are in line with the increase in gross written premiums.

Net earned premiums	Fire & other damage to property €'000	Marine, Aviation & Transit €'000	Liability €'000	Credit & Surety €'000	Other €'000	Total €'000
2016	90,456	30,336	114,207	1,079	4,566	240,644
2015	72,965	25,591	75,599	116	356	174,627

The table below provides the key performance indicators for non-life business on a Solvency II basis:

	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	non-proportional reinsurance Health	non-proportional reinsurance Casualty	non-proportional reinsurance Marine, aviation, transport	non-proportional reinsurance Property	Total
Gross Premiums Written	105,759	49,164	76,441	50,451	3,273	4,928	112,792	30,455	171,224	604,487
Net Premiums Earned	41,083	17,986	22,268	19,305	648	1,781	54,249	12,350	70,974	240,644
Net Technical ratio	110.2%	40.5%	81.0%	67.5%	18.8%	83.6%	118.6%	54.1%	17.0%	69.8%

Dividends

During the year the Company paid dividends of €109.4m (2015: €91.5m) from its realised distributable reserves.

Below is a reconciliation of the Solvency II information reported in QRT S.05.01. to pre-tax Irish GAAP profit:

Year ended 31 December 2016	**€000's**
Gross Premiums	620,205
Reinsurers' share of premiums	363,104
Gross Earned Premiums	576,634
Reinsurers' share of earned premiums	335,994
Gross Claims incurred	394,162
Reinsurers' share of claims incurred	226,191
Net Expenses incurred	100
Other expenses	69,819
Per QRT Form S.05	**2,750**
Investment Income	42,812
Unrealised gain/(loss) on investments	(19,169)
Other charges	(13,949)
Pre-tax Irish GAAP profit	**12,444**

A.3. Investment Performance

A.3.1 Investment performance during the reporting period

Net income and expenses arising from investments by asset class during the reporting period were as follows:

Solvency II Asset Class	**Value**	**Investment income (including realised gains and losses)**	**Unrealised gains and losses**
	€'000	**€'000**	**€'000**
Bonds			
Government Bonds	641,874	498	(7,872)
Corporate Bonds	842,383	20,997	(10,939)
Collateralised securities	18,211	730	(326)
Collective Investments Undertakings	326,212	20,586	(32)
	1,828,680	42,811	(19,169)

A.3.2 Gains and losses recognized directly in equity

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, where acquired in previous years, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

All investment gains and losses are recognized in the income statement.

Investment Income	Non-Life 2016	Life 2016	Non-Life 2015	Life 2015
	€'000	€'000	€'000	€'000
Income from other financial investments	33,537	2,774	39,676	1,999
Gain/(Loss) on realisation of investments	6,198	303	9,930	4,140
Investment income	**39,735**	**3,077**	**49,606**	**6,139**

Unrealised (loss)/gain on investments	Non-Life 2016	Life 2016	Non-Life 2015	Life 2015
	€'000	€'000	€'000	€'000
Unrealised exchange (loss)/gain	(26,186)	(78)	(734)	(86)
Unrealised capital (loss)/gain	7,293	(198)	(34,181)	(2,344)
Unrealised (loss) on investments	**(18,893)**	**(276)**	**(34,915)**	**(2,430)**

A.3.3 Investments in securitisation

The Company's holding in securitised assets at 31 December 2016 is as follows:

Investments in securitisations	2016
	€000's
Residential mortgage backed securities	175,295
Commercial mortgage backed securities	13,042
Total	**188,337**

A.4. Performance of other activities

There was no income from other activities during the year. Other expenses are set out below:

	Non-Life 2016	Life 2016	Total 2016
	€'000	€'000	€'000
Investment expenses and charges	(6,190)		(6,190)
Foreign exchange loss	(4,927)	(2,832)	(7,759)
Other charges	**(11,117)**	**(2,832)**	**(13,949)**

The Company operates in a number of overseas branches. Each overseas branch determines its own functional currency based on factors specific to its operations and is usually the currency of the primary economic environment in which it operates. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation of foreign currency denominated monetary assets and liabilities at year end exchange rates are recognised in the income statement as part of other charges.

The Company has no leases classified as finance leases throughout the reporting period.

Total operating lease charges paid during the year:

The Company had annual commitments in respect of non-cancellable operating leases for which the expense for the financial year 2016 are as follows:

	2016
	€'000
Payments on operating leases - office premises	449

A.5. Any other information

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

B. System of Governance

B.1. General information on the system of governance

The Board has ultimate responsibility for directing the strategy of the business; setting the Company's risk appetites; and the implementation and maintenance of an effective corporate governance framework for the Company. The key components of this framework are discussed below. The Company's framework is designed to demonstrate the Board's and management's commitment to effective governance; and to meet the requirements of the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015 (the Code). The Company is not required to comply with the additional requirements of the Code for High Impact designated institutions.

The Board is satisfied that the Company's system of governance is appropriate and effective, taking into account the nature, scale and complexity of the risks inherent in the Company's business.

The system of governance applies to the Company and its branches in London, Le Mans, Zurich and Dubai.

B.1.1 Board of directors

The Company's governance framework begins with the Board and its two sub-committees, an audit committee (Audit Committee) and a risk management committee (Risk Management Committee or RMC). The delegation of certain responsibilities from the Board to these two sub-committees is complemented by the additional delegation of responsibility to a governance committee and senior management, under written terms of reference.

The Board is composed of two members of the Company's executive management team and four non-executive directors, two of whom are independent. The Code defines "independence" as the ability of the individual to exercise sound judgement and decision making independent of the views of management, political interests or inappropriate outside interests.

The names of the persons who are directors of the Company as at the date of this report are:

J. W. Hume (British)	Non-Executive Chairman
A. Barrage (French)	Executive*
C. M. Dill (German)	Independent Non-Executive**
P. M. Murray (British)	Independent Non-Executive
D. J. Watson (British)	Executive
R. J. P. Webb (British)	Non-Executive

* Appointed 1st January 2017

** Appointed 4th February 2016

Board meetings are held at least quarterly and five meetings are generally scheduled per year. Detailed Board reports are prepared and circulated in advance of meetings, addressing all major areas of the Company's operations, encompassing underwriting performance, financial results, risk management, compliance and investment management.

B.1.2 Board committees

The following committees have been established by the Board:

Audit Committee

The Audit Committee is chaired by an independent non-executive director. The full Board, including the Chairman and the CEO were members of the Audit Committee during 2016, as permitted by the CBI in circumstances where the Board comprises only five members. The Audit Committee meets at least twice annually, to coincide with financial reporting dates and more frequently as required. Its role is to assist the Board in relation to the following activities:

- Review and oversight of the Company's financial reporting process;
- Review and oversight of the Company's internal and external audit functions;
- Monitoring of the Company's systems of internal controls; and
- Review of the Company's financial performance.

The Audit Committee reports directly to the Board and indirectly to the Audit Committee of XL Group Ltd.

Risk Management Committee

The Risk Management Committee (RMC) is chaired by a non-executive director. Its membership is composed of the CEO and two non-executive directors. It meets at least four times per year. Its role is to:

- monitor all material risks associated with the strategic direction of the Company's business;
- advise the Board on the effectiveness of strategies and policies with respect to maintaining both internal capital and own funds which are adequate to cover the risks of the Company; and
- provide review and challenge to the Company's Risk Management Framework (RMF) including risk strategy, risk appetites, stress testing, and risk oversight arrangements.

The RMC is supported in its functions by the Chief Risk Officer (CRO) who has responsibility for the Company's risk management function on a day to day basis. See section B.1.3.

Governance Committee

In addition to its two sub-committees, the Board has approved the establishment of a governance committee (Governance Committee). Its membership is composed of the CEO and senior management. It meets at least four times per year. Its role is to ensure that the Company complies with regulatory requirements and standards, and conducts its business in accordance with the highest ethical standards.

The Governance Committee reports to the Board through the Compliance Officer. It was established during 2016.

Three Lines of Defence Model

The Company operates a "Three Lines of Defence" approach to ensure that effective and robust day-to-day governance is in place. The operational or the 'first line of defence' starts with the employees, where they are tasked with identifying and managing risk on a day to day basis as part of their roles. They are supported by a strong 'second line of defence', which is made up of oversight functions - specifically risk management and compliance. These functions have responsibility for overseeing and challenging day to day management, control and reporting of risks. The risk oversight functions are independent of management and individuals with responsibility for taking on risk exposures. The internal audit function provides the 'third line of defence' where they provide independent assessment of the effectiveness of Company's system of internal control. The RMC and the Audit Committee seek to ensure that the Company has the appropriate risk management mechanisms in place. Please refer to section B.3 for more details on the Company's RMF.

B.1.3 Key functions

The Company's risk management, compliance, internal audit and actuarial functions are the key functions in its system of governance (Key Functions). Holders of Key Functions are authorised to operate free from influences which may compromise their ability to undertake their duties in an objective, fair and independent manner.

Each of these Key Function holders:

- operates under the ultimate responsibility of, and reports to, the Board or Board Committee as appropriate;
- cooperates with the other functions, where appropriate, in carrying out their roles, but operates independently;
- is able to communicate, at their own initiative, with any staff member and has the necessary authority, resources and expertise and unrestricted access to all relevant information necessary to carry out their responsibilities; and
- promptly reports to the Board any significant issues arising in their area of responsibility.

Key Function holders co-operate with each other but operate independently. Individuals carrying out the internal audit function do not assume any responsibility for any other function.

The Company has in place written policies in relation to risk management, internal audit, compliance and the actuarial functions. Further information on these functions is contained within sections B3 (risk management), B4 (Compliance function), B5 (internal audit) and B6 (Actuarial Function). The implementation of Key Functions within the Company is explained below.

Risk Management Function

The CRO leads the Company's risk management function and is responsible for maintaining and monitoring the effectiveness of the Company's risk management system. The CRO plays a key role in the operation of the RMC. The key governance and operational responsibilities are set out in terms of reference which are reviewed annually by the RMC. The CRO reports to the Board periodically and has direct access to the Chairman of the Board. Further information about the risk management function is set out in Section B.3.

Compliance Function

The compliance function is headed by the Compliance Officer (CO), who is responsible for promoting a robust compliance culture in the Company, advising on all regulatory compliance matters affecting the Company and the identification and assessment of compliance risk. The CO's key governance and operational responsibilities are set out in terms of reference which are reviewed annually by the RMC. The CO reports to the Board periodically and has direct access to the Chairman of the Audit Committee. The CO also reports to the RMC on a regular basis. Further information about the compliance function is set out in Section B.4.2.

Actuarial Function

The Company has appointed two Heads of Actuarial Function; one for for Non-Life (HoAF - NonLife) and one for Life (HoAF - Life) business. The HoAFs are responsible for the tasks of the actuarial function under Solvency II and the responsibilities imposed by the CBI's Domestic Actuarial Regime. The HoAF - NonLife's key governance and operational responsibilities are set out in terms of reference which are reviewed annually by the Executive Governance Group. The role of HoAF - Life has been outsourced to Towers Watson (see Section B.7). The HoAF - NonLife reports directly to the Board. The HoAF - Life reports operationally to the HoAF - NonLife and reports annually to the Board directly. Further information about the actuarial function is set out in Section B.6.

Internal Audit

The Head of Internal Audit (HoIA) leads the Company's internal audit function, supported by XL Group's Internal Audit Department. The HoIA is responsible for evaluating the adequacy and effectiveness of the Company's internal control system and other elements of the system of governance. Their key responsibilities are set out in the Company's Internal Audit Policy which is reviewed annually by the Audit Committee. The HoIA reports directly to the Audit Committee. Further information about the internal audit function is set out in Section B.5.

Other critical and important functions

In addition, the Board has identified underwriting, claims management, finance and investment management as functions which are of specific importance to the sound and prudent management of the Company. The Chief Underwriting Officer, Claims Manager and Chief Financial Officer operate under individual terms of reference and are responsible for ensuring that their respective activities are aligned to the risk appetites of the Company. These functions report to the Board either directly or through the CEO. The investment management function is in-sourced from XL Group Investments Ltd. See Section B.7.

B.1.4 Remuneration policy and practices

The Company ensures that its remuneration policies and practices are in line with its business strategy, risk profile, objectives, risk management practices and long-term interests and ensures measures are in place to avoid conflicts of interest. Its remuneration policy promotes sound and effective risk management and does not encourage risk-taking that exceeds the Company's level of tolerated risk. As described in Section B2.3, the Company operates a Code of Conduct that all employees must adhere to.

The balance of fixed and variable compensation is consistent with competitive market practice in the insurance industry, while permitting us to operate fully flexible variable compensation policies. Variable pay for colleagues in independent control functions is not aligned with the performance of the businesses they oversee, and is designed to avoid conflicts of interest while appropriately balancing risk and reward.

An overview of the arrangements that are in place are as follows:

- **Fixed Remuneration** - We consider multiple factors - including an individual's role and responsibilities, performance, experience, expertise and peer market compensation information in setting target levels of base compensation.
- **Variable Remuneration** - Individual bonus awards are determined based on performance reviews of individual and overall performance and are fully discretionary, allowing for full flexibility to award no variable remuneration if warranted. Staff have a bonus target amount expressed as a percentage of base pay.
- **Long Term Incentive Plan** Long-term incentive awards are reserved for those who perform at a high level, recognize the recipient's anticipated future contributions, and take relative and absolute performance, individual potential and unique skills into consideration. Grants of long-term incentives are based on sustained individual performance and criticality of skills. For our most senior leaders, shares awarded under our long term incentive program are subject to holding and minimum ownership requirements. Individual awards under the Group's long-term incentive plans are also capped and subject to claw-back provisions.

Supplementary Pension Schemes

The Company's remuneration program does not include any supplementary pension or early retirement schemes for members of the Board or its Key Function holders.

Material related party transactions

The Company actively monitors all related party transactions. The Company has a 55% quota share agreement with its direct parent company, XL Bermuda Ltd. The Company also makes regular payments to XL Group companies in respect of services provided to the Company (see Section B.7 for further information). Save for the above, there were no transactions with the Company's shareholders, with persons who exercise a significant influence on the Company, or with members of the Board which are deemed material.

B.2. Fit and proper requirements

B.2.1 Qualifications of the Board and Key Function holders

In accordance with the Company's Fitness & Probity Policy, appointments to the Board, Key Functions and other senior management roles are subject to robust fitness and probity assessments which consider the relevant skills, knowledge and expertise required for each particular role.

The Board requires that its members and Key Function holders should be persons with superior business judgement and integrity, who have appropriate qualifications knowledge or experience in the areas of insurance, reinsurance, financial services or other aspects of the Company's business, operations or activities, and who have distinguished themselves in their chosen fields of endeavour. In addition, the Board requires that its members should have the talent and vision to provide oversight and direction in the areas of strategy, operating performance, corporate governance and risk management in order to maximise the interests of shareholders while maintaining the highest standards of ethical business conduct.

The Board is satisfied that each of its directors contributes a strong background and set of skills to enable the Board to meet its responsibilities and that Key Function holders possess the skills, knowledge and expertise to carry out their regulatory obligations.

B.2.2 Recruitment process

All permanent recruitment within the Company is undertaken in accordance with the applicable fitness and probity standards and in line with the standard XL Group recruitment process.

Fitness for a role is determined by reference to qualifications and experience. The Company's obligation is to consider the responsibilities of the specific function and determine the competencies, taking into account scale complexity, risk profile, organisational structure and target market. In line with the XL Group vetting process detailed below, HR ensures that the appropriate information is gathered and verified as part of recruitment.

Probity means acting honesty, ethically and with integrity; and being able to demonstrate sound and prudent management of financial affairs. Probity checks are also embedded in the general recruitment process.

Human Resources (HR) undertakes a series of checks in relation to every successful candidate. Any appointment or offer of employment is made subject to the satisfactory completion of detailed relevant background checks. These checks are commensurate to the seniority of the position and if the checks are not completed satisfactorily or the candidate provides false or misleading information, the Company reserves the right to withdraw the offer. For directors, Key Function holders and other senior positions these checks include:

- Electoral roll and address search
- Credit review
- Employment history and references
- Identity check
- Directors search
- Compliance database check
- Professional membership and qualifications

B.2.3 Code of conduct

The XL Group operates a Code of Conduct ('the Code') to which all employees must adhere. The Code explains the standards expected of all employees in their daily business activities and underpins the XL Group's values and behaviours. The Code applies to all XL Group employees, officers and directors. In addition anyone acting on the Company's behalf (e.g. agents, consultants, contractors etc.) is expected to uphold similar standards when conducting Company business.

B.2.4 Fit & Proper Reassessment

All employees are subject to the XL Group's performance appraisal process, which evaluates on an ongoing basis employee's continued fitness for their roles and responsibilities and identifies any necessary training and development needs.

B.3. Risk management system including the own risk and solvency assessment

B.3.1 Risk management framework (RMF)

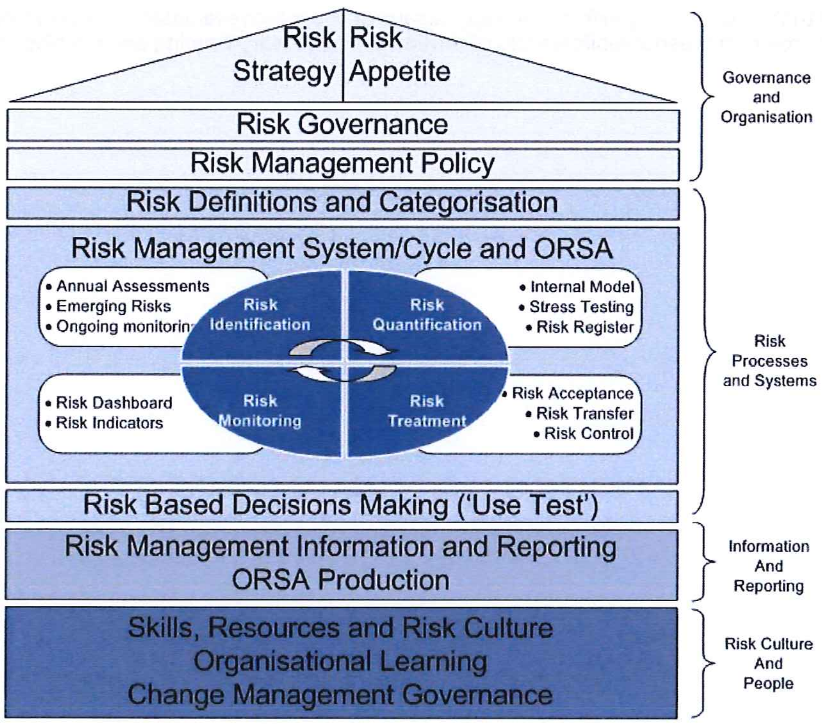
The Company faces strategic, financial and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment, reserving, changes in laws or regulations, information systems, business interruption and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on our profitability, capital strength and liquidity which is managed by the Enterprise Risk Management (ERM) function who implement the RMF.

The RMF is reviewed by the RMC and recommended for approval by the Board, at least annually. The RMF would be reviewed more regularly if the Company was subject to a major change in regulatory requirements, strategy or organisational structure. The aim of the RMF is to:

- Support business objectives and strategy;
- Provide management information to facilitate the identification and understanding of material risks including related mitigants;
- Contribute to the Company's overall internal control framework by helping to manage the inherent complexity within the business;
- Improve the Group's ERM rating and credit rating which is applicable to the Company;
- Support regulatory risk management requirements.

The RMC meets regularly and oversees the implementation and embedding of the RMF and monitoring of Company performance against risk appetite. The RMC has responsibility for capital monitoring and makes recommendations and escalates any issues to the Board, related to risk and capital management. The RMC ensures that material and emerging risks are identified and reported and that appropriate arrangements are in place to manage and mitigate those risks effectively. The Company's stress testing framework and outputs are reviewed by the RMC and support understanding of the risk profile.

The RMF comprises the following:



Risk Management Strategy

The risk management strategy is overseen by the Board and supports the delivery of the overall business strategy. To support the Board, the Company has an appointed CRO and the RMC to oversee more detailed risk management activity and the Board approved risk appetites.

The risk management strategy is to ensure that risk is considered alongside reward in setting its strategic and business objectives. The strategy is articulated in the RMF and risk policies and is achieved by incorporating risk processes, information and decisions in the day to day running of the business.

The Company's strategy involves taking on risk in order to generate return. Risks are selected and controlled or traded off through the risk strategy that focuses on:

- Retaining risk within an approved risk appetite that is consistent with our strategic objectives, with appropriate levels of capital with excess held by the Company;
- A diversified portfolio of underwriting and financial markets risks;
- Managing excessive aggregation risk via a limit framework;
- Exercising consistency and transparency of risk management and control across the entity;
- Risk mitigation on key underwriting and financial market risks to protect capital from the impact of extreme events; and
- Risk reporting to the RMC, the Board and other stakeholders (e.g. regulators).

Risk Appetite Framework (RAF)

The Company's Risk Appetite Framework (RAF) is a key dimension to the risk management strategy and is used to provide governance for setting new monitoring requirements as well as reviewing and updating existing risk appetite statements, tolerances and limits so that these are aligned with business and risk management strategies. The Company's RAF focuses on regulatory capital at risk, tolerances to risks from material individual events (e.g. natural catastrophes, realistic disaster scenarios (RDS) that cross multiple lines of business etc.), liquidity standards, tolerance to specific investment related risks and operational loss. The Board approved risk appetites and risk tolerances were reviewed during the 2017 business planning process and it was determined that all existing statements and tolerances were appropriate to allow the Company to execute the 2017 business plan.

The risk strategy and risk appetite frameworks are supported by the following:

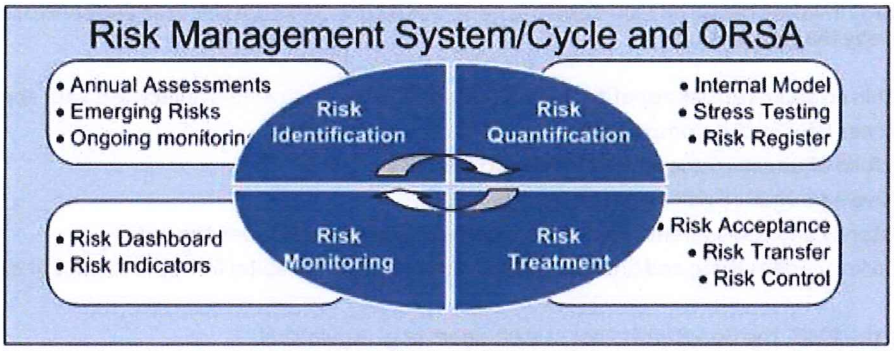
- **Risk Governance** sets out a clear and cost effective organisational structure for risk management, including clear roles and responsibilities. As part of the Risk Governance Framework the Company operates a 'Three Lines of Defence' governance structure, at a functional level as well as a management committee level.
- **Risk Policies** document the Company's approach to the management of each category of risk to which the Company is exposed.
- **Risk definition and categorisation** provides a common taxonomy and language for risk to allow for categorisation of all risks in a way which facilitates links between the business, risk management processes and Internal Capital Model (ICM).
- **Risk cycle and processes** are the approach taken to top down, bottom up and process led risk identification, quantification and management and control.
- **Risk-based decision making ("use test"):** The results of the ORSA and the insights gained in the ORSA process are taken into account for a range of business decisions.
- **Risk Management Information and Reporting, including ORSA Production** ensuring timely and accurate information is reviewed in line with the governance structure.
- **Skills, Resources and Risk Culture. Organisational Learning. Change Management Governance** - All enable a mature risk culture throughout the Company.

Risk Reporting

A risk dashboard is presented on a regular basis to the RMC. The dashboard measures the status against risk appetite statements and the associated monitoring triggers and limits using the latest output from the business, the ICM, and Standard Formula. The dashboard includes information related to the monitoring against all of the Company's material risk categories. Highlights from the dashboard including performance against appetite and limits are reported to the Board through the CRO Board report.

B3.2 Own risk and solvency assessment

The Company's ORSA process includes all of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face and to determine the own funds necessary to ensure that the Company's overall solvency needs are met at all times. See the figure below which outlines the continuous ORSA process:



The Regulatory Capital Requirement is derived using the Solvency II Standard Formula profile. The underwriting units' ICM output together with Standard Formula results are presented to the RMC and the Board to inform and drive risk and capital based decision making.

The processes for the ORSA and production of the ORSA Report are tailored to fit into the Company's organisational structures in a proportionate manner with techniques to assess the overall solvency needs and taking into consideration the nature, scale and complexity of the risks inherent to the business.

The risk management cycle is set for key aspects of the risk management process that are deemed to be part of the ORSA process and that will support the production of the Company's ORSA Report. The ORSA process includes procedures that enable the Company to monitor its compliance with its risk appetites, risk limits, economic capital and also regulatory capital requirements whilst taking into account potential future changes in the risk profile and considering stressed situations.

ORSA governance

All risk management and capital assessment processes form part of the ORSA. The ORSA is not a single task undertaken at one point in time, but rather it encompasses the entirety of the risk and capital management activity undertaken during the year. Key tasks within that activity are reviewed and approved by the Board as part of the process (e.g. capital to support the business plan and risk appetites) and this is then included in the Board approved ORSA report. The production of the full ORSA report is performed annually but regular management information that is produced by our ORSA processes is provided continuously during the year.

The frequency of each ORSA process mentioned above has been set to allow for appropriate identification, assessment, measurement, control and monitoring of risks to the business.

B.4. Internal control system

B.4.1 Framework for internal controls

The Company's 'Three Lines of Defence' approach, as described in Section B.1.2, ensures effective and robust day to day governance is in place. The Internal Audit Function provides independent assessment of the effectiveness of the Company's system of internal control.

In addition, assurance on the controls around financial reporting is provided by the XL Group's Framework for Internal Controls function. This function provides reasonable assurance that financial reporting is reliable and compliant with applicable laws and regulations and provides comfort over the completeness, accuracy and appropriateness of data.

The Framework for Internal Controls ('FIC') function is committed to promoting a robust internal financial control framework for the Audit Committee, executive management and external stakeholders to rely on for financial and regulatory reporting purposes.

FIC's core strategic objectives include:

- Conducting an effective and efficient assessment of the design and operating effectiveness of internal controls over financial reporting.
- Identifying areas in which the inherent risk of financial misstatement is high so that management can address these risks before they manifest themselves in an actual misstatement.
- Providing the Audit Committee and executive management with the information they need to make the assertions and certifications required.
- Adding value by helping management promote a robust control environment.

The FIC function performs an annual assessment of the control framework which includes: risk identification, risk assessment and planning; documenting business processes; evaluation and validation of key risks and controls; and issue management.

B.4.2 Compliance function

The Company's compliance function forms part of the internal control system, along with internal and external audit, risk management and actuarial functions. It has responsibility for advising on all regulatory compliance matters affecting the Company. Its role includes an assessment of the possible impact of any changes in the legal environment on the operations of the Company and the identification and assessment of compliance risk.

In carrying out its responsibilities, the compliance function works closely with all of the business divisions including underwriting, claims, investment, finance and human resources. However compliance is a corporate function and is not tied to any business unit. Although it supports operational functions within the business, particularly with regard to advising on compliance with appropriate regulations, it has i) the necessary authority from the Board, ii) independence, and iii) access to act, inspect records, challenge and report in order to discharge its responsibilities properly and independently.

A compliance risk assessment is formally conducted by the Compliance Officer annually or more frequently if there is a material change to the Company's regulatory risk profile or control framework. The risk assessment determines the content of the annual compliance plan including monitoring activities and training. The results of the risk assessment and the compliance plan are reported annually to the Board and shared with internal audit to ensure a holistic approach to internal control across Company. Progress against the compliance plan is reported quarterly to the Board, in addition to any amendments as a consequence of changes to risk profile or other priorities.

B.5. Internal audit function

The objectives of the Internal Audit function are to provide assurance that the Company's network of risk management, internal control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Internal accounting and operating controls are adequate and operating effectively.
- Financial, managerial, operating and technology systems information is appropriate, accurate, reliable, and timely.
- Compliance with Company policies, standards, procedures, code of conduct and applicable country laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the Company's control processes.
- Significant legislative or regulatory issues impacting the Company are recognized and addressed properly.
- Achievement of the Company's strategic objectives.

B.5.1 Internal audit process

The internal audit process is set out below:

1. Engagement Planning: The objectives of this phase are to refine the scope; identify which business processes, systems and controls will be evaluated; determine which techniques will be used; manage expectations; and coordinate with FIC, external auditors, and IT Audit.

2. Risk & Control Evaluation: The objective of this phase to understand the business process, the key controls and the primary risks associated with the business process.

3. Fieldwork & Testing: The auditor will determine whether the controls supporting the audit objectives are adequately designed and effective through the gathering of audit evidence.

4. Reporting: This phase provides a well-supported opinion on the controls in place, provide value added recommendations and identify opportunities to improve the internal control environment.

5. Follow-up & Closure: The objective of this phase is to monitor the outstanding audit recommendations and agreed-upon audit issue resolutions to ensure their timely implementation.

B.5.2 Internal audit independence

To provide for the independence of the Internal Audit Department, the Head of Internal Audit for the Company reports to the Chief Audit Executive and to the Audit Committee.

The Internal Audit Department complies with the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors (IIA). The Standards apply to individual internal auditors and internal audit activities. All internal auditors are accountable for conforming to the Standards related to individual objectivity, proficiency and due professional care.

The IIA has also established a Code of Ethics which covers basic principles of the internal auditing practice. Internal Audit has a responsibility to conduct itself so that its good faith and integrity are not open to question.

B.6. Actuarial function

B6.1 Roles and Structure

The Company's actuarial function is led by the Head of Actuarial Function - Non-Life (HoAFNL) who reports to the Board directly. The role of Head of Actuarial Function - Life (HoAFL), has been outsourced to Willis Towers Watson. It is implemented in line with the terms agreed with Willis Towers Watson and the Company's Outsourcing Policy (see Section B.7). The HoAFL reports operationally to the HoAFNL and reports annually to the Board directly.

B6.2 Reports of the Actuarial Function to the Board and Regulators

The Actuarial Function Reports (AFR) presented by the HOAFs to the Board document all material tasks that have been undertaken by the Actuarial Function and include the disclosure of key results and the evaluation of any deficiencies and recommendations for addressing any such deficiencies. The Actuarial Function Reports will include the Actuarial Opinion on Technical Provisions (AOTP), the Actuarial Report on Technical Provisions (ARTP), and the opinions on reinsurance adequacy and underwriting policy. These reports are presented to the Board annually and the actuarial opinion on the ORSA process is provided to the Board each time an ORSA is presented to the Board.

B6.3 Actuarial Function Responsibilities

The Actuarial Function is involved in many of the key processes across the business and provides technical expertise and assurance over the methods used. The key processes are:

- Estimating the gross and net technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions and explaining any material effect of change of data, methodologies or assumptions between valuation dates on the amount of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions and where relevant providing recommendations on internal procedures to improve data quality;
- Informing the Board on the reliability and adequacy of the calculation of technical provisions; overseeing the calculation of technical provisions;
- Assisting in the execution of the risk management framework and ensuring effective governance framework around the review and validation of loss reserves (including technical provisions), policyholder obligations and potential exposures, which includes:
    i. Regular contact by reserving actuaries with underwriting and claims teams;

ii. Review of technical provision results by an escalating series of reviews from reserving actuaries to the global chief actuary;
iii. Review of technical provisions to provide sufficient independence from management;
iv. Independent external analysis of the reserving requirements; and

- Setting and maintaining actuarial standards to be applied across the business, ensuring that the actuarial methods and techniques are compliant with all the appropriate Group and local regulatory requirements;
- Providing, at least annually, an opinion on underwriting policy and overall reinsurance arrangements;
- Helping to maintain a competent, effective and efficient approach to pricing;
- Comparing best estimates against experience.

Additional responsibilities relating to capital modelling:

- The Actuarial Function has an additional responsibility in contributing to the effective implementation of the risk management system, in particular with respect to offering insights related to the risk modelling underlying the calculation of the capital requirements within the internal model;
- The Actuarial Function is responsible for specifying which risks within their domain of expertise are covered by the internal model. The Actuarial Function also offers insights into the nature of dependencies between these risks.

B.7. Outsourcing

Outsourcing involves the contracting out of a business process to a service provider. Outsourcing may affect the Company's exposure to operational risk through reduced control over people, processes and systems. The Company has adopted an Outsourcing Policy, to outline the principles and procedures to be applied to the provision of services to the Company by third parties (Outsourcing) and by the XL Group of companies (In-sourcing).The policy includes all material Outsourcing and In-sourcing arrangements. The Outsourcing Policy sets out the provisions to be included in Outsourcing and In-sourcing agreements, allows the Company to audit the performance of the services and access records and sets out the process for determining whether an outsourced function or activity is critical or important. The Board has delegated oversight of outsourcing activities of the Governance Committee (See B.1.2).

The Company outsources the following critical or important functions:

Employee and business services - In-sourced to XL Catlin Services SE. Established in the UK

A formal Service Level Agreement governs the provision of employees and services between entities in the XL Group. XL Catlin Services Europe SE (following the merger of the pre-existing service companies) is the service provider to the Company and it is this legal entity that employs many of the individuals who provide services to the Company. Business Services (e.g. tax, legal and compliance, actuarial HR, IT,finance, facilities) are set out in the schedules to the SLA. There is a separate schedule for each function required by the Company. The day to day management and oversight of the staff performing these functions rests with the heads of each function in question.

Delegated underwriting and claims services - In-sourced to XL Catlin Services SE. Established in the UK

A formal binder agreement governs the delegation of underwriting and claims authorities from the Company's Irish and UK offices to XL Catlin Services Europe SE which is regulated as an intermediary in the UK and has branches across Europe, including in Dublin. The day to day management and oversight of the staff performing these delegated functions rests with the heads of each function in question. These staff are required to comply with individual underwriting and claims authorities which are issued by the Company.

Investment Management services - In-sourced to XL Group Investments Ltd. Established in Bermuda

XL Group Investments Ltd provides investment management services to the Company and other entities within the XL Group. These can be summarised as follows:

- Advising on investment strategy;
- Appointing investment managers;
- Providing investment reporting;
- Setting benchmarks

Administration Services for Life Business - Outsourced to GreyCastle Services Ltd. Established in England & Wales

The outsourcing arrangement between the Company and GreyCastle Services Ltd provides for the long-term provision by GreyCastle Services Ltd to the Company of various administration services in relation to the Company's Life policies, the majority of which were retroceded to GreyCastle Life Reinsurance (SAC) Ltd during May 2014. The services include policy administration, financial reporting, claims administration and actuarial calculations.

Head of Actuarial Function - Life. Outsourced to Willis Towers Watson. Established in Ireland

The role of Head of Actuarial Function - Life has been outsourced to Towers Watson pursuant to a statement of work dated 1st July 2016. The Company's life business is in run-off.

B.8. Any other information

During the reporting period, the following changes took place:

- One new appointment to the Board, as detailed in Section B.1.1.
- Establishment of a Governance Committee, as detailed in Section B.1.2

There were no other material changes in the governance structure of the Company during 2016.

C. Risk Profile

Risk governance requires that the Company can comprehensively articulate the profile/universe of its risks over which its governance processes operates. To this end, the Company has an agreed approach to the definition and categorisation of risks.

The Risk Universe outlines the major risk categories that the Company has determined it is exposed to:

Risk universe

Insurance Risk	Credit Risk	Market Risk	ALM Risk	Liquidity Risk	Operational Risk	Group Risk	Strategic Risk

As outlined in section B3.2 the Standard Formula is used to calculate the regulatory capital requirement and the ICM is used as a risk management tool until the Company's ICM is approved. A full breakdown of the key risk drivers of the Standard Formula SCR can be found in Section E2.2 below.

There are no material changes to the risk profile of the Company as a result of the 2017 plan. The key risks continue to be natural catastrophe exposures, with European Windstorm continuing to be the main driver, and individual RDS across all lines of business.

C.1. Underwriting risk

Risk definition

Underwriting risk (Insurance risk) is defined using the following categories:

Component	Definition
Underwriting risk	Underwriting risk derives from insurance and reinsurance policies written for the current period and also from unearned exposure from prior periods. The risk is that the corresponding premium will be insufficient to cover future claims and other costs or more generally that the underwriting profitability from this tranche of business will be less than expected; Underwriting risk includes man-made catastrophe events and natural catastrophe events.
Reserve risk	Reserve risk relates to policy liabilities (corresponding to business written in prior periods where the exposure has already been earned at the opening balance sheet date) being insufficient to cover the cost of claims and associated expenses until the time horizon for the solvency assessment. Additional risks are that the timing or amount of actual claims pay outs do not align with the timing or amounts of the estimated claims pay outs and that there are changes in the valuation of the market value margin (risk margin) during the time horizon for solvency assessment
Lapse risk	Lapse risk is the risk of loss, or of adverse change in the value of insurance future profits, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders. This includes policies where an assumption has been made about renewal that may not be warranted based on past experience either in terms of actual treaties or underlying policies issued and renewable.

Risk identification

Underwriting and loss experience is reviewed regularly for, among other things, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions. Underwriting risk is also identified through:

- **Business planning** - Analysis is undertaken of the underwriting portfolio, exposures, loss experience and changes to the external environment (including market cycle, economic environment) to identify any changes to the insurance risk profile for the forthcoming period of the budget / business plan;
- **Underwriting processes (including guidelines and escalation authorities)** - Each individual contract written is

assessed, by the underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of insurance risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria.;

- **Reserving and claims process -** On an ongoing basis, claims trends are monitored and analysed for any indications of change in the nature of the underlying insurance risk;
- **ERM risk assessment process -** Through the risk assessment processes, the Company quantifies existing risks and also identifies new risks; and
- **RDS and other scenarios.**

Risk mitigation

Reinsurance purchases

A Group managed outwards third party reinsurance ceded risk transfer programme is employed to support the underwriting strategy within risk appetite and to ensure efficient use of capital. Reinsurance ceded varies by location and line of business based on a number of factors, including market conditions. The goals of the outwards reinsurance ceded risk transfer program include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. The overall goal of the program is to reduce volatility and enhance the overall capital efficiency.

Reinsurance is purchased on planned gross exposures. The adequacy of the reinsurance strategy is approved by the Board as part of the annual business planning process, and the impact of the strategy is monitored quarterly via the RMC and Board.

The Company has an internal reinsurance arrangement with XL Bermuda (XLB) Ltd under a quota share arrangement that cedes losses after internal and external reinstatements premiums and outwards reinsurance (retrocession protection).

Actuarial Function

To mitigate the risk of large changes of reserves from one period to the next which are not due to external but to internal factors such as human errors, the reserving process performed by the Actuarial Function is highly structured and strictly defined and controlled and includes several layers of oversight.

Underwriting authorities and guidelines

All underwriters are assigned individual underwriting authorities with the objective of preserving the capital base and controlling earnings volatility. Authorities within the business units are delegated through the underwriting management structure and the annual review of underwriting limits is part of the business planning process. Authorities are also set in line with agreed risk appetites and risk tolerances for material individual events, the investment portfolio, RDS that cross multiple lines of business and from risks related to some or all of the above that may occur concurrently.

The Company underwrites and prices most treaties individually following a review of the exposure and in accordance with its underwriting guidelines. The Company seeks to serve our clients while controlling our exposure both on a portfolio basis and on individual reinsurance contracts through terms and conditions, policy limits and sub-limits, attachment points and ceded reinsurance arrangements on certain types of risks.

Risk monitoring

On a quarterly basis catastrophe exposures are measured and monitored and reported to the RMC and Board. RDS are also produced twice a year and monitored and reported to RMC and Board.

In relation to event risk management, net underwriting risk tolerances are established for the individual largest events in the risk profile. These are captured through risk reporting to the RMC and Board and monitored as part of the RAF. The following outlines the Company's underwriting risk appetite statements:

Risk type	XL Re E Risk appetite statement
Underwriting risk	- The 1% Tail Value at Risk (TVaR) limits for the key Cat Perils approved by the Board. - Board approved limits for key RDS.
Reserve Risk	Trigger for discussion - Prior year deterioration in gross held reserves (o/s plus IBNR) to be no more than a specified percentage over any rolling 12 month period.

For further information regarding the monitoring of insurance risk through the RMF and RAF, please see Section B.3.1.

Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including underwriting risks. These impacts include the earnings, underwriting, investments, liquidity and capital implications of low frequency, high severity events. For underwriting risks the main stress tests approaches used cover natural catastrophe peril exposure results production and RDS production as outlined below.

Test type	Reason performed
Nat Cat reporting	To monitor Nat Cat exposures against risk appetite
RDS reporting	To monitor non-Nat Cat exposures against risk appetite and to assist in the setting of overall risk limits

Natural catastrophe exposure results and RDS exposure results are used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits. RDS cover both short and long tail lines of business and cross class event exposures. The RMC (and Board) are informed of results of stress tests performed via risk dashboards and the ORSA report throughout the year where discussions and challenge include whether the results fall within relevant approved risk tolerances and limits.

We undertake a range of extreme events intended to stress our capital position and also take a view at the 1 in 100, which is the point at which many of our underwriting limits and appetites are set. Considering the 1 in 100 underwriting risk, our key natural catastrophe for the Company is an intense windstorm impacting northern Europe and in particular Austria, Belgium, Switzerland, Germany, France, Ireland, Luxemburg, Netherlands, Poland, United Kingdom and offshore northern Europe. The 1 in 100 exposure is set on a net occurrence exceedance probability (OEP) basis which is calculated using RMS. Following the 1 in 100 European Windstorm the solvency ratio remains above 100% and therefore does not breach the Standard Formula SCR or risk appetite.

Based on the above factors considered in stress testing the underwriting limits, all underwriting risks are deemed to be well managed and within risk appetite as reported via the risk dashboard and ORSA report to the RMC and Board.

C.2. Market risk

Risk definition

Market risk represents the potential for loss due to adverse changes in the fair value of financial and other instruments. The Company is principally exposed to the following market risks:

Component	Definition
Interest rate and spread risk	Financial loss or volatility of profits due to the combined sensitivity of the economic value of the investment portfolio and (re)insurance liability cash flows and debt securities issued to changes in the level or volatility of benchmark interest rates and spreads.
Market risk concentrations	Financial loss or volatility of profits due to the increased sensitivity of the market value of the investment portfolio to other risks specifically due to concentrations of investments such as in specific geographical region, industry or company.
Foreign exchange risk	Financial loss due to volatility in the value of the Company's assets following changes in currency exchange rates.
Equity price risk	Financial loss or volatility of profits due to the sensitivity of the value of the investment portfolio to changes in the level or in the volatility of market prices of equities.

Risk identification

The Company identifies market risk through the following processes:

Process	Description
Business planning	As part of the annual planning process, a review is undertaken of the nature of assets required to support the business plan and the expected liabilities.
Investment decisions and asset allocations	The XL Group Investment Portfolio Guidelines, Authorities and Monitoring Framework, which applies to the Company, sets ranges for tactical deviation from the benchmark and is reviewed annually.
ERM Risk assessment and processes	The risk assessment process assists in identifying if there are any changes to market risks already identified in the previous assessment.

Market risk is also identified through underwriting and the XL Catlin Emerging Risk Taskforce which has Company representation.

Risk mitigation

The Company's investment management strategy ensures its continued compliance with the Prudent Person Principle set out in Article 132 of Directive 2009/138/EC.

Strategic Asset Allocation

The Strategic Asset Allocation (SAA) process establishes a benchmark that is constructed to maximise enterprise value, subject to various considerations and constraints. It is subject to the risk tolerances recommended by management, and is approved at least annually by the Company's Board.

- **Authorities Framework**

  As part of the implementation of our SAA Benchmark, a comprehensive framework of investment decision authorities is employed. The objective of the Authorities Framework is to ensure that the risk profile of the investment portfolio is consistent with the Company's risk tolerance as reflected in the SAA Benchmark. The Authorities Framework controls active or tactical deviations from the SAA Benchmark. As the magnitude of these deviations increases or the resulting impact on the risk profile of the investment portfolio reaches certain predetermined thresholds, additional levels of authority and approval are required.

The Statement of Investment Policy, Authorities and Guidelines and XL Group Investment Portfolio Guidelines, Authorities and Monitoring Framework comprise a market risk authority and guidelines structure that addresses all the key market risk factors and is commensurate with the volume and complexity of activity undertaken by XL Group.

- **Service level agreements**

  Service level agreements are in place between XL Investment Management Ltd ("XLIML") and the Company. These include guidance on type of investments and the average weighted credit ratings of the portfolio that can be made on behalf of the Company. Adherence to policies and guidelines is monitored and signed off by XLIML on a regular basis and subject to monitoring and reporting to the Company's Board as described below.

Currency risk mitigation

The Company's currency exposure is dominated by US Dollar, Sterling and Euros. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. ALM analysis is run regularly to adjust surplus and shortfall currencies, ensuring that the entity exposures are broadly matched. The table below outlines the Company's current exposure by currency:

XL Re Europe exposure by currency (As at December 2016)

Currency name	Currency	Net Assets/ (Liabilities) (000s)
Euro	EUR	694,456
United States dollar	USD	101,608
British pound	GBP	30,913
Japanese yen	JPY	5,982
Australian dollar	AUD	5,775
Swiss Franc	CHF	111
Hong Kong dollar	HKD	62
Danish krone	DKK	(1,316)
Canadian dollar	CAD	(14,235)
Other	OTH	(4,844)

Risk monitoring

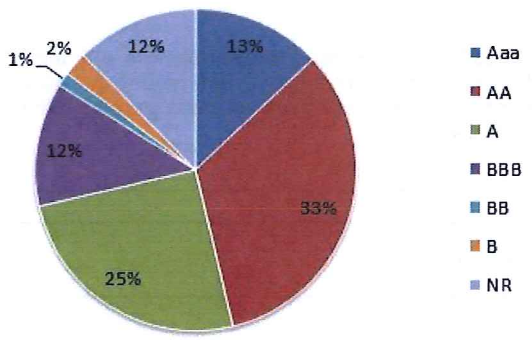
Day-to-day management of the investment portfolio is conducted through a combination of in-house portfolio management teams and external asset managers in accordance with detailed investment guidelines and risk tolerances that are closely monitored by XLIML. This hybrid implementation approach provides access to external asset managers with specialised skills across a broad range of investment products, as well as the flexibility to actively manage the overall structure of the portfolio in line with the Company's specific business needs. Interaction between the internal and external managers provides additional insight to take advantage of opportunities as they present themselves.

The delegation of investment authority to XLIML is supplemented by robust compliance monitoring with defined escalation and notification procedures. This framework is designed to identify investment risks in absolute and relative terms, and to consistently and objectively measure, assess, manage and report such risks on an ongoing basis. The framework is cascaded down to the Company, and approved by the Board. Any breaches in limits of the authority framework are highlighted in the risk dashboard presented to the RMC and escalated to the Board.

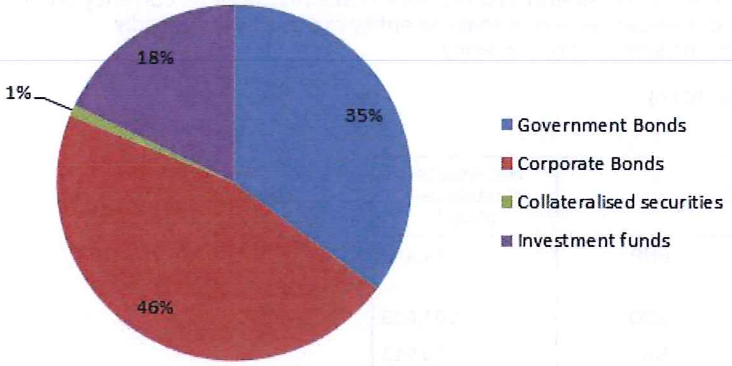
The Company's investment portfolio mostly contains high rated government and corporate assets as seen in the figure below. This is reported to the RMC via the risk dashboard, with any breaches in guidelines highlighted to the Board.

XL Re Europe portfolio rating allocation and asset class allocation (December 31, 2016)

Asset Rating Allocation



Asset Class Allocation



Risk appetite

Risk appetite and compliance with investment guidelines and authorities is captured through risk reporting to the RMC and Board and monitored as part of the RAF. The following outlines the Company's market risk appetite statement:

Risk type	XL Re E Risk appetite statement
Market risk	The 1:100 Market VaR to not exceed the approved level set by the Board

Stress testing framework

An embedded stress testing framework is used to understand possible impacts of major risks, including market risks. The following stress and scenario tests are used to identify risk exposures:

- Interest rate and spread sensitivities: by re-valuing current portfolio holdings assuming various changes in the level and term structure of interest rates and the level of credit spreads;
- Historical stress tests and Black Swan scenarios identified by ERM and the Group Investments covering economic, financial and political events and the potential impact to the investment portfolio.
- RDS aggregations; and
- Ad hoc review of enterprise risk scenarios.

We undertake a range of extreme events as identified above which intend to stress our capital position and also take a view at the 1 in 100, which is the point at which our market risk limit and appetite is set. Considering the 1 in 100 annual Value-at-Risk (VaR) (1 year weighted average) for market risk using BlackRock Solutions, the exposure does not breach risk appetite or result in the Company's solvency ratio dropping below 100% and therefore does not breach the Standard Formula SCR.

As part of the Historical Stress Testing outlined above, the Lehman Bankruptcy (examined over a stress period of 12/09/08 to 03/11/08) has been identified as the largest historical market risk stress test to the Company via BlackRock Solutions. Following this stress test the solvency ratio remains above 100% and therefore does not breach the Standard Formula SCR or risk appetite.

The RMC and Board, where appropriate, are informed of results of stress tests performed throughout the year including whether the results fall within relevant approved risk tolerances and limits set out in the investment guidelines. Based on the above factors considered in scenario and stress testing, all market risks are deemed to be well managed and within risk appetite, as reported via the Risk Dashboard and ORSA report to the RMC and Board.

Test type	Reason performed
Market Risk scenarios	To evaluate the exposure to certain market risk events

C.3. Credit risk

Risk definition

Credit risk is defined as the risk of loss due to an unexpected default, or deterioration in the credit standing of the counterparties and debtors or uncertainty of an obligator's continued ability to make timely payments in accordance with the contractual terms of the instrument.

Credit risk through the risk framework is categorised by the following:

Component	Description
Reinsurance counterparty Risk	Risk of losses due to the default of a reinsurer or a deterioration of its credit worthiness
Investment counterparty Risk	Counterparty default risk is the risk of possible losses due to the unexpected default, or deterioration in the credit standing of investment counterparties
Premium counterparty Risk	Premium counterparty default risk is the risk of possible losses due to unexpected default, or deterioration in the credit standing of the premium debtors in relation to insurance contracts written
Underwriting counterparty Risk	Exposure to credit risk through certain credit sensitive underwriting activities which include, but are not limited to, Surety, Environmental and Political Risk and Trade Credit

Risk identification

The Company identifies credit risk through the following processes:

Process	Description
Business planning	Analysis is undertaken of the credit risk exposures, loss experience and changes to the external environment (including market cycle and economic environment) to identify any changes to the credit risk profile for the forthcoming period of the business plan.
Underwriting	Each individual contract written is assessed, by underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of credit risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria.
ERM Risk assessment and processes	Through the risk assessment processes, the Company quantifies existing risks and also identifies new risks.
Emerging risks	The Group operates an emerging risks identification process. This assessment identifies key external factor changes that may give rise to credit risk issues. The process also evaluates potential opportunities that might arise from these emerging risks.

Risk mitigation

Credit risk is managed through:

- **Credit risk framework:** Credit risk arising from credit sensitive underwriting activities is managed via the underwriting limit framework. Credit risk is managed within the investment portfolio through the Authorities Framework and established investment credit policies, which address the quality of obligors and counterparties, industry limits, and diversification requirements. Exposure to market credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads.
- **Intragroup credit arrangements:** The Company has an internal reinsurance arrangement with XLB Ltd under a quota share arrangement that cedes losses after internal and external reinstatements premiums and outwards reinsurance (retrocession protection).
- **Underwriting authorities and limits:** See C1 Underwriting Risk.
- **Investment portfolio**: Credit risk is managed in the investment portfolio, including fixed income, alternative and short-term investments, through the credit research performed by both investment management service providers and the in house portfolio management team.

- **Reinsurance Security Department:** The Company manages its credit risk in its external reinsurance relationships by transacting with reinsurers that it considers financially sound, and if necessary, collateral in the form of funds, trust accounts and/or irrevocable letters of credit may be held. The following table outlines the Company's top external reinsurance credit exposures as at December 31, 2016.

Non-Life Reinsurer	Rating	% of exposure
ACE European Group	AA	34%
Alea Europe Ltd	A	18%
S.E. Spinney Esq. (Synd.#588)	A	18%
Ariel (Synd.#1910)	A	16%
St. Paul Fire and Marine Insurance Company	AA	14%

- The Company also retrocedes part of its short term life exposures to Greycastle on a quota share basis with proportions varying by underwriting year. Non-PPO life liabilities are fully retroceded (mostly to Greycastle). The assets backing the life business (net of reinsurance) are not ring-fenced from the assets backing the non-life business. The assets held in respect of the business that is retroceded to Greycastle are deposited back and held in ring fenced accounts on the Company's balance sheet. The assets held in these ring-fenced accounts are controlled by strict investment guidelines and are generally invested in short term high quality liquid government and corporate bonds. Assets backing the other retrocessions are also deposited back. The assets backing the PPO liabilities are held in an identifiable portfolio.

- **Premium payment and brokers**: The Company underwrites a significant amount of its (re)insurance business through brokers and credit and premium risk exists should any of these brokers be unable to fulfil their contractual obligations with respect to payment balances. Premium credit risk is controlled by premium cancellation provisions for certain lines of business which allow underwriting businesses to cancel policies for non-payment of premium. A list of approved broking houses is maintained.

Risk monitoring

ERM consolidates credit exposure reports from corporate functions and underwriting businesses on a regular basis for aggregating, monitoring and reporting to the Group Credit Risk Committee, RMC and Board.

Investment portfolio

On a regular basis a review is undertaken of the investment portfolio to enrich our understanding of asset concentrations as well as, credit quality and adherence to our credit limit guidelines. Any issuer over its credit limits or experiencing financial difficulties, material credit quality deterioration or potentially subject to forthcoming credit quality deterioration is placed on a watch list for closer monitoring. Where appropriate, exposures are reduced or prevented from increasing.

Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including credit risks. Stress tests and scenario analysis are undertaken to monitor exposure to the defined scenarios that allows monitoring of exposure to credit risks. These scenarios help to understand potential losses to ensure that the Company is prepared to withstand projected losses from these events, including ensuring that there is adequate capital, liquidity to manage through the event and maintain the Company as a going concern.

C.4. Liquidity risk

Risk definition

Liquidity risk is defined as the inability to meet cash and collateral posting obligations when they come due. Liquidity risk arises from three principal areas: operating, financing and investing cash flows. The RMF addresses how the Company manages liquidity both under a normal and a stressed environment.

Risk identification

The Company identifies liquidity risk through the following processes:

Process	Description
Stress testing	Stressing known and forecasted liquidity positions, downgrade triggers, collateral demands and cash flows by the Company to cover a 1:100 worldwide aggregate operating loss over a twelve month horizon.
Treasury	Treasury has responsibility to identify and monitor concentration risk of cash at banks, along with funding requirements.
ERM Risk assessment and processes	Through the risk assessment processes, the Company quantifies existing risks and also identifies new risks.

Risk mitigation

One of the principal objectives of liquidity risk management is to ensure that there is readily available access to funds with which to settle large or multiple unforeseen claims. It is generally expected that positive cash flow from operations (underwriting activities and investment income) will be sufficient to cover cash outflows under most future loss scenarios.

Cash needs include all possible claims on cash from policyholders, shareholders and operations. Some of these cash outflows are scheduled while others are known with much less certainty. The goal is to ensure sufficient liquidity in the asset portfolio, together with secured external cash sources, to provide for timely payment of potential cash demands under both normal business conditions and under extreme conditions resulting from unforeseen events over a 12 month horizon.

Liquidity risk is managed through:

- **Investment portfolio liquidity** - The annual SAA process determines the structure of the benchmark that maximises the value of the Company subject to risk tolerance and other constraints. The key output of the SAA process is an investment portfolio benchmark, which takes into account management's risk tolerance, liability cash flows, business plan, peer analysis and regulatory considerations.
- **Asset-Liability Management (ALM)** - See section C.6 for further details of the ALM framework.
- **Special funding clauses** - The major source of liquidity risk within underwriting contracts is the provision of rating triggers, which are common practice. These triggers typically necessitate the cancellation of the policy and the return of the cedant's unearned premium in the event of being downgraded below a certain rating level, which has the potential to be a material liquidity event when aggregated. There are controls in place to ensure that there is appropriate authorisation for the inclusion of a downgrade clause in a contract.

Risk monitoring

The Treasury department serves as the focal point for liquidity monitoring, drawing on the expertise of other internal functions, as well as managing cash held at bank accounts covering day-to-day cash requirements, typically referred to as "operating cash". Operating cash balances, together with cash managed within the investments portfolio, comprise the primary sources of liquidity with the Company.

Risk appetite

Risk appetite is captured through risk reporting to the RMC and Board and monitored as part of the RAF. The following outlines the Company's Liquidity risk appetite statement:

Risk type	Risk appetite statement
Liquidity risk	Ensure there are sufficient liquid assets to fund all obligations in the event that ratings downgrade triggers are hit following a pre-defined stress scenario.

Risk appetite links directly to the stress testing framework outlined below.

Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including liquidity risks. A stressed liquidity analysis report is prepared on a quarterly basis by Treasury, which includes the Company's own view of the stressed sources and uses of liquidity. Analysis includes stressing known and forecasted liquidity positions, downgrade triggers, collateral demands, market values in our investment portfolio and cash flows by the Company to cover a 1:100 worldwide aggregate operating loss over a twelve month horizon.

Based on the above factors considered in scenario and stress testing, all liquidity risks are deemed to be well managed and within risk appetite, as reported via the Risk Dashboard and ORSA report to the RMC and Board.

Expected profit in future premium

The expected profit in future premium at 31 December 2016 was €28,655.

C.5. Operational risk

Risk definition

The Company defines operational risk as the risk of loss, resulting from inadequate or failed internal controls and / or processes, or from people and systems, or from external events. In line with business objectives, the Company does not take on operational risk with a view to achieving enhanced return. Rather, it accepts operational risk as a consequence of writing (re)insurance business and having operations to support the writing of that business.

Risk identification

Operational risk is identified through the following processes:

Process	Description
Annual risk assessment	A risk register is maintained of the material risks faced by the Company. On an annual basis an assessment is performed on the risks on the risk register.
Consultation regarding new regulations	When the regulatory authorities announce potential changes to the regulatory environment (such as new rules and regulations) the Legal and Compliance team is responsible for reviewing the proposed changes and for highlighting any increase in regulatory risk that might arise. When new financial reporting regulations are announced, the CFO is responsible for reviewing the proposed changes and for highlighting any increase in regulatory risk that might arise.
Business planning	Any changes to the operational risk environment that arise as a result of the business planning (such as entry into new territories) must be identified and accounted for during the planning process.
Ongoing operations	Function heads and Risk Owners are responsible for identifying any new (or changed) risks during the normal course of business, and notifying the Policy Owners so any required changes to the risk register can be implemented.
Emerging risks	The Company operates a group wide emerging risks identification process which captures emerging risks. This assessment identifies key external factor changes that may give rise to operational risk issues.
Internal loss data	The Company collects data relating to operational risk losses and near misses on a quarterly basis. The data collected is used, among other things, to track incidents, identify key risk indicators and to validate and challenge operational risk quantification.
External loss data	The Company purchases historical loss data from an external provider. Large events from this database are used to identify new emerging risks. In addition the data is used in the parameterisation of the ICM.

Risk mitigation and monitoring

The Company's risk register details the controls in place that mitigate specific risks. The nature of the controls (e.g. preventative or detective; manually operated or automatic) and the strength of control exercised are based upon the:

- Potential severity of the risk;
- Frequency of the risk occurring;
- Cost of implementing controls relative to the significance of the risk; and
- Appetite and tolerance for the risk.

Purchase of insurance

It is recognised that while the Company may buy insurance with the aim of reducing the monetary impact of certain operational risk events (e.g. physical damage), non-monetary impacts may remain (including impact on the Company's reputation). This is considered in the risk assessment process and risk register.

The risks are monitored and managed through the risk framework and the operational loss event reporting process.

Based on the above factors considered in scenario and stress testing, all operational risks are deemed to be well managed and within risk appetite, as reported via the Risk Dashboard and ORSA report to the RMC and Board.

Risk appetite

Risk appetite is captured through risk reporting to the RMC and Board and monitored as part of the RAF. The following outlines the Company's operational risk appetite statement:

Risk category	Measure	Appetite / trigger level description
Operational risk	Employee conduct and service execution	**Risk appetite -** We require our employees and company to conduct themselves in a manner consistent with core values.
		Risk appetite - We provide the appropriate operational structure, fit for purpose for the Company, taking into account cost/benefit considerations, to ensure we continue to provide a superior client service experience that reaffirms our excellent reputation with our stakeholders.

Stress testing framework

To support the identification and quantification of operational risks within the business and to help parameterise the internal model, the Company has a stress and scenario testing framework.

The stress testing includes multiple operational risk scenarios which are evaluated over multiple return periods for each scenario.

Test type	Reason performed
Operational Risk scenarios	To parameterise the operational risk module in the ICM

The operational scenarios are developed from the top risks assessed during the annual risk assessment process on both a gross and net assessment basis. The scenarios have multiple uses including:

- To monitor against tolerances;
- To better understand economic and reputational impact of the identified top operational risk exposures; and
- To provide data for the ICM.

C.6. Other material risks

Asset liability mismatch risk

Risk definition

Asset liability mismatch risk arises directly from a mismatch between assets and liabilities due to changes in market and credit risks, liquidity and foreign exchange and also arises from events affecting both asset and liability values.

In particular, two market risks influence both assets and liabilities and are hence key drivers of risk:

Component	Definition
Interest rate and spread risk and asset composition risk	Mismatches between asset composition and maturities and the profile of liability cash flows creates economic risks from changes in benchmark interest rates, spreads and asset values. This is due to changes in the nominal mark-to-market (MTM) value of assets not exactly offsetting changes in the nominal economic value (net-present value) of liability cash flows.
Inflation risk	Differences in the inflation sensitivity of investments, liability and debt cash flows creates a risk to unexpected changes in different types of inflation (Consumer Price Index, wage, etc.). This is due to changes in the real Mark-to-Market value of assets not offsetting changes in the real economic value (net-present value) of liability cash flows.

Foreign exchange ("FX") risk is also a key consideration under asset liability mismatch risk which was outlined in Section C2 Market Risk. FX risk arises from mismatches in the currency denomination of assets relative to that of financial liabilities.

Risk identification

The following outlines the processes used to identify asset liability mismatch risk:

Process	Description
Business planning	As part of the annual strategic planning process, a review is undertaken of the nature (quality, duration, currency and liquidity) of assets required to support the business plan and the expected liabilities.
Investment decisions and asset allocation	The Investment Portfolio Guidelines, Authorities and Monitoring Framework sets ranges for tactical deviation from the benchmark and is reviewed annually in conjunction with the SAA process as outlined in C2 Market Risk.
ERM risk assessment and processes	The risk assessment processes assists in identifying if there are any changes to ALM risks from those that had been identified in the previous risk assessment.

Risk treatment

The Company controls asset liability mismatch risk through:

- **Asset Liability Management (ALM) analysis**

  The Company will conduct detailed ALM analyses to match the average duration of its liabilities with appropriate assets.

- **Investment authorities and guidelines**

  Board approved market risk authority and guidelines are in place that addresses all the key market risk factors and is commensurate with the volume and complexity of activity undertaken by the Company.

- **Reserving process controls**

  Among the key drivers of the Company's reserve risks are inflation, correlation across lines of business, legislative and regulatory changes, loss trend movements, timing and reporting changes at underlying ceding companies, and the excess nature of exposures in certain lines including non-proportional reinsurance

Stress testing framework

The Company uses scenario testing as one method to assess asset liability mismatch risk exposures. XL Investments undertakes a number of stress tests covering historical events and hypothetical scenarios to understand the impact of such scenarios to the investment portfolio.

C.7. Any other information

None

D. Valuation for Solvency Purposes

This section contains information regarding the valuation of balance sheet items for solvency purposes. The Solvency II Balance Sheet S.02.01.02 is shown in the Public QRT section at the end of this report. A reconciliation between the Irish GAAP balance sheet and the Solvency II balance sheet is presented below. The numbering of line items refers to the comments which follow. Based on the differences in this template a reconciliation between the Irish GAAP equity and Solvency II equity is provided in Section E1.2 below.

This section describes the bases, methods and main assumptions used in the valuation of assets for solvency purposes of each material class of assets. The material quantitative differences between the value of assets in the balance sheets presented above are explained. Where individual line items are not material they have been grouped together.

Each material asset class is described in paragraph D.1. Valuation of technical provisions is calculated as the sum of the best estimate and the risk margin. This is described in paragraph D.2. Other liabilities are described in paragraph D.3.

	Reference	Irish GAAP Value	Adjustment	Solvency II Value
Assets		**€'000**	**€'000**	**€'000**
Deferred Acquisition Costs (DAC)	1	19,369	(19,369)	—
Deferred tax asset	2		24,332	24,332
Property, plant and equipment	3	293	—	293
Investments (excl participations)	4	1,769,584	59,095	1,828,679
Reinsurance recoverables	5	1,172,618	(358,706)	813,911
Deposits to cedants	6	94,301	(25,263)	69,038
Insurance and intermediaries receivables	7	312,846	(305,366)	7,480
Reinsurance receivables	8	174,500	34,658	209,158
Cash and cash equivalents	9	80,047	(44,583)	35,464
Any other assets, not elsewhere shown	10	24,690	(14,528)	10,162
Total assets		**3,648,248**	**(649,730)**	**2,998,519**
Liabilities				
Technical provisions (best estimates) - Non-Life & health similar to non-life	11	1,982,465	(510,033)	1,472,432
Technical provisions (risk margin) - Non-Life & health similar to non-life	11	—	158,711	158,711
Technical provisions (best estimates) - Life & health similar to life	11	136,194	86,296	222,490
Technical provisions (risk margin) - Life & health similar to life	11	—	14,471	14,471
Deposits from reinsurers	12	107,700	—	107,700
Deferred tax liabilities	13	37,783	(28,491)	9,292
Reinsurance payables	14	390,683	(195,764)	194,919
Any other liabilities, not elsewhere shown	15	27,457	—	27,457
Total liabilities		**2,682,282**	**(474,811)**	**2,207,471**
Excess assets over liabilities		**965,966**	**(174,919)**	**791,047**

D.1. Assets

This section describes the bases, methods and main assumptions used in the valuation for solvency purposes of each material class of assets. The material quantitative differences between the value of assets in the December 31, 2016 balance sheets presented in Section D above are explained. The numbering of the balance sheet line items refers to the comments below. Based on the differences in this template a reconciliation is made between the Irish GAAP equity and Solvency II equity.

The Solvency II Balance Sheet requires an economic (fair) valuation for all assets and other liabilities. On this basis, the following hierarchy of high level principles for the valuation of all assets and other liabilities is used:

I. Undertakings must use quoted market prices in active markets for the same assets or liabilities as the default valuation method, notwithstanding if the applicable GAAP would allow a different approach

II. Where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used.

III. If there are no quoted market prices in active markets available, undertakings should use mark-to-model techniques, which is any alternative valuation technique that has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input.

IV. Undertakings have to make maximum use of relevant observable inputs and market inputs and rely as little as possible on undertaking-specific inputs, minimising the use of unobservable inputs.

V. When valuing liabilities using fair value, an adjustment is required to remove the own credit risk of the liability

The differences between the Irish GAAP and Solvency II valuation for assets are set out below:

1. Deferred acquisition costs ('DAC') are costs relating to the acquisition of new business for insurance contracts. Under Irish GAAP these costs are deferred to the extent that they are expected to be recovered out of future margins in revenues on these contracts. Recognition of DAC is not permitted under Solvency II.

2. Under Solvency II the valuation of deferred tax assets is determined by the differences between the economic valuation of an asset or liability on the Solvency II balance sheet and its tax base. A deferred tax asset can only be recognized to the extent it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. The deferred tax asset valuation has changed given the differences between the tax base of the Solvency II balance sheet compared to the tax base of the Irish GAAP balance sheet.

3. Property, plant and equipment is held at cost less any depreciation and impairment loss under Irish GAAP. This valuation is a proxy for fair value under Solvency II.

4. The reasons for the differences between Solvency II and Irish GAAP for investments are set out below:

    - accrued investment income is included within the value of the investment under Solvency II, whereas it is disclosed separately in the Irish GAAP balance sheet

    - certain cash instruments in the Irish GAAP balance sheet are reclassified from cash and cash equivalents to investments under Solvency II.

5. See Section D2.2 for a discussion of reinsurance recoveries under Irish GAAP compared to Solvency II

6. Deposits to cedants are valued at cost less provision for impairment under Irish GAAP.

7. Insurance and intermediaries receivables under Irish GAAP are measured at cost less provision for impairment and are not discounted. The valuation differs to Solvency II due to the fact that that all of the not-yet-due insurance and intermediaries receivables are transferred to technical provisions under Solvency II. As this is simply a balance sheet re-class between assets and liabilities there is no material impact on equity (apart from the fact that non-yet receivables are discounted within technical provisions). Only the due receivables remain in assets under Solvency II and are measured at cost less provision for impairment as a reasonable proxy for fair value given the short term nature of these assets.

8. Reinsurance receivables under Irish GAAP are measured at cost less provision for impairment and are not discounted. The difference represents creditors from reinsurers that relate to settled claims of policyholders. This was netted off against RI payables under Irish GAAP; however transferred to assets for Solvency II. Therefore there is no impact on equity for this adjustment. Cost less provision for impairment is a reasonable proxy for fair value for the Solvency II measurement given the short term nature of these assets.

9. Cash and cash equivalents are measured at fair value under both Irish GAAP and Solvency II. The difference in cash valuation is because certain cash instruments under Irish GAAP are classified as investments under Solvency II.

10. Other assets are measured at cost less provision for impairment under Irish GAAP,which is a reasonable proxy for fair value under SII given the short term nature of the assets. The majority of the difference is due to the fact that under Solvency II accrued investment income is included within the value of the investment; whereas it is disclosed separately in the Irish GAAP balance sheet, or within 'Other assets' within the GAAP section of the Balance Sheet.

D.2. Technical provisions

Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

Technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using risk-free discount rate term structures. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows which is calculated using the cost of capital approach and risk-free discount rate term structures. The discount rate term structures are prescribed by EIOPA for each reporting period.

The best estimate for the non-life claims provision is calculated by using Irish Generally Accepted Accounting Principles (GAAP) reserves as the starting point and then performing a series of adjustments:

- Unwinding of discounting permissible under GAAP (e.g. Periodical Payment Orders);
- Incorporation of expected reinsurance counterparty defaults;
- Incorporation or the identification of events not in data (ENID) as appropriate;
- Future premiums (payables and receivables);
- Other adjustments related to the consideration of investment and operating expenses, etc.;
- Discounting credit.

Within the non-life provisions the removal of prudential margins is not typically required as GAAP reserves are typically established on a best estimate basis.

The best estimate for the premium provision is calculated by using the gross unearned premium reserve on a GAAP basis, and then performing a series of adjustments:

- Gross and ceded premiums on already obliged but yet to incept business;
- Applying expected future gross loss ratios;
- Reinsurance recoveries (with allowance for expected counterparty default);
- Incorporation of Events Not In Data (ENID);
- Allowance for Future premiums (payables and receivables);
- Other adjustments related to the consideration of investment and operating expenses, etc.;
- Adjustments for lapses as appropriate;
- Discounting adjustment.

For life business the best estimate cashflows are produced using actuarial assumptions for mortality, morbidity, persistency and expenses based on the historic experience of the portfolios and making allowance for future trends. The technical provisions adjust the cashflows to reflect the time value of money using a risk free discount rate term structure.

The following table shows the total net Technical Provisions as at December 31, 2016 for each material line of business in Euro 000s:

€'000	Best Estimate	Risk Margin	Total	% of Total
Non-proportional casualty	464,738	113,872	578,610	55%
Non-proportional property	111,634	12,573	124,206	12%
Non-proportional marine, aviation and transport	77,529	10,825	88,354	8%
Others	162,794	21,441	184,234	17%
Total Non-Life	816,694	158,711	975,405	93%
Life Liabilities	64,317	14,471	78,787	7%
Total	**881,010**	**173,182**	**1,054,192**	**100%**

Non-Life Non-Proportional Reinsurance represents over 75% of the Company's net Technical Provisions. The main methods and assumptions are applied consistently across all lines of business including standard actuarial techniques, chain-ladder method and Bornhuetter-Ferguson, which are used in the projection of the claims provisions. Major Events are identified and separately valued based on expected exposures to the company.

Non-proportional casualty reinsurance

Standard actuarial techniques are used to value each separate reserving class allowing for the different exposures including the separation of motor, general liability and professional liability. Major Events are identified and separately valued based on expected exposures to the Company. Future liabilities for UK Periodical Payment Orders are included in this class (settled PPO liabilities are included within the life lines of business).

Non-proportional property reinsurance

Standard actuarial techniques are used to value each separate reserving class allowing for the different profiles of catastrophe, per risk property and engineering reinsurance. Major Events are identified and separately valued based on expected exposures to the Company.

Non-proportional marine, aviation and transport reinsurance

Standard actuarial techniques are used to value each separate reserving class allowing for the different profiles of marine and aviation exposures. Major Events are identified and separately valued based on expected exposures to the Company.

Description of Recoverables from Reinsurance Contracts

The reinsurance recoverables for the claims provisions are sourced directly from the GAAP submissions.

Within the premium provisions, the estimated ceded recoveries are calculated by applying loss ratios reflecting the reinsurance programmes applicable to the ceded premium amounts.

For life business, reinsurance recoverables are calculated using the same principles as the gross reserves.

An allowance is made for Reinsurance Counterparty Default based on the credit rating for each reinsurer over the lifetime of the liabilities.

Uncertainty/limitations associated with the value of the technical provisions

There is an inherent uncertainty in the estimates as there is in any estimate of claim reserves. It is certain that actual future losses will not develop exactly as projected and may vary significantly from our projections as actuarial indications are subject to uncertainty from various sources, including but not limited to changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and general economic conditions. This uncertainty stems from several factors including lack of historical data, uncertainty with regard to claim costs, coverage interpretations and the judicial, statutory and regulatory provisions under which the claims may be ultimately resolved. Further, our projections make no provisions for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the historical data or that are not yet quantifiable.

For life business, there is also uncertainty in the estimates of future cashflows used to determine the technical provisions. This uncertainty comes from a number of sources including differences between the estimated future decrement rates (i.e. mortality, morbidity and lapse rates) and those ultimately experienced.

D.3. Other liabilities

The following table details the value of each material class of other liabilities under both Irish GAAP and Solvency II at 31 December, 2016

Reference	Reference	Irish GAAP Value	Adjustment	Solvency II Value
		€'000	€'000	€'000
Deposits from reinsurers	12	107,700	—	107,700
Deferred tax liabilities	13	37,783	(28,491)	9,292
Reinsurance payables	14	390,683	(195,764)	194,919
Any other liabilities, not elsewhere shown	15	27,457	—	27,457
Total other liabilities		**563,623**	**(224,255)**	**339,368**

Details on the material differences between the bases, methods and main assumptions between Irish GAAP and SII valuation for liabilities are set out below:

12 Under both Irish GAAP and Solvency II the deposits from reinsurers are measured at fair value.

13 Under Solvency II the valuation of deferred tax liabilities is determined by the differences between the economic valuation of an asset or liability on the Solvency II balance sheet and its tax base. The deferred tax liability valuation has changed given the differences between the tax base of the Solvency II balance sheet and the tax base of the Irish GAAP balance sheet.

14 Reinsurance payables are held at amortized cost under Irish GAAP. All of these amounts that are due to be paid at a future date have been transferred to technical provisions under Solvency II and therefore there is no impact on Own Funds for this adjustment (apart from an immaterial amount due to the discounting of reinsurance premium payables within technical provisions).

15 The majority of other liabilities represents accruals made for amounts due. Accruals are measured at fair value under both Irish GAAP and Solvency II.

D.4. Alternative methods for valuation

A small proportion (approximately 4%) of other financial investments is invested in private investment funds. These funds are primarily valued based on the net asset value provided by the investment manager, which is in turn based on fair values of the funds' investments.

Approximately 6% of investments (excluding participations) are valued using the unadjusted quoted price in an active market for identical assets or liabilities that the Company can access at the measurement date. All remaining investments are valued using inputs that management consider to be "Level 2". Level 2 inputs include: quoted prices for similar (but not identical) assets; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets.

With respect to investments, it is common industry practice to use pricing services as a source for determining fair values where the pricing services are able to obtain sufficient market-corroborating information to allow them to produce a valuation at a reporting date. In the vast majority of valuations, the pricing services use market approaches to valuations using primarily Level 2 inputs. For a small percentage of fixed income securities, the pricing services may use some form of discounted cash flow analysis. Standard inputs to the valuations provided by the pricing services listed in approximate order of priority for use when available include: reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data.

Given the nature of the Company's debt security portfolio, management considers the approach to provide an appropriate measure of fair value, with limited valuation uncertainty.

The Company performs regular reviews of the prices received from third party valuation sources to assess whether the prices represent a reasonable estimate of the fair value. This process is completed by investment and accounting personnel who are independent of those responsible for obtaining the valuations. The approaches we take include, but are not limited to, annual reviews of the controls of the external parties responsible for sourcing valuations that are subjected to automated tolerance checks, quarterly reviews of the valuation sources and dates, and comparison of executed sales prices to prior valuations.

There are no other material assets or liabilities which are valued using alternative methods of valuation.

D.5. Any other information

None

E. Capital Management

E.1. Own Funds

This section provides a view of capital management activities in the Company, its capital management methods and the structure, amount and quality of own funds. Under Solvency II, capital is referred to as "own funds". Own funds are calculated from the excess of assets over liabilities in the Solvency II balance sheet, to which any subordinated debt is then added. This combined amount is known as "Basic Own Funds". Total Own Funds may include "Ancillary Own Funds" which are off-balance-sheet items that can be called up to absorb losses, however the Company does not have any Ancillary Own Funds. Own funds are classified into tiers and restrictions are applied to limit the extent to which the various components of own funds can be used to meet the capital requirements.

E.1.1 Objective, policies and processes for managing own funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR. The own funds should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. We allocate capital efficiently to achieve sustainable returns and facilitate growth, and strive to maintain capital levels that are consistent with our risk appetite, corporate strategy and the statutory requirements. The Company monitors its own funds and the Solvency Ratio at least quarterly and the Board receives a regular assessment of the capital position. In addition a dashboard of capital triggers is monitored to identify any instances which would require a recalculation of the standard formula capital requirement. The Committees which review solvency are described in more detail in Section B1 "General Information on the System of Governance", and responsibility ultimately rests with the the Company's Board. As part of own funds management, the Company prepares ongoing solvency projections and reviews the structure of its own funds and future requirements. The business plan, which forms the base for the ORSA, contains a five year projection of funding requirements and this helps focus actions for future funding.

E.1.2 Eligible Own Funds

The starting point to determine Eligible Own Funds is to prepare the Company balance sheet on a Solvency II basis. The Solvency II balance sheet is derived from the Irish GAAP balance sheet by making the adjustments necessary to reflect the solvency II valuation basis of assets and liabilities. This Solvency II balance sheet then provides the Basic Own Funds which are categorized into the three Solvency II tiers. There are restrictions on the amount of Tier 2 and Tier 3 capital which can be used to meet the SCR, as well as the Minimum Capital Requirement ('MCR').

The difference between the net assets of the Company in the financial statements and the solvency valuation of the excess of the assets over liabilities is set out below. The adjustments are documented in section D covering valuation of assets and liabilities.

Reconciliation between equity shown in the financial statements and net assets per solvency II and eligible own funds	**€000's**
Net assets per financial statements	965,966
Adjustments for technical provision and risk margin under solvency II	(208,357)
Adjustments for DAC	(19,369)
Deferred tax Adjustment	52,823
Other adjustments	(16)
Net assets per Solvency II	**791,047**
Foreseeable dividends, distributions and charges	(17,000)
Available and eligible own funds	**774,047**

Tiering of Basic Own Funds

At December 31, 2016 the Company's Basic Own Funds were assigned to the Solvency II tiers as shown in the following table:

	Tier 1 - unrestricted	**Tier 3**	***Total***
	€'000	**€'000**	**€'000**
Ordinary share capital	788,859		788,859
Net Deferred Tax Asset		24,332	24,332
Reconciliation reserve	(39,144)		(39,144)
Total Basic Own Funds	**749,715**	**24,332**	**774,047**

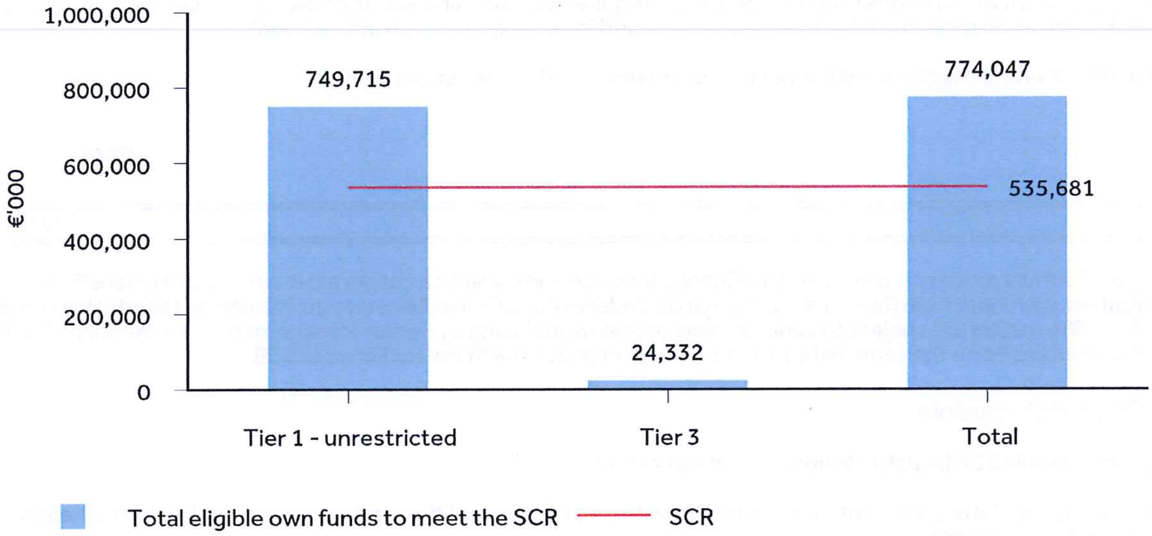
The Company's ordinary share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a) (i) of the Delegated Regulation. The ordinary share capital is not subordinated and has no restricted duration. The directors recommend the payment of a final dividend of €17.0m, which will be accrued in 2017 when it is approved by its shareholders.

Eligible Own Funds

The classification into tiers is relevant to the determination of eligible own funds. These are the own funds that are eligible for covering the solvency capital requirement (SCR) and the minimum capital requirement (MCR). For example the MCR must be covered by Tier 1 and Tier 2 capital, and may not therefore be covered by Tier 3 capital. Eligible Own Funds to meet the Standard Formula SCR and MCR at December 31, 2016 is detailed below:

	Tier 1 - unrestricted	**Tier 3**	**Total**
Total available own funds to meet the SCR	749,715	24,332	774,047
Total available own funds to meet the MCR	749,715		749,715

Eligible Own Funds to meet the SCR



Eligible Own Funds to cover Capital Requirements

The solvency capital requirement is set at a level to ensure that insurers can meet their obligations to policy holders over the following 12 months with a 99.5% probability, giving reasonable assurance to policyholders that payments will be made as they fall due.

The Board holds the view that the Standard Formula overstates the Company's 1 in 200 loss scenario and as such the SCR is an inherently prudent risk profile when compared to that of the ICM.

The table below shows the ratio of eligible own funds that the Company holds to cover the solvency capital requirement and minimum capital requirement at December 31, 2016:

	€'000
SCR	535,681
MCR	173,068
Total eligible own funds to meet the SCR	774,047
Total eligible own funds to meet the MCR	749,715
	%
Ratio of Eligible own funds to SCR	**144.5%**
Ratio of Eligible own funds to MCR	**433.2%**

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR results

The SCR is the amount of own funds that the Company is required to hold in line with the Solvency II Directive. The Standard Formula SCR calculation is calibrated to ensure that all quantifiable risks are taken into account.

The SCR and MCR under the Standard Formula at December 31, 2016 are set out below:

	€'000
SCR	535,681
MCR	173,068

The Standard Formula process is owned by the Finance function and involves a cooperative cross-functional effort across the organization, with input from Risk, Finance, Actuarial, Underwriting, Ceded Reinsurance, Investments and other relevant stakeholders. The results are subject to various levels of review, including by Senior Management. The Standard Formula MCR is calculated based on the same data sources used to produce the Standard Formula SCR.

E.2.2 SCR by risk module

The Standard Formula SCR by risk category are set out below:

The final solvency capital requirement of the company is the aggregation of the market, counterparty and life, health and non-life underwriting risks.

	€000's
Market risk	182,347
Counterparty default risk	83,242
Life underwriting risk	9,449
Health underwriting risk	3,351
Non-life underwriting risk	441,514
Diversification	(152,870)
Operational risk	45,174
Loss-absorbing capacity of deferred taxes	(76,526)
Solvency Capital Requirement	**535,681**

The Company only used simplified calculations in applying the standard formula module for Counterparty default risk (Credit risk).

There has been no use of undertaking specific parameters in the non-life underwriting risk calculations.

Market Risk

The company is exposed to market risk derived predominately from the assets held by the company to meet its insurance liabilities.

- spread risk mainly driven by the company's investments in bonds and securitised assets.
- interest rate risk driven by the changes in assets and liabilities of the company due to changes in discount rates.
- equity risk mainly driven by investments in equities.
- currency risk mainly driven by the exposure of the company's assets and liabilities denominated in foreign currencies.

Market Risk	€000's
Interest Rate risk	84,207
Equity Risk	70,263
Spread Risk	72,962
Concentration Risk	13,780
Currency Risk	49,220
Market Risk Diversification	(108,085)
Total Market Risk	**182,347**

Counterparty Risk

The company is exposed to €85.2m of counterparty risks in the form of cash deposits and recoveries from reinsurers (type 1) and from receivables from intermediaries, policyholders and other debtors (type 2).

Counterparty Risk	€000's
Type I (RI + Cash)	34,961
Type II (Intermediaries)	53,745
Counterparty Risk Diversification	(5,464)
Total Counterparty Risk	**83,242**

Life Underwriting Risk

The company is exposed to life underwriting risk as a result of the reinsurance policies it sells and annuities stemming from non-life accepted insurance contracts.

Life Underwriting Risk	€000's
Mortality risk	351
Longevity Risk	3,971
Lapse Risk	4,643
Expense Risk	4,007
Diversification	(3,523)
Life Underwriting Risk Total	**9,449**

Health Underwriting Risk

- €3.4m of premium and reserve risk driven by earned premiums, forecast premiums and claims provisions of non-life business lines.

Health Underwriting Risk	€000's
Premium and Reserve Risk	3,351
Health Underwriting Risk Total	**3,351**

Non-Life Underwriting Risk

Non-life underwriting risk is the largest component of the standard formula SCR and is mainly driven from:

- premium and reserve risk driven by earned premiums, forecast premiums and claims provisions of non-life business lines.
- catastrophe risk driven by the company's exposure to both man-made catastrophe and natural catastrophe risks.

Non-Life Underwriting Risk	€000's
Premium and Reserve Risk	378,585
Catastrophe Risk	151,188
Lapse Risk	11,462
Non-Life Diversification	(99,721)
Non-Life Underwriting Risk Total	**441,514**

Operational Risk

€45.2m operational risk is driven by technical provisions and earned premiums of all lines of business.

Loss absorbing capacity of deferred tax

The recognition of €76.5m of loss absorbing capacity of deferred tax has been based on the extent to which offsetting is permitted according to the relevant tax regimes and will offset against future profits based on the budget forecasts.

Minimum Capital Requirement (MCR)

The company uses the Standard Formula to calculate its Minimum Capital Requirement (MCR). The amount of the MCR for the reporting period is €173m.

Overall MCR calculation

The following table shows the MCR calculations:

Overall MCR calculation	€000's
Linear MCR	173,068
SCR	534,560
MCR cap	240,552
MCR floor	133,640
Combined MCR	173,068
Absolute floor of the MCR	3,600
Minimum Capital Requirement	173,068

The non-life MCR is based on factors applied to net premiums written amounts in the previous 12 months and the net best estimate technical provisions split by Solvency II class of business. The inputs used to calculate the MCR as follows:

	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	€000's	€000's
Motor vehicle liability insurance and proportional reinsurance	18,174	41,083
Marine, aviation and transport insurance and proportional reinsurance	29,315	17,986
Fire and other damage to property insurance and proportional reinsurance	34,038	22,268
General liability insurance and proportional reinsurance	66,324	19,305
Credit and suretyship insurance and proportional reinsurance	10,271	648
Non-proportional health reinsurance	4,672	1,781
Non-proportional casualty reinsurance	464,738	54,249
Non-proportional marine, aviation and transport reinsurance	77,529	12,350
Non-proportional property reinsurance	111,634	70,974

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

The Company is not using the duration-based equity risk sub-module. This is not applicable to the Company as we do not provide retirement benefits.

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

This section is N/A to the Company as it does not use an approved in internal model.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

During the reporting period, there were no instances of non-compliance with the Solvency II capital requirements. In addition, the company held own funds in excess of the SCR and MCR requirements over the reporting period.

E.6. Any other information

There is no other material information regarding capital management.

Public Quantitative Reporting Templates

S01.02.01 Basic information

Undertaking name	XL Re Europe Ltd
Undertaking identification code	LEI\6354005OC5UTPXJQ9E28
Type of code of undertaking	LEI
Type of undertaking	1 — Undertakings pursuing both life and non–life insurance activity
Country of authorisation	IE
Language of reporting	English
Reporting submission date	19/05/2017
Reporting reference date	12/31/2016
Currency used for reporting	EUR
Accounting standards	Irish GAAP
Method of Calculation of the SCR	1 – Standard formula
Use of undertaking specific parameters	2 - Don't use undertaking specific parameters
Ring-fenced funds	2 - Not reporting activity by RFF
Matching adjustment	2 - No use of matching adjustment
Volatility adjustment	2 - No use of volatility adjustment
Transitional measure on the risk-free interest rate	2 - No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	2 - No use of transitional measure on technical provisions

S.02.01.02 Balance Sheet

	Solvency II value €
Assets	
Intangible assets	
Deferred tax assets	24,332,401
Pension benefit surplus	
Property, plant & equipment held for own use	293,487
Investments (other than assets held for index-linked and unit-linked contracts)	1,828,679,449
Property (other than for own use)	
Holdings in related undertakings, including participations	
Equities	—
Equities - listed	
Equities - unlisted	
Bonds	1,502,468,064
Government Bonds	641,874,449
Corporate Bonds	842,382,703
Structured notes	
Collateralised securities	18,210,912
Collective Investments Undertakings	326,211,385
Derivatives	
Deposits other than cash equivalents	
Other investments	
Assets held for index-linked and unit-linked contracts	
Loans and mortgages	—
Loans on policies	
Loans and mortgages to individuals	
Other loans and mortgages	
Reinsurance recoverables from:	813,911,486
Non-life and health similar to non-life	655,737,838
Non-life excluding health	652,562,507
Health similar to non-life	3,175,331
Life and health similar to life, excluding health and index-linked and unit-linked	158,173,648
Health similar to life	
Life excluding health and index-linked and unit-linked	158,173,648
Life index-linked and unit-linked	
Deposits to cedants	69,037,711
Insurance and intermediaries receivables	7,479,984
Reinsurance receivables	209,157,834
Receivables (trade, not insurance)	
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	
Cash and cash equivalents	35,464,356
Any other assets, not elsewhere shown	10,161,804
Total assets	**2,998,518,513**

	€
Liabilities	
Technical provisions – non-life	1,631,142,570
Technical provisions – non-life (excluding health)	1,622,958,447
TP calculated as a whole	
Best Estimate	1,464,584,874
Risk margin	158,373,572
Technical provisions - health (similar to non-life)	8,184,123
TP calculated as a whole	
Best Estimate	7,846,846
Risk margin	337,277
Technical provisions - life (excluding index-linked and unit-linked)	236,960,903
Technical provisions - health (similar to life)	—
TP calculated as a whole	
Best Estimate	
Risk margin	
Technical provisions – life (excluding health and index-linked and unit-linked)	236,960,903
TP calculated as a whole	
Best Estimate	222,490,174
Risk margin	14,470,729
Technical provisions – index-linked and unit-linked	—
TP calculated as a whole	
Best Estimate	
Risk margin	
Contingent liabilities	
Provisions other than technical provisions	
Pension benefit obligations	
Deposits from reinsurers	107,700,253
Deferred tax liabilities	9,291,601
Derivatives	
Debts owed to credit institutions	—
Financial liabilities other than debts owed to credit institutions	—
Insurance & intermediaries payables	
Reinsurance payables	194,919,137
Payables (trade, not insurance)	
Subordinated liabilities	—
Subordinated liabilities not in BOF	
Subordinated liabilities in BOF	
Any other liabilities, not elsewhere shown	27,456,718
Total liabilities	**2,207,471,182**
Excess of assets over liabilities	**791,047,332**

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		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
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110									
Gross - Proportional reinsurance accepted	R0120				105,758,923		49,163,586	76,441,424	50,450,609	3,272,733
Reinsurers' share	R0140				58,928,463		27,619,996	43,078,457	28,375,280	1,813,117
Net	R0200	—	—	—	46,830,460	—	21,543,590	33,362,967	22,075,329	1,459,616
Premiums earned										
Gross - Direct Business	R0210									
Gross - Proportional reinsurance accepted	R0220				91,983,217		40,520,173	50,340,173	43,397,376	1,440,442
Reinsurers' share	R0240				50,900,519		22,534,062	28,072,545	24,092,146	792,338
Net	R0300	—	—	—	41,082,698	—	17,986,111	22,267,628	19,305,230	648,104
Claims incurred										
Gross - Direct Business	R0310									
Gross - Proportional reinsurance accepted	R0320				78,080,271		11,064,379	31,408,921	25,466,812	(595,295)
Reinsurers' share	R0340				32,333,400		5,933,799	18,387,336	14,014,754	39,891
Net	R0400	—	—	—	45,746,871	—	5,130,580	13,021,585	11,452,058	(635,186)
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Proportional reinsurance accepted	R0420									693,000
Reinsurers' share	R0440									
Net	R0500	0	0	0	0	0	0	0	0	693000
Expenses incurred	R0550	0	0	0	(465,748)	—	2,161,649	5,012,117	1,585,905	63,792
Other expenses	R1200									
Total expenses	R1300									

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110						—	—	—
Gross - Proportional reinsurance accepted	R0120						—	—	285,087,274
Gross - Non-proportional reinsurance accepted	R0130	—	—	—	4,927,780	112,791,740	30,454,765	171,224,414	319,398,698
Reinsurers' share	R0140				2,754,804	63,369,093	17,752,637	103,689,646	347,381,494
Net	R0200	—	—	—	2,172,975	49,422,647	12,702,128	67,534,767	257,104,478
Premiums earned									
Gross - Direct Business	R0210								—
Gross - Proportional reinsurance accepted	R0220								227,681,381
Gross - Non-proportional reinsurance accepted	R0230				4,034,695	121,773,091	30,663,944	176,761,729	333,233,459
Reinsurers' share	R0240				2,253,627	67,523,601	18,314,352	105,787,423	320,270,613
Net	R0300	—	—	—	1,781,068	54,249,490	12,349,592	70,974,306	240,644,227
Claims incurred									
Gross - Direct Business	R0310								—
Gross - Proportional reinsurance accepted	R0320								145,425,088
Gross - Non-proportional reinsurance accepted	R0330				2,323,949	166,956,954	11,904,287	51,005,979	232,191,169
Reinsurers' share	R0340				1,276,454	102,743,057	5,878,058	28,984,153	209,590,902
Net	R0400	—	—	—	1,047,495	64,213,897	6,026,229	22,021,826	168,025,355
Changes in other technical provisions									
Gross - Direct Business	R0410								—
Gross - Proportional reinsurance accepted	R0420								693,000
Gross - Non-proportional reinsurance accepted	R0430								—
Reinsurers' share	R0440								—
Net	R0500	0	0	0	0	0	0	0	693000
Expenses incurred	R0550	0	0	0	441,842	105,861	652,508	(9,946,256)	(388,331)
Other expenses	R1200								69,530,693
Total expenses	R1300								69,142,361

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410								15,718,518	15,718,518
Reinsurers' share	R1420								15,722,633	15,722,633
Net	R1500	—	—	—	—	—	—	—	(4,115)	(4,115)
Premiums earned										
Gross	R1510								15,718,518	15,718,518
Reinsurers' share	R1520								15,722,633	15,722,633
Net	R1600	—	—	—	—	—	—	—	(4,115)	(4,115)
Claims incurred										
Gross	R1610								15,852,436	15,852,436
Reinsurers' share	R1620								16,600,399	16,600,399
Net	R1700	—	—	—	—	—	—	—	(747,963)	(747,963)
Changes in other technical provisions										
Gross	R1710									—
Reinsurers' share	R1720									—
Net	R1800	—	—	—	—	—	—	—	—	—
Expenses incurred	R1900	—	—	—	—	—	—	—	488,076	488,076
Other expenses	R2500									288,404
Total expenses	R2600									776,480

S.05.02.01 Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	IRELAND	UNITED KINGDOM	FRANCE	ITALY	UNITED ARAB EMIRATES	SWITZERLAND	
Premiums written							
Gross - Direct Business							—
Gross - Proportional reinsurance accepted	228,002,088	423,909	514,273	17,653,530	33,744,461	4,748,668	285,086,927
Gross - Non-proportional reinsurance accepted	45,458,337	78,428,468	126,711,024	14,475,170	13,425,738	40,891,659	319,390,396
Reinsurers' share	154,889,409	44,446,210	76,654,923	18,256,064	26,979,746	26,150,385	347,376,737
Net	118,571,016	34,406,166	50,570,373	13,872,636	20,190,452	19,489,942	257,100,586
Premiums earned							
Gross - Direct Business							—
Gross - Proportional reinsurance accepted	187,517,811	563,684	647,380	14,604,425	22,383,462	1,964,272	227,681,034
Gross - Non-proportional reinsurance accepted	44,355,339	91,135,256	131,976,679	13,675,283	14,476,638	37,605,961	333,225,156
Reinsurers' share	130,870,662	50,996,316	78,446,396	16,081,906	20,955,060	22,915,515	320,265,856
Net	101,002,488	40,702,624	54,177,662	12,197,802	15,905,041	16,654,717	240,640,335
Claims incurred							
Gross - Direct Business							—
Gross - Proportional reinsurance accepted	125,394,221	81,899	(7,930,500)	9,728,157	16,998,488	1,196,039	145,468,305
Gross - Non-proportional reinsurance accepted	19,505,593	138,492,620	31,692,524	9,249,142	12,545,695	20,838,692	232,324,266
Reinsurers' share	80,996,812	76,290,021	13,497,592	10,508,891	16,256,120	12,136,213	209,685,650
Net	63,903,002	62,284,498	10,264,432	8,468,408	13,288,063	9,898,519	168,106,922
Changes in other technical provisions							
Gross - Direct Business							
Gross - Proportional reinsurance accepted	693,000						693,000
Gross - Non- proportional reinsurance accepted							—
Reinsurers'share							—
Net	693,000	—	—	—	—	—	693,000
Expenses incurred	8,724,454	(5,718,923)	(6,344,958)	1,876,701	2,200,172	(1,147,084)	(409,638)
Other expenses							69,530,693
Total expenses							69,121,055

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
	IRELAND	UNITED KINGDOM	FRANCE				
Premiums written							
Gross		9,318,178	6,400,340				15,718,518
Reinsurers' share		9,318,178	6,404,455				15,722,633
Net	—	—	(4,115)	—	—	—	(4,115)
Premiums earned							
Gross		9,318,178	6,400,340				15,718,518
Reinsurers' share		9,318,178	6,404,455				15,722,633
Net	—	—	(4,115)	—	—	—	(4,115)
Claims incurred							
Gross		7,592,872	8,259,564				15,852,436
Reinsurers' share		7,607,091	8,993,307				16,600,399
Net	—	(14,220)	(733,743)	—	—	—	(747,963)
Changes in other technical provisions							
Gross							—
Reinsurers' share							—
Net	—	—	—	—	—	—	—
Expenses incurred			488,076				488,076
Other expenses							288,404
Total expenses							776,480

S.12.01.02

Life and Health SLT Technical Provisions

	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
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		
Gross Best Estimate	222,490,174	222,490,174
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	158,173,648	158,173,648
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	64,316,526	64,316,526
Risk Margin	14,470,729	14,470,729
Amount of the transitional on Technical Provisions		
Technical Provisions calculated as a whole		—
Best estimate		—
Risk margin		—
Technical provisions - total	236,960,903	236,960,903

S.17.01.02 Non-life Technical Provisions

		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
		Direct business and accepted proportional reinsurance								
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	—	—	—	(7,376,537)	—	942,149	3,222,194	7,999,002	(1,526,404)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140				892,982		5,808,438	7,617,595	8,135,186	(1,701,837)
Net Best Estimate of Premium Provisions	R0150	—	—	—	(8,269,519)	—	(4,866,289)	(4,395,401)	(136,185)	175,433
Claims provisions										
Gross	R0160	—	—	—	44,044,864	—	43,681,334	57,535,974	117,371,531	16,570,033
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240				17,601,464		9,500,106	19,102,402	50,910,855	6,474,954
Net Best Estimate of Claims Provisions	R0250	—	—	—	26,443,400	—	34,181,228	38,433,572	66,460,676	10,095,078
Total Best estimate - gross	R0260	—	—	—	36,668,326	—	44,623,484	60,758,168	125,370,532	15,043,629
Total Best estimate - net	R0270	—	—	—	18,173,881	—	29,314,939	34,038,172	66,324,491	10,270,511
Risk margin	R0280				1,864,794		3,665,111	3,832,049	9,894,565	1,847,334
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									

		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
		Direct business and accepted proportional reinsurance								
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions - total										
Technical provisions - total	R0320	—	—	—	38,533,120	—	48,288,594	64,590,218	135,265,097	16,890,963
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	—	—	—	18,494,446	—	15,308,544	26,719,997	59,046,041	4,773,118
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	—	—	—	20,038,675	—	32,980,050	37,870,221	76,219,056	12,117,845

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	—	—	—	—	24,887,394	5,416,499	(34,287,887)	(723,591)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					(4,564,946)	1,338,636	(30,902,364)	(13,376,310)
Net Best Estimate of Premium Provisions	R0150	—	—	—	—	29,452,340	4,077,862	(3,385,523)	12,652,719
Claims provisions									
Gross	R0160	—	—	—	7,846,846	821,695,431	169,296,337	195,112,961	1,473,155,311
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240				3,175,331	386,410,230	95,844,937	80,093,868	669,114,148
Net Best Estimate of Claims Provisions	R0250	—	—	—	4,671,515	435,285,201	73,451,400	115,019,093	804,041,163
Total Best estimate - gross	R0260	—	—	—	7,846,846	846,582,825	174,712,836	160,825,073	1,472,431,720
Total Best estimate - net	R0270	—	—	—	4,671,515	464,737,541	77,529,262	111,633,570	816,693,882
Risk margin	R0280				336,880	113,872,247	10,825,068	12,572,802	158,710,850
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								—
Best estimate	R0300								—
Risk margin	R0310								—

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions - total									
Technical provisions - total	R0320	—	—	—	8,183,726	960,455,072	185,537,903	173,397,875	1,631,142,570
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	—	—	—	3,175,331	381,845,284	97,183,573	49,191,503	655,737,838
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	—	—	—	5,008,395	578,609,788	88,354,330	124,206,372	975,404,732

S.19.01.21 Non-life Insurance Claims Information

Total Non-Life Business

Gross Claims Paid (non-cumulative)

Development year (absolute amount)

	Year	—	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											30,922,325
N-9	R0160	34,963,186	45,867,657	25,636,464	21,255,908	29,178,505	19,561,377	15,781,478	15,947,520	11,628,198	10,131,434	
N-8	R0170	13,292,415	41,900,169	31,850,284	23,686,765	17,814,118	21,156,497	18,545,242	21,875,684	9,439,810		
N-7	R0180	5,828,172	26,484,049	13,468,054	12,721,507	8,844,560	9,257,705	8,859,420	5,371,578			
N-6	R0190	16,607,019	24,348,949	29,712,033	13,295,469	15,608,268	23,247,929	8,005,248				
N-5	R0200	8,185,409	56,460,652	57,559,336	36,848,723	31,664,131	14,159,308					
N-4	R0210	10,455,605	57,024,780	75,000,392	20,633,948	17,508,519						
N-3	R0220	20,416,504	77,804,963	74,153,910	24,060,159							
N-2	R0230	6,444,944	46,671,704	23,809,132								
N-1	R0240	3,407,628	30,148,516									
N	R0250	4,695,949										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	30,922,325	30,922,325
	R0160	10,131,434	229,951,727
	R0170	9,439,810	199,560,984
	R0180	5,371,578	90,835,045
	R0190	8,005,248	130,824,915
	R0200	14,159,308	204,877,559
	R0210	17,508,519	180,623,244
	R0220	24,060,159	196,435,536
	R0230	23,809,132	76,925,780
	R0240	30,148,516	33,556,144
	R0250	4,695,949	4,695,949
Total	R0260	178,251,978	1,379,209,208

Gross undiscounted Best Estimate Claims Provisions

Development year (absolute amount)

	Year	—	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											384,360,397
N-9	R0160	—	—	—	—	—	—	—	—	—	72,052,661	
N-8	R0170	—	—	—	—	—	—	—	—	92,451,717		
N-7	R0180	—	—	—	—	—	—	—	46,793,997			
N-6	R0190	—	—	—		—	—	71,781,280				
N-5	R0200	—	—	—	—	—	115,138,023					
N-4	R0210	—	—	—	—	129,516,395						
N-3	R0220	—	—	—	147,744,267							
N-2	R0230	—	—	158,752,332								
N-1	R0240	—	208,888,425									
N	R0250	109,403,215										

		Year end (discounted data)
		C0360
	R0100	364,898,379
	R0160	67,029,969
	R0170	88,439,870
	R0180	44,209,711
	R0190	68,283,373
	R0200	112,268,856
	R0210	125,336,845
	R0220	143,881,336
	R0230	153,519,158
	R0240	201,160,441
	R0250	104,127,373
Total	R0260	1,473,155,311

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
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)	R0010	788,858,885	788,858,885			
Share premium account related to ordinary share capital	R0030	—				
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	—				
Subordinated mutual member accounts	R0050	—				
Surplus funds	R0070	—				
Preference shares	R0090	—				
Share premium account related to preference shares	R0110	—				
Reconciliation reserve	R0130	(39,143,954)	(39,143,954)			
Subordinated liabilities	R0140	—				
An amount equal to the value of net deferred tax assets	R0160	24,332,401				24,332,401
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	—				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	—				
Total basic own funds after deductions	R0290	774,047,332	749,714,931	—	—	24,332,401
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	—				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	—				
Unpaid and uncalled preference shares callable on demand	R0320	—				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	—				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	—				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	—				

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	—				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	—				
Other ancillary own funds	R0390	—				
Total ancillary own funds	R0400	—			—	—
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	774,047,332	749,714,931	—	—	24,332,401
Total available own funds to meet the MCR	R0510	749,714,931	749,714,931	—	—	
Total eligible own funds to meet the SCR	R0540	774,047,332	749,714,931	—	—	24,332,401
Total eligible own funds to meet the MCR	R0550	749,714,931	749,714,931	—	—	
SCR	R0580	535,681,379				
MCR	R0600	173,067,609				
Ratio of Eligible own funds to SCR	R0620	144.5%				
Ratio of Eligible own funds to MCR	R0640	433.2%				
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	**791,047,332**				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720	**17,000,000**				
Other basic own fund items	R0730	**813,191,286**				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
Reconciliation reserve	R0760	**(39,143,954)**				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770					
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	**28,654,976**				
Total Expected profits included in future premiums (EPIFP)	R0790	**28,654,976**				

S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
Market risk	182,347,320		—
Counterparty default risk	83,242,233		
Life underwriting risk	9,449,238	—	—
Health underwriting risk	3,350,731	—	
Non-life underwriting risk	441,513,503	—	—
Diversification	(152,869,892)		
Intangible asset risk			
Basic Solvency Capital Requirement			

Calculation of Solvency Capital Requirement	**C0100**
Operational risk	45,174,157
Loss-absorbing capacity of technical provisions	
Loss-absorbing capacity of deferred taxes	(76,525,911)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
Solvency capital requirement excluding capital add-on	535,681,379
Capital add-on already set	
Solvency capital requirement	535,681,379
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirement for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	

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	171,716,962

	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		
Income protection insurance and proportional reinsurance		
Workers' compensation insurance and proportional reinsurance		
Motor vehicle liability insurance and proportional reinsurance	18,173,881	41,082,698
Other motor insurance and proportional reinsurance		
Marine, aviation and transport insurance and proportional reinsurance	29,314,939	17,986,111
Fire and other damage to property insurance and proportional reinsurance	34,038,172	22,267,628
General liability insurance and proportional reinsurance	66,324,491	19,305,230
Credit and suretyship insurance and proportional reinsurance	10,270,511	648,104
Legal expenses insurance and proportional reinsurance		
Assistance and proportional reinsurance		
Miscellaneous financial loss insurance and proportional reinsurance		
Non-proportional health reinsurance	4,671,515	1,781,069
Non-proportional casualty reinsurance	464,737,541	54,249,490
Non-proportional marine, aviation and transport reinsurance	77,529,262	12,349,592
Non-proportional property reinsurance	111,633,570	70,974,306

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	1,350,647

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	64,316,526	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	173,067,609
SCR	R0310	534,559,615
MCR cap	R0320	240,551,827
MCR floor	R0330	133,639,904
Combined MCR	R0340	173,067,609
Absolute floor of the MCR	R0350	3,600,000
		C0070
Minimum Capital Requirement	R0400	173,067,609

Glossary

AC	Audit Committee
APAC	Asia Pacific
BBNI	Bound But Not Incepted
BOF	Basic Own Funds
BSCR	Basic Solvency Capital Requirement
CAT	Catastrophe
CBI	Central Bank of Ireland
COR	Combined Operating Ratio
DAC	Deferred Acquisition Costs
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EMEA	Europe, Middle East and Africa
ENiD	Events not in Data
FIC	Framework for Internal Control
GAAP	Generally Accepted Accounting Principles
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Report
PWC	PriceWaterhouse Coopers
QRT	Quantitative Reporting Template
RDS	Realistic Disaster Scenario
RI	Reinsurance
RMC	Risk Management Committee
RMF	Risk Management Framework
RM	Risk Margin
SCR	Solvency Capital Requirement
SII	Solvency II
S&S	Stress & Scenario
URC	Underwriting Risk Committee
UEPR	Unearned Premium Reserve
UK&I	United Kingdom and Ireland
XLC	XL Catlin