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Hannover Re (Ireland) Designated Activity Company

2016

# Solvency and Financial Condition Report

hannover re®

# Table of Contents

# Executive Summary

## Key figures

| in USD 000's | 2016 |
|---|---|
| **Solvency II Balance Sheet** | |
| Assets | 6,603,407 |
| Technical Provisions | 4,176,926 |
| Other Liabilities | 672,973 |
| Excess of Assets over Liabilities | 1,753,508 |
| **Eligible Own Funds to meet the Solvency Capital Requirement (SCR)** | |
| Tier 1 Basic Own Funds | 1,753,508 |
| Tier 2 Basic Own Funds | 339,813 |
| Tier 3 Ancillary Own Funds | 213,814 |
| Total Eligible Own Funds (SCR) | 2,307,135 |
| **Eligible Own Funds to meet the Minimum Capital Requirement (MCR)** | |
| Tier 1 Basic Own Funds | 1,753,508 |
| Tier 2 Basic Own Funds | 128,289 |
| Total Eligible Own Funds (MCR) | 1,881,797 |
| **Capital Requirements** | |
| Solvency Capital Requirement | 1,425,429 |
| Minimum Capital Requirement | 641,443 |
| **Coverage Ratio** | |
| Ratio of Eligible Own Funds to SCR | 162% |
| Ratio of Eligible Own Funds to MCR | 293% |

## A. Business and Performance

Hannover Re (Ireland) Designated Activity Company ("HRI" or "the Company") is an Irish regulated entity authorised by the Central Bank of Ireland to carry on both non-life and life reinsurance business. HRI is part of the Hannover Re Group. Hannover Re, with gross premium of more than EUR 16 billion, is the third-largest reinsurer in the world. The Hannover Re Group today has a network of more than 100 subsidiaries, branches and representative offices worldwide.

HRI plays a pivotal role within this network and is one of the main risk carriers for Hannover Re. We offer reinsurance solutions to leverage our significant capital base for the benefit of clients worldwide as well as other Hannover Re Group entities.

The HRI Profit before tax (IFRS) for the financial year 2016 was USD 123,623k. HRI achieved an underwriting result of USD 60,352k, an investment result of USD 54,517k and other income and expenses not related to the underwriting or investment result amounted to USD 8,754k.

Details on the Business and Performance can be found in chapter A.

## B. System of Governance

The Company recognises the importance of a strong System of Governance. In our governance system the central functions are closely interlinked with one another and the roles, tasks and reporting lines are both clearly defined and documented in the context of the so-called "three lines of defence" model.

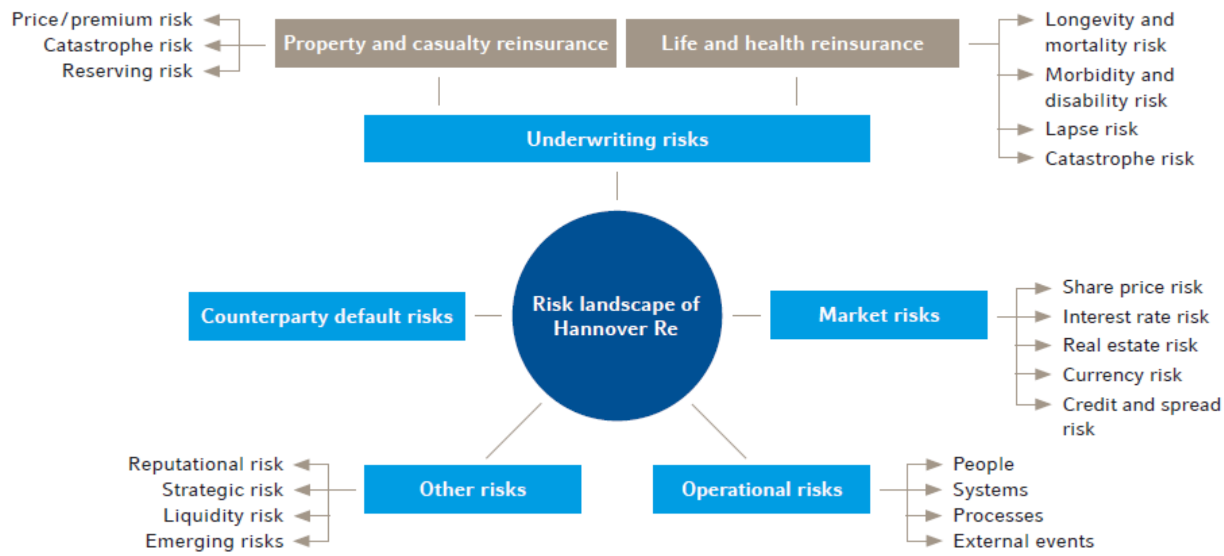
The first line of defence consists of operational management of the risks and controls on a day-to-day basis. The risk management function ensures the second line of defence - risk monitoring. It also receives support from the actuarial function and the compliance function. The third line of defence consists of process-independent monitoring executed by the internal audit function.

All key functions are equipped with appropriate resources and skills. The reporting lines to one another and to the Board Member responsible have been clearly defined. The governance structure of the Company has not materially changed in the year to 31 December 2016.

The individual elements of the System of Governance of the Company are explained in Section B.

## C. Risk Profile

In the context of its business operations HRI enters into a broad variety of risks. These risks are deliberately accepted, steered and monitored. They specifically concern underwriting risks pertaining to Property & Casualty, Life & Health, as well as capital market risks, liquidity risks and counterparty default risks. Operational, strategic and reputational risks also arise in the course of business operations. Further details on the Company Risk Profile are included in Chapter C.




Hannover Re quantifies risks using the internal capital model. For the purposes of calculating the Solvency Capital Requirement, Hannover Re has the approval to use a partial internal model covering all risks other than operational risks. The Solvency Capital Requirement as of December 31, 2016 is presented in the following table.

**Solvency Capital Requirement (SCR) – breakdown by risk category**
in USD 000‘s

| Solvency Capital Requirement | 2016 |
|---|---:|
| Underwriting risk - Property & Casualty | 127,926 |
| Underwriting risk - Life & Health | 1,005,053 |
| Market risk | 530,706 |
| Counterparty default risk | 76,267 |
| **Diversification** | **274,654** |
| **Basic SCR** | **1,465,298** |
| Operational risk | 119,956 |
| **Total risk (pre-tax)** | **1,585,254** |
| Deferred tax | 159,826 |
| **Total risk (post-tax)** | **1,425,429** |

## D. Valuation for Solvency Purposes

For the purposes of calculating the eligible own funds, HRI values the assets and liabilities pursuant to the provisions of S.I. No. 485/2015 European Union (Insurance and Reinsurance) Regulations 2015.

The valuation for Solvency purposes is set in principle at the fair value (market value). Insofar as IFRS values appropriately reflect the fair value, these values are applied to Solvency II.

The calculation of technical provisions can differ significantly under Solvency II and IFRS. The IFRS technical provisions are grounded in US GAAP and use locked in assumptions for long duration contracts. The Solvency II technical provisions consist of best estimate liability which is based on probabilistic best estimate cashflows with a risk margin derived from our internal capital model.

An analysis of the valuation of the assets and liabilities per the Solvency II balance sheet can be found in Section D.

## E. Capital Management

The Ratio of Eligible Own Funds to SCR at 31 December was 162%. Own funds in the Solvency II balance sheet consist of basic own funds, which comprise the excess of assets over liabilities (Tier 1 capital) and subordinated loans (Tier 2 capital). Within the Tier 3 Own Funds is included an Ancillary Own Funds (“AOF”) item approved by the Central Bank of Ireland on 14 December 2015.

Further details on capital management are included in Section E.

# A. Business and Performance

## A.1 Business

### A.1.1 Business Model

The principal activity of the Company is the transaction of international life & health reassurance and property & casualty reinsurance business.

**Life & Health**

As one of the largest, internationally operating and established life and health reinsurers, Hannover Re offers clients worldwide reinsurance protection in all lines of life and health insurance. With 25 Life & Health offices in 20 countries, Hannover Re has an outstanding international network at its disposal.

The Company plays a pivotal role within this network and is one of the two main risk carriers in life and health reinsurance for Hannover Re. We seek to use our global mandate to offer reinsurance solutions to leverage our significant capital base for the benefit of life and health clients worldwide. Our focus is to combine our in-house skills with the considerable resources of the network to develop solutions which can be written, either as retrocession for our sister companies or directly with life insurance companies.

The Company's Life & Health ("L&H") business is divided into Financial Solutions and Risk Solutions business.

The Company has significant experience in developing Financial Solutions for clients which cover all treaties in which the primary emphasis is on financing or capital management components. Our in-house expertise in this area means that we have the tools to implement effective solutions in a short space of time. A strong and liquid capital base allows us to provide both cash and non-cash financing solutions to service our clients' needs – mainly in the US market.

Our Risk Solutions business is focused on reinsurance of mortality business. Our clients are highly rated entities located throughout the world with a strong focus on North America and the United Kingdom.

The Company opened a L&H branch in Canada in 2015.

**Property & Casualty**

Hannover Re is also one of the largest international property and casualty reinsurers. Through its network of 25 offices in 21 countries, Hannover Re writes business in most property and casualty lines of business.

Within this network the Company plays an important role as one of the major risk carriers. The Company uses both its significant capital base and in-house expertise to provide solutions to other Hannover Re Group entities worldwide coupled with a mandate to provide reinsurance solutions to insurance companies in North America and the United Kingdom. It is expected that the Company will increase its focus on the provision of solutions to other Hannover Re Group entities in the future while continuing to manage its existing book of business and existing client relationships.

The Company writes reinsurance transactions where structured elements may be incorporated to enable the coverage to be tailored to the individual needs of our clients. The appropriate pricing for the actual risks transferred is a crucial element of the considerations. Our risk management and aggregation control tools are consistent with those applied within the property/casualty reinsurance business group of Hannover Re.

Our major lines of business include general and automobile liability, professional indemnity, workers compensation and property. With respect to the latter we endeavour to avoid huge aggregate exposures from major natural catastrophe perils.

We also continue to run off an existing portfolio of treaties from other parts of the world. Existing treaties stay on our books until expiration or commutation.

Structured features will remain a cornerstone of our product offerings, thereby reducing the volatility of our transactions and hence the capital requirements for our overall book of business.

Our transactions generally cover all or most lines of business written by our clients. The form of these covers will depend on the requirements of our clients as we seek to provide solutions which are tailored to these particular requirements. The majority of our business is written in the form of quota share or aggregate excess of loss reinsurance.

With our considerable experience in assessing risks and our expertise in structuring transactions, combined with the financial strength of the Company and the extensive Hannover Re Group network we are very well positioned and look forward to further successful and profitable years ahead of us. Our experience combined with flexibility in thinking enables us to provide our clients with state of the art structured reinsurance solutions that are in line with international accounting rules, regulatory compliance and risk-transfer standards. Building on and further enhancing our international knowledge and skills will put us in an excellent position to continue meeting high level client demand and challenges in the future.

### A.1.2 Results of Operations

The Profit after tax for 2016 was USD 108,464k (2015: USD 115,152k).

Net premium written grew by 4.2% to USD 3,302,762k (USD 3,171,869k). Net premium earned grew by 6.3% to USD 3,234,974k (2015: USD 3,043,979k).

The underwriting result for the year was USD 60,352k (2015: USD 94,299k) of which the L&H underwriting result for the year was USD 13,245k (2015: USD 61,613k) and the P&C underwriting result for the year was USD 47,108k (2015: USD 32,686k).

The investment result for the year was USD 54,519k (2015: USD 81,728k). There were higher realised gains in 2015 on assets primarily consisting of fixed income securities that were sold primarily due to a change in the functional currency of the Company from Euro to US Dollar. Interest income on the portfolio of USD 66,592k in 2016 remained relatively stable compared with USD 64,380k in 2015.

The Other Activities result for the year was USD 8,752k (2015: Loss of USD (44,716k)). The improvement in the Other Activities result was primarily related to unrealised gains on the embedded credit derivative of USD 13,854k compared with unrealised losses on the embedded credit derivative of USD (54,048)k in 2015.

### A.1.3 Headquarters, supervisors and auditors

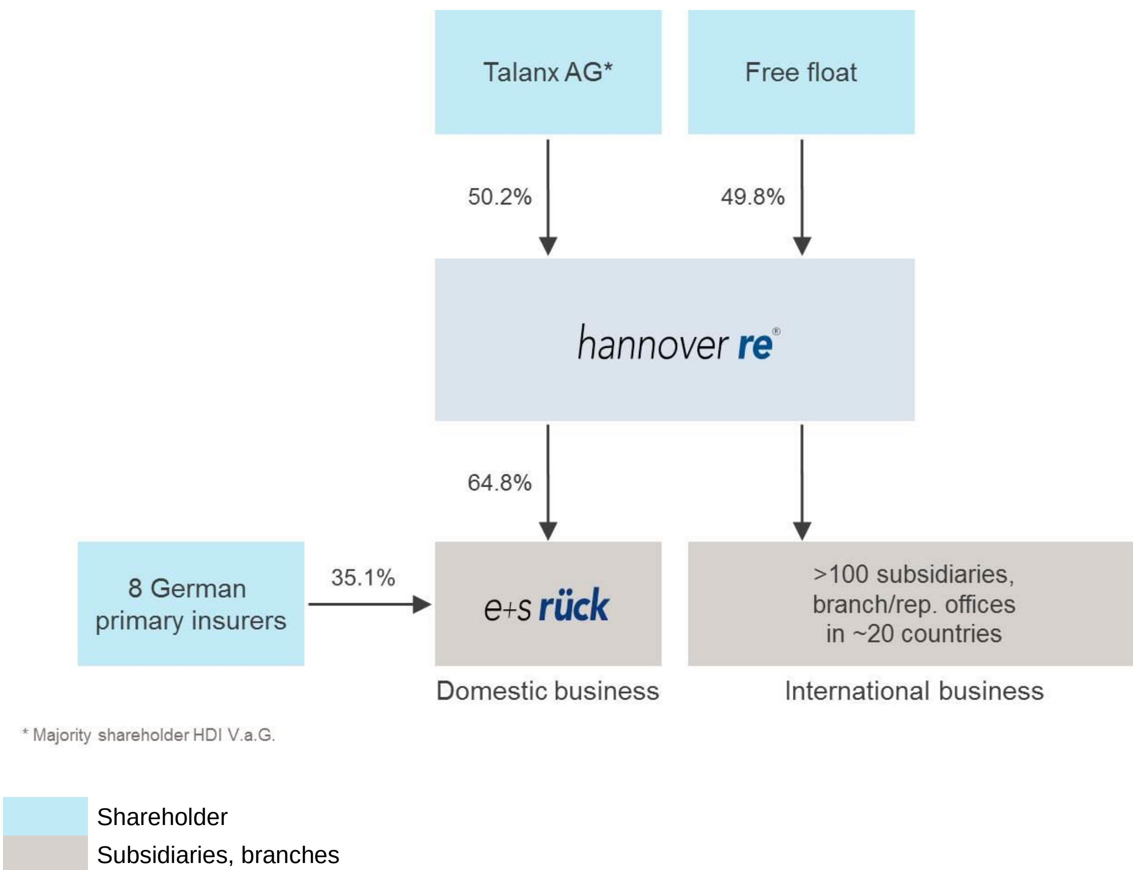
HRI is an Irish Designated Activity Company, with its registered office located in 4 Custom House Plaza, Harbourmaster Place, International Financial Services Centre, Dublin 1, Republic of Ireland.

The Company's ultimate parent undertaking is HDI Haftpflichtverband der Deutschen Industrie V.a.G., a company incorporated and operating in Germany. The largest group in which the results of the Company are consolidated is that headed by HDI Haftpflichtverband der Deutschen Industrie V.a.G.

The smallest group in which the results of the Company are consolidated is that headed by Hannover Rück SE. Hannover Rück SE is a European stock corporation, Societas Europaea (SE), with its headquarters located in Karl-Wiechert-Allee 50, 30625 Hannover, Germany and has been entered in the Commercial Register of the District Court of Hannover under the number HR Hannover B 6778.

A rounded 50.2% of Hannover Rück SE shares are held by Talanx AG. HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI) in turn holds a stake of 79% in Talanx AG.

**Hannover Re as a sub-group of the Talanx Group**




Hannover Re (Ireland) DAC is subject to supervision by the Central Bank of Ireland ("CBI"), located in Insurance Supervision Division, Central Bank of Ireland, Spencer Dock, North Wall Quay, Dublin 1, D01 W920, Republic of Ireland.

Hannover Rück SE as well as Talanx and HDI are subject to supervision by the Federal Financial Supervisory Authority ("BaFin"), located in Graurheindorfer Straße 108, 53117 Bonn, Germany, postbox 1253, 53002 Bonn, Germany, phone +049 22 8/41 08-0, fax +049 22 8/41 08 15 50, e-mail poststelle@bafin.de, De-Mail poststelle@bafin.de-mail.de. Talanx AG is located in Riethorst 2, 30659 Hannover, Germany.

The auditor appointed for Hannover Re (Ireland) DAC is KPMG, located in 1 Harbourmaster Place, International Financial Services Centre, Dublin 1, Republic of Ireland.

The Group auditor appointed for Hannover Re within the meaning of Section 318 of the German Commercial Code (HGB) is KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG), located in Osterstraße 40, 30159 Hannover, Germany.

### A.1.4 Group structure

Hannover Rück SE and its subsidiaries (collectively referred to as the "Hannover Re Group" or "Hannover Re") transact all lines of Property & Casualty and Life & Health reinsurance. The Group is present on all continents.

The Group consists of more than 100 subsidiaries, affiliates, branches and representative offices worldwide with a total workforce of 2,893.

**Subsidiaries of Hannover Rück SE**

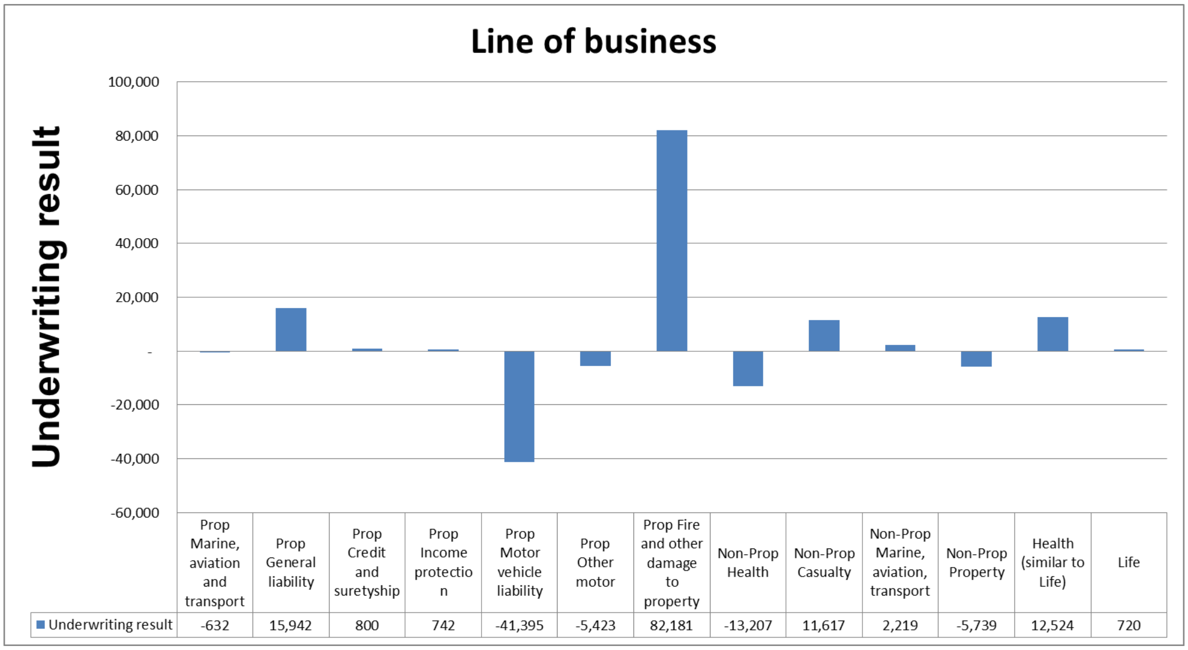

Unless otherwise stated, the shareholding is 100 %.

Insurance companies
Non-insurance companies

## A.2 Underwriting Performance

During the financial year 2016, HRI achieved an underwriting result of USD 60,352k, with net earned premiums in the amount of USD 3,234,973k, net claims incurred in the amount of USD 2,676,094k as well as other income and expenses attributable to the underwriting performance in the amount of USD 498,527k.

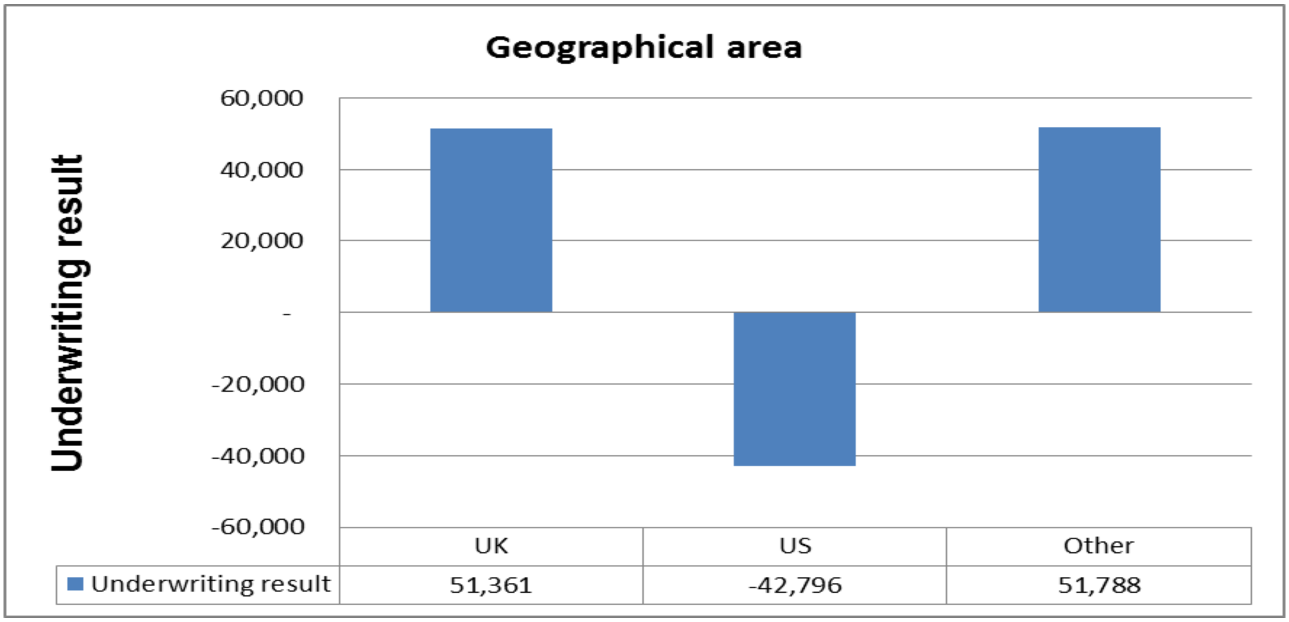
The underwriting result analysed by Solvency II lines of business is as follows (in USD 000's):




The significant drivers of the underwriting result in the financial year 2016 were the Proportional Fire and other damage to property insurance (USD 82,181k), the proportional general liability insurance (USD 15,942k) and the Proportional motor vehicle liability insurance (USD -41,395k) lines of business.

Together with the Health (similar to Life) (USD 12,524k) and Non-proportional Health insurance (USD -13,207k), these lines of business accounted for 93% of the overall underwriting result.

The underwriting result analysed by geographical area is as follows (in USD 000’s):




The UK and the US are the two most material geographical areas where the Company carries out business. In 2016, the UK and US geographical areas accounted for 66% of total net written premium. The “Other” underwriting area primarily consists of worldwide P&C business retroceded to HRI from other Group companies on a quota share basis.

## A.3 Investment Performance

The Company recorded an investment result of USD 54,517k in 2016 (2015: USD 81,728k). The investment income and expenses are analysed by Solvency II asset classes in the overview below.

**Investment income**

| in USD 000's | Ordinary income | Realised gains |
|---|---|---|
| Government Bonds | 30,211 | 29,888 |
| Corporate Bonds | 30,536 | 8,760 |
| Collateralised securities | 4,270 | 1,046 |
| Collective Investment Undertakings | 614 | - |
| Derivatives | - | 501 |
| Deposits other than cash equivalents | 474 | - |
| Other investments | 459 | 11,630 |
| Cash and cash equivalents | 28 | - |
| **Investment income attributable to underwriting result :** | | |
| Funds transferred interest | (18,219) | (19,396) |
| **Total** | **48,373** | **32,429** |

**Investment expenses**

| in USD 000's | Realised losses | Other expenses |
|---|---|---|
| Derivatives | (2,896) | - |
| Other investments | (1,922) | (5,403) |
| Investment management expenses | - | (3,582) |
| Custody fees and other interest expenses | - | (170) |
| Finance costs | - | (13,100) |
| **Investment expenses attributable to underwriting result :** | | |
| Loan interest | - | 788 |
| **Total** | **(4,818)** | **(21,467)** |

Certain investments are held to back the technical provisions. The income from these investments ("funds transferred interest") is reallocated from the investment result to the underwriting result. Likewise certain loans relate to the underwriting activities. The interest on these loans is reallocated from the investment result to the underwriting result.

HRI has invested in securitised assets in the form of Collateralised Debt Obligations ("CDOs"). These assets are recorded on HRI's Solvency II balance sheet as "R0170 – Collateralised securities". The resulting income and expenses can be taken from the above table. CDOs are asset backed financial instruments which consist of a portfolio of fixed income securities divided into several tranches. In principle, high rates of interest are to be viewed as the compensation for increasing probabilities of default, according to which the individual tranches are differentiated from one another.

**Collateralised Debt Obligations**

| in USD 000's | Market value |
|---|---|
| Collateralised Debt Obligations | 93,552 |
| **Total** | **93,552** |

The "available-for-sale" reserve in the Equity section of the HRI balance sheet is given below:

**Available-for-sale reserve**

| in USD 000's | 2016 |
|---|---|
| Available-for-sale reserve | 55,036 |
| **Total** | **55,036** |

## A.4 Performance of Other Activities

### A.4.1 Other income and expenses

The following table displays IFRS other income and expenses not included in the underwriting or the investment result:

**Other income**

| in USD 000's | 2016 |
|---|---|
| Unrealised gain on embedded derivative | 13,854 |
| Unrealised gain on life settlements yield collar | 2,347 |
| Unrealised gain on foreign currency swap | 877 |
| Other various income | 31 |
| **Total** | **17,109** |

**Other expenses**

| In USD 000's | 2016 |
|---|---|
| Other expenses | (4,995) |
| Unrealised loss on foreign currency swap | (1,406) |
| Auditor's remuneration (including non-audit services) | (1,295) |
| Unrealised loss on life settlement yield collar | (328) |
| Depreciation | (206) |
| Net loss on foreign exchange translation | (165) |
| **Total** | **(8,355)** |

The unrealised gain on the embedded derivative is the material driver of the performance of Other Activities.

#### Unrealised loss on embedded derivative

A small number of treaties meet criteria which require the application of the prescriptions in IFRS 4 'Insurance Contracts' governing embedded derivatives. These accounting regulations require that certain derivatives embedded in reinsurance contracts be separated from the underlying insurance contract ("host contract"), reported separately at fair value in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' and recognised under investments. Fluctuations in the fair value of the derivative components are to be recognised in income in subsequent periods.

Within the scope of the accounting of "modified coinsurance" ("ModCo") and "coinsurance funds held" ("CoFWH") reinsurance treaties, under which securities deposits are held by the ceding companies and payments rendered on the basis of income from certain securities of the ceding company, the interest rate risk elements are clearly and closely related to the underlying reinsurance agreements. Embedded derivatives consequently result solely from the credit risk of the underlying securities portfolio.

The Company calculates a fair value for the embedded derivative in ModCo and CoFWH treaties using market information available for the underlying securities on the valuation date on the basis of a "credit spread" method. Under this method the derivative is valued at zero on the date the contract commences and its value then fluctuates over time according to changes in the credit spread of the underlying securities.

The cumulative value of the derivative is shown in the Statement of Financial Position under derivative financial instruments with the movement reported in the Statement of Comprehensive Income as an unrealised gain/(loss). This is an IFRS presentation for our financial statements only.

### A.4.2 Significant leasing agreements

There are no significant operating or finance lease agreements.

## A.5 Any other information

There is no other material information regarding business and performance.

# B. System of Governance

## B.1 General information on the System of Governance

HRI has an effective system of governance in place which provides for sound and prudent management. The elements of the System of Governance are described in the following chapter.

### B.1.1 Governance structure

#### B.1.1.1 Our Administrative, Management or Supervisory Body

**Board of Directors**

The Board of Directors has ultimate responsibility for the strategy, management and operations of HRI. The Board is collectively responsible for promoting the success of HRI by directing, effectively supervising and overseeing its affairs in a prudent and ethical manner. The Board sets and upholds the values and standards necessary to ensure that HRI's obligations to shareholders and other stakeholders, including customers, employees and creditors, are met.

The Board sets the direction and mission for HRI and ensures it meets its strategic objectives. The strategic objectives are set in recognition of the Hannover Re Group ('Group') strategy.

The Board has reserved a number of matters for its decision, in accordance with the schedule set out in the Board Charter. These can be summarised as follows:

- Board and Management – comprising matters relating to appointment, endorsement and/ or removal of Board Members, Managing Directors, General Managers and other individuals who may have a material impact on the risk profile of the Company, establishment of the Board Sub-Committees (appointment of members and Chairperson) and delegating appropriate powers to each of the Committees;
- Corporate Governance – including responsibility to define the corporate governance system, effective and clear structures and reporting arrangements, oversight over the senior management and ensure that effective Internal Control Framework and the control functions are appropriately established;
- Risk Management, including ORSA – comprising matters relating to the approval of the Risk Management Strategy & Framework including Risk Appetite Statements, discharging the responsibility for HRI's risk management, establishing and monitoring the effectiveness of the Risk Committee and Own Risk and Solvency Assessment ('ORSA') process;
- Solvency and Capital Management – focussing on matters relating to roles and responsibilities for internal model governance and its strategic direction, ultimately ensuring the solvency and capitalisation of HRI remain adequate and appropriate at all times;
- Corporate Issues – including decisions, in conjunction with Group, on material changes in the legal structure or the nature of business undertaken by the Company (i.e. major reorganisations, matters of acquisitions, sale, modification of interests in other companies of strategic relevance), formulation and amendment of strategic principles for HRI, and other corporate issues derived from Company law;
- Operational Matters – ensuring appropriate strategy and processes are defined in relation to succession plan, contingency arrangements and outsourcing;
- Financial Matters, Transactions and Expenditure – comprising of matters such as approval of the annual financial and business plan based on the agreed strategy and risk appetite of

HRI, approval of annual regulatory returns, dividend payments, securities, guarantees or similar liabilities for third party payables outside the normal course of business, approval of any significant changes in accounting policies or practices, review of the Five Year Plan, the appointment and removal of auditors;

- Investment Activity – comprising matters such as approval of the investment strategy and guidelines, approval of the acquisition, disposal or mortgage of real estate or similar, including the construction and improvement of buildings. Approval of the appointment or dismissal of outside portfolio managers;
- Remuneration Matters – including, but not limited to annual review the performance of the Board and individual directors, relative to the Board's objectives.

### Committees of the Board

The Board has delegated other matters for decision to the Committees of the Board, as contained in their respective documented terms of reference.

Those Committees are: the Audit Committee, Risk Committee, Investment Advisory Council Compensation Committee, and Canada Branch Steering Committee.

### Day-to-day Management

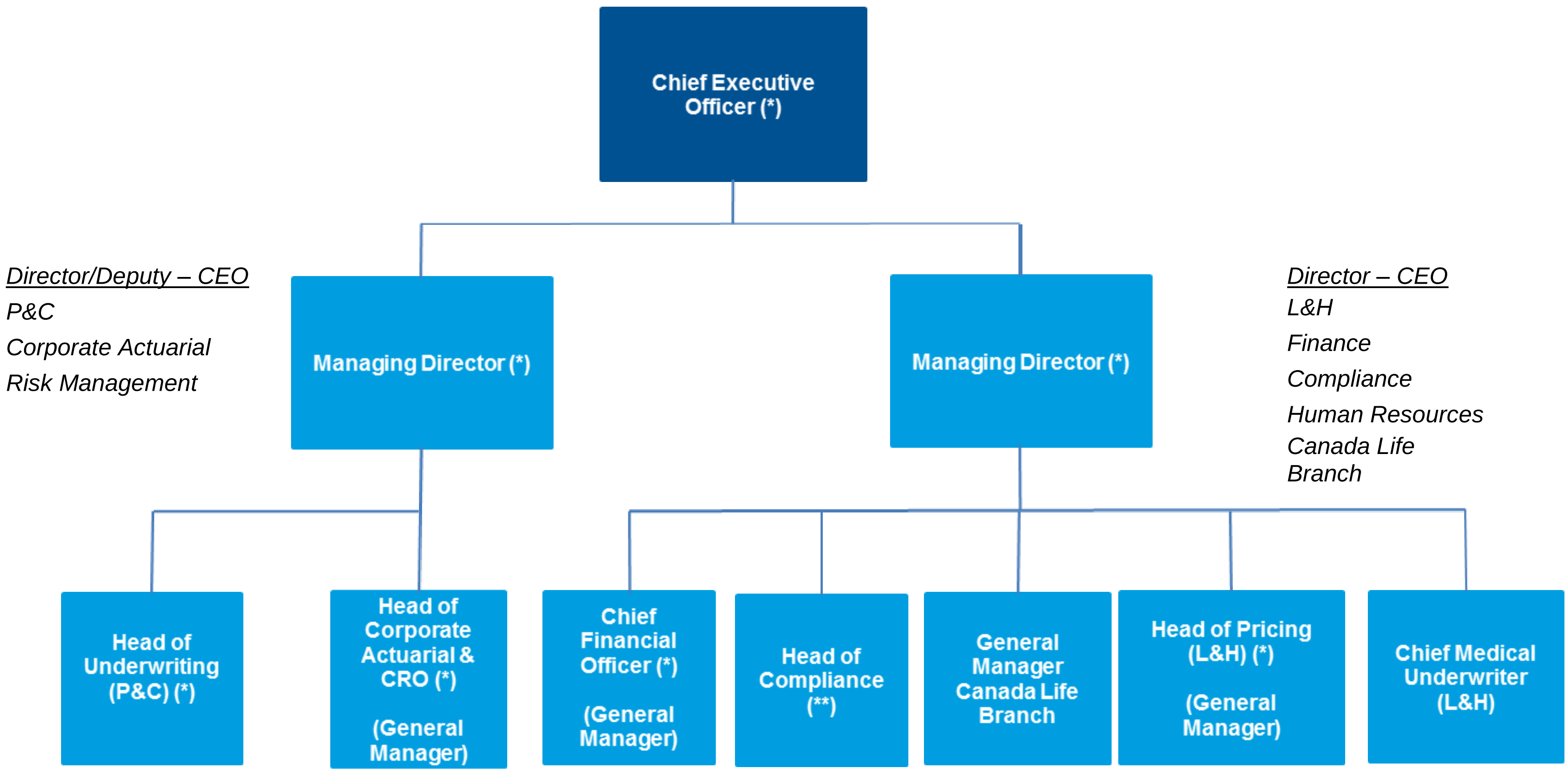
The Board has delegated responsibility for day-to-day management of the business in accordance with the strategy, objectives and policies set by the Board to the CEO and Deputy CEO. Day to day management is defined within the Board Charter as all matters not specifically reserved for approval by the Board or delegated to a Committee. An Operational Council, comprising members of senior management of the Company, assists the CEO and Deputy CEO in the exercise of their functions.

Underwriting authority is delegated in accordance with the Special Underwriting Guidelines – Life and Health, and the Special Underwriting Guidelines – ASI, approved by the Board.

Investments are managed in accordance with the HRI Investment Guidelines.

A high level organization chart, setting out the reporting lines within HRI, is attached behind:

**Effective date: 31/12/2016**




(*) Member of the Operational Council

(**) Permanent guest of the Operational Council

The organisation and collective effort of individual functions are decisive for our internal risk management and control system. In our system the central functions are closely interlinked with one another and the roles, tasks and reporting lines are both clearly defined and documented in the context of the so-called three lines of defence. The first line of defence consists of risk control and the original responsibility for risk at divisional level. The risk management function ensures the second line of defence - risk monitoring. It also receives support from the actuarial function and the compliance function. The third line of defence consists of process-independent monitoring executed by the internal audit function.

All key functions are equipped with appropriate resources and skills. The reporting lines to one another and to the Board Member responsible have been clearly defined.

### B.1.2 Remuneration policy

#### B.1.2.1 Principles of the Remuneration Policy

The Board of Directors in conjunction with the Compensation Committee assesses remuneration packages in an effort to discourage imprudent risk taking. HRI's Recruitment and Remuneration Policy (the 'Policy'), in conjunction with the Corporate Human Resources Management ('HRM') Principles: Executive and Senior Management Compensation and Benefits, reflects HRI's objectives in respect of corporate governance as well as sustained and long term value for stakeholders. It also provides an appropriate level of transparency.

The Policy seeks to ensure that employees of HRI are compensated with appropriate incentives in an effort to recognise and encourage enhanced performance in a fair and responsible manner for their individual contributions to the success of HRI. Further, the Policy ensures the duty to mitigate loss is fully recognised.

HRI is committed to ensuring that its remuneration practices enable it to:

- Appropriately compensate employees for the services they provide to the Company;
- Attract and retain employees with skills required to effectively manage the operations and intended future direction of the business;
- Motivate employees to perform in the best interests of HRI and its stakeholders;

HRI does not permit risk-taking that falls outside of HRI's risk appetite policies and guidelines. This is achieved by strict policies on recruitment and compensation, close monitoring of compliance with policies and guidelines and appropriate action in the event of non-compliance.

The Human Resources Manager monitors compliance with this Policy. Monitoring results are reported to the Board.

The Board is responsible for monitoring the ongoing performance of Senior Management at General Manager level and above. Senior Management at General Manager level and below is monitored by the CEO and Deputy CEO through day to day activities and in the more formal setting of the annual performance review process.

### B.1.2.2 Information on the individual and collective performance criteria on which any entitlement to share options, shares or variable components of remuneration is based

#### Employees

HRI seeks to ensure that its employees are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and responsible manner. The Hannover Re Ireland DAC Bonus Scheme (the Scheme) governs this process and ensures that the duty to mitigate loss is fully recognised.

Bonus payments are paid to all eligible employees based on individual performance over the previous 12 months and the financial results of the Group for the preceding financial year. Bonus payments under the Scheme are subject to the approval of the Operational Council.

#### Executive and Senior Management

The HRM Corporate Principles: Executive and Senior Management Compensation & Benefits provide clear guidelines for Executive and Senior Management remuneration which recognise the long term interests of the Hannover Re Group, its shareholders and employees.

Total compensation for Executive and Senior Management is highly geared towards performance with the proportion of “at risk” pay increasing/decreasing according to:

a) Group net income,

b) Business Group targets achievement (only for executives with business responsibility)

c) Individual target achievement

Surveys are undertaken on a regular basis to ensure that total compensation packages remain consistent with the approach outlined above. Recognising that the Group’s profits are generated in more than 20 countries all over the world, separate surveys are conducted in each country. HRM in Hannover is responsible for the selection of survey provider in cooperation with the local HR manager.

The Hannover Re Executive Board in cooperation with the Board of Directors of each Group operation conducts risk assessments of pay packages to ensure that they do not encourage imprudent risk-taking. HRM in Hannover provide appropriate service as well as benchmark and survey data to improve the effectiveness at managing the complex relationship between incentives and risk-taking.

#### Salary Review

Total remuneration (base salary and variable remuneration) is reviewed biennially (and in line with local employment law), based upon individual performance, experience, surveyed competitive data and trends and geographic location of each position as well as the movement of total compensation in the Hannover Re Group. In accordance with the biennial review, salary adjustments are effective 1 January.

### B.1.2.3 A description of the main characteristics of supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

#### Retirement

The Company operate a pension plan on a defined contribution basis which means retirement benefits will depend on the total amount contributed by both the Company and individual together with investment income earned. At the time of retirement, the accumulated fund will be available to provide the individual with a range of benefits within approved Revenue limits.

### B.1.3 Related party transactions

An interim dividend of USD 75,000k (USD 150.00 per share) was approved and paid by the Directors and Shareholder during the year (2015: USD 98,345k (USD 161.72 per share)). No further dividend is proposed.

## B.2 Fit and proper requirements

Under the applicable F&P standards, the HRI CEO, on behalf of the Company, is required to satisfy herself on an ongoing basis that those individuals performing Pre-Approval Control Functions ('PCFs') and Control Functions ('CFs') roles comply with the standards set out in the legislation and guidance. In order to comply with the above requirements, the F&P process at HRI is performed in two phases:

- Due diligence performed for new CF/ PCF roles; and
- Ongoing due diligence conducted for existing CF/ PCFs, at least annually.

The purpose of the assessment is to ensure that relevant PCFs and CFs have the qualifications, experience and other necessary qualities and skills appropriate to the function they perform. The person must be able to demonstrate that they have:

- Professional qualifications and capability appropriate to the relevant function;
- Competence and skills appropriate to the relevant function, whether gained through training or professional experience;
- Competence and proficiency through past performance in previous functions;
- Sound knowledge of the business and their new role;
- Clear and comprehensive understanding of regulatory and legal environment, appropriate to their function;
- Have no concurrent responsibilities or conflicts of interest which would impair their ability to discharge their duties;
- Act honestly, ethically and with integrity, and
- Are financially sound.

### Initial Due Diligence for PCF and CF roles

The initial due diligence process commences as soon as an offer for new role is accepted by the internal/external candidate (note: offers for relevant roles are conditional to the individual successfully completing F&P assessment and obtaining CBI approval, where applicable).

### Annual re-assessment PCF and CF F&P compliance

Subsequent to initial due diligence, the Compliance Function conducts an annual re-assessment process for all PCF and CF roles, to ensure evidence of continuous compliance exists and declarations of compliance are renewed.

## B.3 Risk Management System including the Own Risk and Solvency Assessment

### B.3.1 Risk management system

The risk management system of HRI is articulated through a number of policies and frameworks, the key ones being the Risk Strategy, the Risk Management Framework and the System of Limits and Thresholds. The Risk Strategy describes the overall approach to risk and includes the Risk Appetite Statements. The Risk Management Framework sets out how the risk management system is structured in practice, the roles and responsibilities of the stakeholders in the process, and the risk assessment approach. The System of Limits and Thresholds provides the link between the internal model and its use in the risk management of HRI.

A risk register is used as the primary tool for identifying, measuring, monitoring, assessing and recording the risks faced by the business. The risks are identified, analysed and rated by the risk owner, with the support of the Risk Management function. The risk register covers both risks that the Company is currently exposed to and emerging risks.

A risk report is prepared quarterly by the Risk Management function for review and approval by the Risk Committee. The report includes amongst other things a summary of the risk register and an assessment of the identified risks, the System of Limits and Thresholds report, an update on whether any of the Risk Appetite Statements have been breached and an update on emerging risks. A risk report is also provided to the Board on a quarterly basis.

The ORSA process is conducted on an ongoing basis throughout the year and provides the link between the risk management system and the decision-making processes of the Company. The process is summarised into the ORSA Report, which is prepared by the Risk Management function with input from the other key functions, and is reviewed and approved by the Board at least annually.

### B.3.2 Risk management function

The Risk Management function, led by the Chief Risk Officer, is responsible for ensuring the development and ongoing maintenance of an effective risk management system within HRI. The activities of the Risk Management function are overseen by the HRI Risk Committee.

The Risk Management Function's responsibilities and authority are documented in detail within the Risk Management Framework and are subject to annual review by the Risk Committee and the Board. The Risk Committee's duties and responsibilities are detailed in the Terms of Reference, which are also subject to annual review by the Board.

The Board has ultimate responsibility for the governance of the internal model in accordance with regulatory requirements, including approval of any major changes or extensions, deciding on the strategic direction of the internal model, review and approval of the policies governing the internal model and review of the validation of the model results. The Risk Committee is authorised by the Board to provide support in this respect by providing advice to the Board. This governance structure has been established for several years.

An internal model validation policy is in place that is approved by the Board and requires a validation exercise to be performed at least annually. The validation policy specifies both qualitative and quantitative tools and processes including comparison of actual to estimated results, review of the robustness of the model including the key drivers of capital, and stress and scenario tests to check the results for reasonableness.

### B.3.3 Own Risk and Solvency Assessment (ORSA)

As mentioned earlier, the ORSA process is conducted on an ongoing basis throughout the year. The process and its results are summarised into the ORSA Report, which is prepared by the Risk Management function with input from the other key functions, and is reviewed and approved by the Board at least annually.

As part of the ORSA process, the risks faced by the Company are considered and the capital position of the Company is projected in line with the five year business plan to ensure that the capital position supports the business plan and the development of the risks faced. It also analyses the quality of the capital held and assesses the capital position under alternative scenarios. A number of qualitative and quantitative processes are utilised to assess the risks to which the Company is exposed. A range of stress and scenario tests are also employed to test the Company's exposure in stressed conditions.

The ORSA process is integrated into the decision-making processes of the Company through risk management actions taken as a result of the risk assessment processes, analysis of capital management options, analysis of large new business transactions and the selection of risk mitigation techniques.

## B.4 Internal Control System

### B.4.1 Elements of the internal control system

HRI implements effective internal controls that provide the Board and management with reasonable assurance in respect of the following:

- The Board and management have an understanding of the extent to which the objectives of HRI's operations are being achieved,
- Published financial statements are reliable, and
- Applicable laws and regulations are complied with at all times.

The Internal Control system consists of systematically designed organisational and technical measures and checks within the Company. It ensures that guidelines are followed and risks are managed so that the Company's strategy can be fully implemented. HRI formalises its Internal Control framework within the Internal Control Policy, further supplemented with the Hannover Re Internal Control System Guideline.

HRI Internal Control (IC) employs fundamental control principles applied consistently across HRI business (including its branches), as follows:

- Segregation of duties across the business and the key processes
- Clearly documented delegated authorities, reporting lines, roles & responsibilities
- Documented policies and procedures
- Documented key processes, subject to regular review:
    - ARIS flowcharts
    - Narrative processes
- Four Eyes review of all key reports/outputs.

### B.4.2 Internal control framework

The HRI Internal Control framework incorporates the following components, which are set out in detail below:

- HRI Operations – the internal controls in place at Board and Senior Management level and across HRI's operations;
- Financial & Regulatory Reporting – the internal controls in place in relation to the production of accurate and reliable financial statements and regulatory reporting, and in particular the role(s) of the Chief Financial Officer and Head of Actuarial Function;
- Compliance with Laws and Regulations – including, but not limited to, the role of the Second Line of Defence Control Functions: Compliance, Risk Management and Actuarial Function;
- The Role of Internal and External Audit in providing an independent assessment on the effectiveness of internal controls.

### B.4.3 Compliance function

The Board of Directors is responsible for maintaining a permanent Compliance Function within HRI. For this purpose, HRI formally appoints the Head of Compliance, who is supported by the Compliance Executive and appropriate additional resources in discharging her role.

The Head of Compliance has a formal regular reporting line to the CEO. In addition, the Head of Compliance has a dotted reporting line to the Head of Group Legal Services in Germany. The Compliance Function reports to the Risk Committee on a quarterly basis and to the Board, as necessary.

The Compliance Function is implemented via the Compliance Charter, which has been approved by the HRI Board. The Charter provides for the independence of the Compliance Function from business activities and sets out the management reporting line to the CEO of HRI and the governance reporting lines into the Risk Committee and the Board of HRI.

The Head of Compliance has overall responsibility for co-ordinating the management of compliance risk, implementation of a robust compliance framework and for the delivery of the Annual Compliance Plan.

The Head of Compliance is responsible for assisting the business in identifying the procedures and controls necessary to meet legal and regulatory obligations and for ensuring that these are consistent with the Compliance Framework. The Compliance Executive supports the Head of Compliance in maintaining a strong compliance culture within HRI, co-ordinating the management of compliance risk and the delivery of the Annual Compliance Plan. Additional resources to support the Compliance Function are on-boarded on a fixed-term contract basis as required.

The roles, responsibilities and authority of the Compliance Function, as well as the overview of HRI Compliance framework is documented within the Compliance Charter.

## B.5 Internal Audit Function

Hannover Re Group Auditing performs the Internal Audit Function for HRI. The provision of Internal Audit Services is governed by an SLA with Group Auditing, which is approved by the Audit Committee. The SLA is effective for a three year period, after which it is renegotiated.

There is an established Internal Audit Policy, outlining roles and responsibilities of the Internal Audit Function, as well as the roles and responsibilities of the Board, Audit Committee and HRI Management and employees in relation to the Internal Audit process. The key role of the Internal Audit Function is to assess the adequacy and effectiveness of the Internal Controls system and other elements of the HRI system of governance, in line with a risk based approach.

An Internal Audit Plan ("the Plan") is agreed as part of the SLA and comprises a three year Audit Cycle. This Cycle is designed to prioritise risk in the HRI Audit Universe. The Audit Cycle sets out the areas of the business that Group Auditing will review as part of the internal audit process and the timelines for the performance of such a review. The Plan is approved by the HRI Audit Committee and noted by the Board. The Plan can be amended as required with agreement from the Audit Committee. The Plan is drafted based upon an assessment of the risks facing HRI and the activities carried out by HRI. Management's goals and objectives, together with its perceptions of risks and exposures, will also form a key input to Internal Audit's strategic and operational planning process.

The Audit Plan identifies the business areas to be reviewed as part of the audit process. The scope of the audit for each business area is developed by Group Auditing in conjunction with the Internal Audit Liaison, Senior Management and relevant area management, and is set out in an Audit Instruction.

Group Audit is responsible for allocating resources to audits and ensuring adequate rotation to maintain independence and impartiality.

The HRI Internal Audit Policy clearly articulates that Group Auditing have the right to review all activities and processes relevant to the performance of the audit/investigation and have full, free and unrestricted access to all the functions, records, assets, property and personnel necessary for the proper discharge of its responsibilities.

The Head of Group Auditing is subject to F&P requirements from HRI's perspective, and for that purpose was designated as CF 2. An annual due-diligence process is conducted to ensure continuous compliance with F&P requirements. In addition, in line with Solvency II requirements for outsourced key control functions, an existing Non-Executive Director of HRI was appointed as the PCF responsible for outsourced Internal Audit Function (effective December 2015).

## B.6 Actuarial Function

Actuarial Function – The responsibility for the Actuarial Function is delegated to the Head of Corporate Actuarial, who has a reporting line to the Deputy CEO. Formalised Actuarial Function Terms of Reference are in place, outlining roles and responsibilities of the Actuarial Function, key requirements applicable to its structure, independence and remit.

The Actuarial Function and specifically the Head of the Actuarial Function have responsibilities under Solvency II and the CBI's Domestic Actuarial Regime and Related Governance Requirements under Solvency II. These responsibilities cover the following key areas:

- Co-ordination of the calculation of the Technical Provisions under Solvency II
- Assess the consistency of the data used in the calculation of the Technical Provisions
- Actuarial Opinion on the Technical Provisions
- Actuarial Opinions on the Underwriting policy and Retrocession policy
- Actuarial Opinion on the ORSA process
- Annual Actuarial Function report to the Board including the Actuarial Report on Technical Provisions

The Board of Directors is responsible for maintaining a permanent Actuarial Function within the organisation. For this purpose, HRI formally appoints a Head of Actuarial Function, and grants sufficient human and technical resources to achieve the defined objectives. The appointment of the Head of Actuarial Function is subject to pre-approval by the Central Bank of Ireland in accordance with Fitness and Probity Regulations. The removal of the Head of Actuarial Function must be approved by the Board of Directors, in accordance with the CBI Corporate Governance Requirements.

## B.7 Outsourcing

HRI has an Outsourcing Policy is in place which is reviewed annually by the Risk Committee and approved by the Board. Under the Outsourcing Policy, documented Service Level Agreements (SLAs) are required for each outsourced relationship and must set out service standards to be adhered to. The Head of Compliance acts as Outsourcing Coordinator and oversees compliance with the policy.

The outsourcing management process consists of the following five steps:

- Planning and classification
- Risk assessment and due diligence
- Contract management and notification
- Steering and monitoring
- Renewal and/or termination.

The Compliance Function maintains a register of all critical or important outsourcing arrangements which HRI are party to. The outsourcing risk, associated key controls and their effectiveness are monitored and assessed on regular basis as part of risk register cycle coordinated by the Risk Management Function.

In all cases, HRI benefits from the infrastructure, process and resources established within respective Group entities in executing relevant services outlined above.

Appropriate risk assessments and due diligences are conducted on annual basis to ensure that outsourced arrangements remain adequate and effective. An agreed annual review and reporting process is executed by responsible SLA Relationship Managers for each outsourced agreement, to ensure regular review against agreed service standards is carried out, documented and reported to Operational Council, and any issues escalated in a timely manner.

The important outsourcing arrangements are documented via formalised SLAs, and presented to the Board on annual basis.

## B.8 Any other information

### B.8.1 Evaluating the appropriateness of the system of governance

The system of governance is considered to be appropriate for the Company, taking into account the nature, scale and complexity of the risks inherent in the business.

### B.8.2 Other information

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

# C. Risk Profile

In the context of its business operations HRI enters into a broad variety of risks. These risks are deliberately accepted, steered and monitored in order to be able to act on the associated opportunities. The parameters and decisions of the Board with respect to the risk appetite of HRI are based on the calculations of risk-bearing capacity and are fundamental to the acceptance of risks.

The risk profile of HRI reflects the Risk Strategy, which is to actively assume Life & Health and Property & Casualty underwriting risks, while accepting other risks including market, counterparty default and operational risks as a consequence of that strategy.

### Prudent Person Principle

HRI's assets are invested in line with the Investment Guidelines. The Investment Guidelines are designed in accordance with the 'prudent person principle'.

### Risk Concentrations

HRI monitors and sets limits on its exposure to various risk concentrations including natural catastrophe exposures, per life concentrations, geographic concentrations, asset concentrations and counterparty exposure concentration.

### Risk Mitigation

The key technique used to mitigate risks is retrocession. While HRI has both internal and external retrocession arrangements in place, it does not typically rely heavily on internal or external retrocession. Results are available gross and net of retrocession in order to monitor the continued effectiveness of the arrangements in place.

HRI uses derivative financial instruments only to a very limited extent. Currently HRI only utilises forward currency contracts and foreign currency swaps. The primary purpose of the derivatives is to hedge our non-USD net technical liabilities or our foreign dominated investments.

### Stress tests and scenario analysis

A wide range of stress tests and scenario analysis was included in the latest ORSA Report. These included:

- Different volumes of new business (higher and lower) including full closure to new business whilst maintaining current dividend policy. The results showed that the capital position improved with new business and would remain stable with no new business so HRI is not dependent on new business to support its capital position.

- Mass lapse or cedant recapture stresses on certain Life and Health lines of business as a result of a changed external environment. It was shown that HRI would have sufficient capital to withstand the stresses.

- A stress showing the impact of an increase in risk free interest rates on HRI's surplus economic capital was performed, which demonstrated that HRI would have sufficient capital in this scenario.

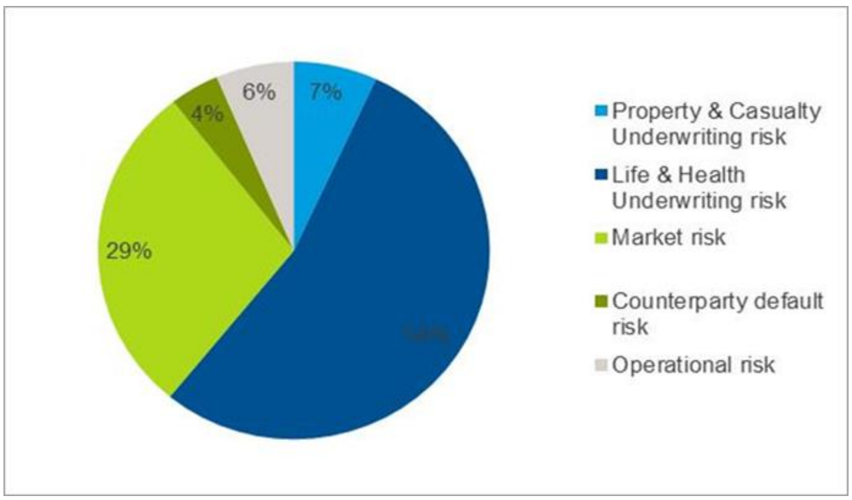
- Liquidity stresses related to pandemic, natural and man-made catastrophe and credit rating events were tested and showed that HRI would have access to sufficient liquidity to continue to pay all obligations as they fall due.

#### Off-balance sheet exposures

Within the Tier 3 own funds is included an Ancillary Own Funds (“AOF”) item approved by the Central Bank of Ireland on 14 December 2015. The material terms and conditions of the Tier 3 Ancillary Own Funds are described further in Section E 1.2.2 Ancillary Own Funds. The counterparty for the AOF is Hannover Rück SE.

#### Quantitative information on Risk Exposures

The Solvency Capital Requirement split by individual risk categories as at 31 December 2016 is below.




## C.1 Underwriting risk

### C.1.1 Underwriting Risks Property/Casualty and Health Not Similar to Life Techniques

HRI focuses on writing structured and tailor-made property & casualty reinsurance as well as aggregate covers through its P&C line of business. Due to the relatively risk remote nature of that business, the risks were low compared to the premium volume. In particular there is relatively low reserve risk and catastrophe risk associated with the structured solutions. HRI also writes intercompany solutions, where the risks and rewards of business assumed in connected companies are shared with HRI.

### C.1.2 Underwriting Risks Life and Health Similar to Life Techniques

HRI’s Life & Health business is divided into Financial Solutions and Risk Solutions business.

Financial Solutions cover all treaties in which the primary emphasis is on financing or capital management components. These include providing both cash and non-cash financing solutions to service clients’ needs, mainly in the US market.

The Risk Solutions business is focused on reinsurance of mortality business. There is a strong focus on North America and the United Kingdom.

The largest source of risk is life & health underwriting risk and in particular long-term mortality risk and short-term pandemic risk. This reflects HRI's risk profile and is to be expected due to the exposure to underlying life assurance business. Due to the long term nature of this business a relative increase in mortality rates in each future year has a significant impact in terms of the present value of this change.

During the reporting period HRI entered into a stop loss retrocession arrangement with Hannover Rück SE on its US Mortality Solutions business which provides mitigation against a significant deviation in mortality experience.

## C.2 Market risk

HRI's market risk includes interest rate risks, currency risks, default and spread risks and equity risks.

A change in functional currency from Euro to US Dollar was triggered on 1 January 2016, which has minimised the currency risk as the currencies of the majority of technical liabilities and own funds is now matched to the currency of the assets. Some residual exposure to exchange rate volatility on the own funds remains due to non-dollar denominated assets and business.

HRI's portfolio currently consists in large part of fixed-income securities, and hence interest rate and credit spread risks account for the bulk of the market risk. HRI manages interest rate and currency risks through its asset liability matching program.

HRI is also exposed to changes in credit spreads, where an increase in credit spreads on its investments will reduce the market value of the assets without any corresponding change in the value of liabilities, which remain valued on a risk-free basis.

The change in functional currency was a material change in market risk over the reporting period.

## C.3 Credit risk

Credit spread risk is covered above in Market Risk. HRI's other source of credit risk is through counterparty default risk. Counterparty default risk is controlled through counterparty exposure limits. The creditworthiness of cedants and retrocessionaires is monitored through a quarterly review of credit ratings, as provided by external rating agencies. A group-wide Cession Limits system is also in place which must be used before any third party retrocession is placed. It assesses whether there is capacity available for the placement and the creditworthiness of the counterparty.

There has been no material change in credit risk over the reporting period.

## C.4 Liquidity risk

Due to the nature of the business written by HRI, there is a risk that while HRI has sufficient capital, there could be a short or medium-term liquidity strain. Therefore the liquidity position is assessed at least quarterly. The analysis considers the current liquidity position plus known liquidity requirements in the foreseeable future, such as cash financing transactions or loan maturities.

As at 31 December 2016, the expected profit included in future premiums (EPIFP) is USD 1,027m. The majority of HRI's business has no surrender values and therefore the EPIFP is any negative BEL by Line of Business.

There has been no material change in liquidity risk over the reporting period.

For the "total amount of the expected profit included in future premiums" required by Art. 295 (5) of the Delegated Regulation 2015/35 please refer to the Quantitative Reporting Template S.23.01.01., item R0790. We explicitly do not use this figure for our liquidity management.

## C.5 Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

The risk is strongly associated with human error, systems failure and inadequate controls and procedures. Operational risk, if unmitigated, may result in financial loss, unavailability of services, information deficiencies or loss, and damage to reputation. HRI maintains an Operational Risk Register, where the key areas of operational risk are defined, assigned to risk owners, monitored and assessed each quarter. The results of the assessment are reported to the Risk Committee. The key areas where operational risk has the potential to impact HRI's business are as follows:

- Business continuity
- Business processes and data quality
- Compliance
- Fraud
- Human Resources
- IT
- Outsourcing

There has been no material change in operational risk over the reporting period.

## C.6 Other material risks

HRI is also exposed to other material risks that are not covered by the categories in the previous chapters. These risks include reputational, strategic and emerging risk. These risks are all measured, monitored and rated through HRI's risk register and are regularly reported on to the Risk Committee and/or Board, as appropriate. Group-wide frameworks for managing these risks have also been rolled out and adopted by HRI.

Reputational risk is defined as the risk that adverse publicity regarding HRI's business practices and associations, whether accurate or not, could cause a loss of confidence in the integrity of the company. The risk of loss of confidence relates to all stakeholders, which include existing and potential clients, brokers, suppliers and supervisors. It has the capacity to damage our existing business and our future potential.

Strategic risk refers to the risk of being unable to implement appropriate business plans and strategies, make decisions, allocate resources or adapt to changes in the business environment. It can also arise due to external factors such as changes in the accounting rules, changes in taxation or regulatory changes.

Emerging risks are potential new future risks or evolving risks which are difficult to quantify and may have a high loss potential. Emerging risks are marked by a high degree of uncertainty.

## C.7 Any Other Information

There is no other material information regarding the risk profile.

# D. Valuation for Solvency Purposes

## General valuation principles

The valuation of assets and liabilities pursuant to Solvency II is based on economic and market-consistent principles, and takes account of inherent risks.

In line with this concept the assets and liabilities are valued as follows:

- Assets should be valued according to the amount with which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- Liabilities should be valued according to the amount with which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- The fair value of money should be reflected, i.e. all cash flows have to be discounted.
- When valuing liabilities, no value adjustments are made in order to account for the creditworthiness of the insurance or reinsurance company.
- The valuation of assets and liabilities is based on the assumption that the company will continue its business activity ("going concern principle").
- Individual assets and liabilities are valued separately.
- Concepts of materiality shall apply. Absent or erroneous information pertaining to items shall be deemed significant if it could influence the individual or aggregated business decisions of the recipients.
- Simplifications may be applied when the method is deemed appropriate for the type, scope and complexity of the inherent risk.

The underlying principle used for determining the market values of assets and liabilities, with the exception of technical provisions, is the valuation principle pursuant to International Accounting Standards, as was adopted by the EU Commission pursuant to the Directive (EC) No. 1606/2002. For example, the guideline for determining fair values pursuant to IFRS 13 serves as a source of orientation.

The cash flow view plays a key role in the valuation of technical provisions:

- The value of technical provisions corresponds to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking.
- Technical provisions must be calculated in a prudent, reliable and objective manner.
- The value of technical provisions shall be equal to the sum of a best estimate and a risk margin
- The calculation of the best estimate (so-called "Best Estimate Liability" or "BEL") utilises cash flow projections, which reflect the settlement of insurance and reinsurance liabilities over the course of the term.
- The BEL is supplemented by a risk margin. The calculation of the risk margin is done using a Cost of Capital approach.

Any valuation methods used must always work in sync with Article 75, respectively Articles 77 to 82 and Article 86 of the Directive 2009/138/EC.

### Assessing active markets

In the course of valuing assets, it is necessary to assess as to whether a market is either active or not. Only when a market is active may the current value be taken directly from these markets or derived from comparable assets traded there, in order to determine the market value of assets. If a market cannot be categorised as active, the market value is to be determined using valuation models. Whether or not a market can be viewed as an active market hinges on a discretionary decision regarding the type of financial instruments and local markets. At HRI this is, however, based on the following predetermined parameters.

- Business transactions occur with sufficient frequency and corresponding volume, so that price information is continuously available
- The products which are traded on the market are homogeneous
- Contractually willing buyers/sellers can, as a rule, be found at any time
- Prices are freely accessible to the public

An active market is deemed not to exist when, due to the complete and long-term decline in buyers and/or sellers, market liquidity is no longer established. Should transactions be verified as resulting exclusively from forced deals, compulsory liquidations or distressed sales, this is just as much an indicator for an inactive market as are high bid/ask spreads.

In the event that an inactive market has been verified, we use valuation models for the calculation of market values. Please refer to section D.4.

### Note

Due to computational reasons rounding errors of +/- one unit can occur in the tables.

### Solvency II balance sheet as of 31 December 2016

The following two pages show the HRI Solvency II balance sheet as at 31 December 2016.

The valuation of these items is further described in subsections "D.1 Assets", “D.2 Technical Provisions”, "D.3 Other liabilities" and “D.4 Alternative methods for valuation”.

| In USD 000's | Item | 2016 |
|---|---|---|
| **Assets** | | |
| Intangible assets | R0030 | - |
| Deferred tax assets | R0040 | 4,404 |
| Pension benefit surplus | R0050 | - |
| Property, plant & equipment held for own use | R0060 | 86 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 2,898,665 |
| Property (other than for own use) | R0080 | - |
| Holdings in related undertakings, including participations | R0090 | 50,000 |
| Equities | R0100 | - |
| Equities - listed | R0110 | - |
| Equities - unlisted | R0120 | - |
| Bonds | R0130 | 2,688,527 |
| Government Bonds | R0140 | 1,607,994 |
| Corporate Bonds | R0150 | 986,981 |
| Structured notes | R0160 | - |
| Collateralised securities | R0170 | 93,552 |
| Collective Investments Undertakings | R0180 | 20,500 |
| Derivatives | R0190 | 8,412 |
| Deposits other than cash equivalents | R0200 | 10,040 |
| Other investments | R0210 | 121,185 |
| Assets held for index-linked and unit-linked contracts | R0220 | - |
| Loans and mortgages | R0230 | - |
| Loans on policies | R0240 | - |
| Loans and mortgages to individuals | R0250 | - |
| Other loans and mortgages | R0260 | - |
| Reinsurance recoverables from: | R0270 | 226,170 |
| Non-life and health similar to non-life | R0280 | 31,727 |
| Non-life excluding health | R0290 | 31,727 |
| Health similar to non-life | R0300 | - |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | 194,443 |
| Health similar to life | R0320 | - |
| Life excluding health and index-linked and unit-linked | R0330 | 194,443 |
| Life index-linked and unit-linked | R0340 | - |
| Deposits to cedants | R0350 | 2,896,190 |
| Insurance and intermediaries receivables | R0360 | 536,778 |
| Reinsurance receivables | R0370 | 2,905 |
| Receivables (trade, not insurance) | R0380 | 647 |
| Own shares (held directly) | R0390 | - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | - |
| Cash and cash equivalents | R0410 | 37,562 |
| Any other assets, not elsewhere shown | R0420 | - |
| **Total assets** | **R0500** | **6,603,407** |

| In USD 000's | Item | 2016 |
|---|---|---|
| **Liabilities** | | |
| Technical provisions – non-life | R0510 | 765,861 |
| Technical provisions – non-life (excluding health) | R0520 | 703,698 |
| TP calculated as a whole | R0530 | - |
| Best Estimate | R0540 | 673,503 |
| Risk margin | R0550 | 30,195 |
| Technical provisions - health (similar to non-life) | R0560 | 62,163 |
| TP calculated as a whole | R0570 | - |
| Best Estimate | R0580 | 58,769 |
| Risk margin | R0590 | 3,393 |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 | 3,412,413 |
| Technical provisions - health (similar to life) | R0610 | 111,246 |
| TP calculated as a whole | R0620 | - |
| Best Estimate | R0630 | 75,430 |
| Risk margin | R0640 | 35,816 |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 | 3,301,166 |
| TP calculated as a whole | R0660 | - |
| Best Estimate | R0670 | 2,348,530 |
| Risk margin | R0680 | 952,636 |
| Technical provisions – index-linked and unit-linked | R0690 | (1,347) |
| TP calculated as a whole | R0700 | - |
| Best Estimate | R0710 | (1,355) |
| Risk margin | R0720 | 8 |
| Contingent liabilities | R0740 | - |
| Provisions other than technical provisions | R0750 | 10,334 |
| Pension benefit obligations | R0760 | - |
| Deposits from reinsurers | R0770 | (13,688) |
| Deferred tax liabilities | R0780 | 17,386 |
| Derivatives | R0790 | 4,002 |
| Debts owed to credit institutions | R0800 | - |
| Financial liabilities other than debts owed to credit institutions | R0810 | 278,466 |
| Insurance & intermediaries payables | R0820 | 23,785 |
| Reinsurance payables | R0830 | 2,539 |
| Payables (trade, not insurance) | R0840 | 5,619 |
| Subordinated liabilities | R0850 | 339,813 |
| Subordinated liabilities not in BOF | R0860 | - |
| Subordinated liabilities in BOF | R0870 | 339,813 |
| Any other liabilities, not elsewhere shown | R0880 | 4,717 |
| **Total liabilities** | **R0900** | **4,849,899** |
| **Excess of assets over liabilities** | **R1000** | **1,753,508** |

## D.1 Assets

### D.1.1 Deferred tax assets R0040

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Deferred tax assets | 4,403 | 1,150 |

In the IFRS financial statements balance sheet deferred tax is provided in full in accordance with IAS 12, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted.

In the Solvency II balance sheet, deferred taxes may result from the following:

- Taxable / deductible temporary differences between the Solvency II balance sheet and the tax base (tax balance sheet); and
- Unused tax loss and tax credits that may be carried forward.

A deferred tax asset (under Solvency II and the statutory account valuations) is recognised only to the extent that it is probable that future tax profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### Differences in valuation

The difference in valuation relates to the taxable / deductible temporary differences between the Solvency II balance sheet and the tax base (tax balance sheet).

### D.1.2 Property, plant & equipment held for own use R0060

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Property, plant & equipment held for own use | 86 | 818 |

The market value of internally-used property is calculated as follows:

The market value of the leasehold improvements is Nil as it is assumed that the improvements will revert to the lessor at the expiration of the lease.

With regard to the fixtures, fittings and equipment the valuation base pursuant to the Solvency II balance sheet is seen as identical with the valuation base used for annual accounts in line with commercial law. A revaluation is not conducted for reasons of materiality.

#### Differences in valuation

The difference between the valuation bases found in the Solvency II balance sheet and the IFRS financial statements is attributable to the net book value of the leasehold improvements under IFRS.

### D.1.3 Participations and related undertakings R0090

| in USD 000’s | Solvency II | IFRS |
|---|---|---|
| Participations and related undertakings | 50,000 | 50,000 |

The investment was made close to the end of the year and this cost is considered to be the best estimate of fair value.

### D.1.4 Bonds R0130

| in USD 000’s | Solvency II | IFRS |
|---|---|---|
| Bonds | 2,688,527 | 2,679,028 |

Government bonds, corporate bonds, structured notes and collateralised securities are predominantly valued on the basis of quoted prices, which have been realised on active markets. If no publicly available price quotations are available or the markets in which they originate are deemed to be inactive, the items are valued on a theoretical basis.

Market quotations are provided by selected price service agencies, trading information systems or intermediaries (brokers) deemed to be trustworthy. The potential sources of price information available are allocated a ranking within a hierarchy. As a rule, price quotations issued by price service agencies are allocated the highest priority, while those provided by intermediaries are allocated the lowest. Exceptions can occur, for example, for selected market segments / currency combinations.

#### Differences in valuation

The difference between the Solvency II valuation bases and the IFRS financial statements totalling USD 9,499k is primarily attributable to the fixed income securities are acquired with the intent and ability to be held until maturity. Under IFRS they are initially recognised at fair value and directly attributable costs. Subsequent to the initial measurement they are measured at amortised cost. The corresponding premiums or discounts are recognised in profit or loss across the duration of the instruments using the effective interest rate method.  For Solvency II these assets are valued at fair market value.

### D.1.5 Collective Investment Undertakings R0180

| in USD 000’s | Solvency II | IFRS |
|---|---|---|
| Collective Investment Undertakings | 20,500 | 20,500 |

Collective investment undertakings consist of High Yield Bond Funds and Debt Funds.

The High Yield Bond Funds are actively managed funds, focused on publicly traded bonds. These assets are predominantly valued on the basis of quoted prices, which have been realised on active markets. If no publicly available price quotations are available or the markets in which they originate are deemed to be inactive, the items are valued on a theoretical basis.

### D.1.6 Derivatives R0190

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Derivatives | 8,412 | 44,818 |

Financial derivatives (e. g. options or forwards) are valued based on quoted market prices. If there are no market prices, the positions are evaluated theoretically.

Foreign exchange forward contracts, swaps and forward purchases can be evaluated by using the discounted cash flow method on the payoff profiles

The discount rates and the interest rate differentials are the two main factors used in calculating the valuation of the derivatives currently held by HRI.

#### Differences in valuation

The embedded credit derivative is implicitly included within the value of Deposits to cedants valuation under Solvency II as these assets are valued at fair value. In the IFRS financial statements the embedded credit derivative is separately reported as a derivative. This resulted in a USD 36,406k difference on the valuation of the derivative assets between Solvency II and the stator accounts.

### D.1.7 Deposits other than cash equivalents R0200

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Deposits other than cash equivalents | 10,040 | - |

The deposits other than cash equivalents are short-term highly liquid investments with less than 90 days' maturity from the date of acquisition. The funds are normally invested for periods of less than one month. They are carried at face value which is a reasonably approximate fair value at the reporting date.

#### Differences in valuation

The difference between the Solvency II value and the IFRS financial statements value result from the reclassification of short term bank deposits which are classified as cash and cash equivalents in the IFRS financial statements.

### D.1.8 Other investments R0210

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Other investments | 121,185 | 121,117 |

Life settlements are valued on a policy-by-policy basis, using a discounted cash flow method. The fair value of a policy at the point of purchase is assumed to be equal to the purchase price. The fair-value at future dates is assumed to be the present value of expected future cash flows discounted at the risk-free term structure of spot rates (based on swaps) plus a policy-specific risk margin. The main risks associated with these instruments are mortality and interest rate risk. The yield collars, which are purchased and valued on a policy-by-policy basis, are calculated as the difference between the fair value of the underlying policy and that fair value capped at the annual rate implied in the contract. Yield collars mitigate downside risk but also cap potential gains.

The secured notes are valued at fair value. The fair value of these notes is calculated using an internal model based on changes in interest rates and credit spreads. The main risks associated with these instruments are counterparty, lapse and mortality risk.

### D.1.9 Reinsurance recoverables R0270

The valuation of Reinsurance recoverables is described in Section D.2 Technical provisions.

### D.1.10 Deposits to cedants R0350

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Deposits to cedants | 2,896,190 | 4,483,651 |

These assets primarily consist of funds held on certain contracts representing the collateral contractually withheld by our cedants to cover the technical liabilities HRI has reinsured. These assets are valued at market value using a mark-to-market method. These assets primarily consist of government, semi-government and corporate bonds. Such investments are typically held in trust and managed in accordance with approved investment guidelines.

#### Differences in valuation

There are three main reasons for the difference in valuation of Deposits to cedants.

Certain HRI treaties have "notional" funds withheld accounts. HRI does not bear investment risk on these assets and the actual cash flows received/paid are only settled after the depletion/utilisation of the funds withheld balance. Therefore the fair value of these notional funds withheld are deemed to be nil for the purposes of Solvency II as no cash flow takes place. There is an offsetting decrease to the best estimate liability.

The Solvency II balance sheet requires that the deposits are reported separately depending on whether the treaty is assumed (R0350 - Deposits to cedants) or ceded (R0770 – Deposits from reinsurers). The statutory balance sheet does not require this split. Therefore a reclassification between these two line items is required for the purposes of Solvency II.

Also the Deposits to cedants are valued at fair value Solvency II whereas they are valued at amortized cost in the statutory. This resulted in an increase in the asset under Solvency II.

### D.1.11 Insurance and intermediaries receivables R0360

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Insurance and intermediaries receivables | 536,778 | 574,146 |

The carrying amount of Insurance and intermediary receivables is deemed to be a reasonable approximation of fair value. Balances receivable include actual account balances due plus an estimate of the amount due for the period for which accounts have not yet been received. The receivable balance is diversified among a range of cedants. The risk of non-payment by cedants is mitigated by the use of offset clauses in the underlying contract. Following our review of the receivable balances, no impairment was necessary.

#### Differences in valuation

A certain HRI treaty has a "notional" receivable balance. The fair value of this balance is deemed to be nil for the purposes of Solvency II as no cash flow takes place. There is an offsetting decrease to the best estimate liability.

### D.1.12 Reinsurance receivables R0370

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Reinsurance receivables | 2,905 | (10,227) |

The carrying amount of Reinsurance receivables is deemed to be a reasonable approximation of fair value. Balances receivable include actual account balances due plus an estimate of the amount due for the period for which accounts have not yet been received. The receivable balance is diversified among a range of retrocessionaires. The risk of non-payment is mitigated by the use of offset clauses in the underlying contract. Following our review of the receivable balances, no impairment was necessary.

#### Differences in valuation

Certain HRI treaties have "notional" receivable balances. The fair value of these balances are deemed to be nil for the purposes of Solvency II as no cash flow takes place. There is an offsetting increase to the reinsurance recoverable.

### D.1.13 Receivables (trade, not insurance) R0380

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Receivables (trade, not insurance) | 647 | 647 |

The carrying amount of Receivables (trade, not insurance) is a reasonable approximation of fair value.

### D.1.14 Cash and cash equivalents R0410

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Cash and cash equivalents | 37,562 | 47,603 |

The Cash and cash equivalents are carried at face value and consist of cash at banks. They are carried at face value which is a reasonable approximation to fair value at the reporting date.

#### Differences in valuation

The difference between the Solvency II value and the IFRS financial statements value result from the reclassification of short term bank deposits which are classified as Deposits other than cash equivalents under Solvency II.

## D.2 Technical Provisions

The technical provision (TP) under Solvency II is determined as the sum of the best estimate liability (BEL) and the risk margin (RM).

Determining the TP, the risk-free yield curve in line with EIOPA requirements are used. Neither volatility nor a matching adjustment is applied. Furthermore, the risk-free yield curve is not adjusted as set out in article 308c of the directives 2009/138/EC.

A temporary deduction according to article 308d of the directives 2009/138/EC is not applied.

The concept of calculating the TP "as a whole" is currently not applied to any business written.

Under Solvency II, all contracts must be valued over their entire term (Ultimate View of the Contract Limits).

For Solvency II purposes, all contracts have to be evaluated over the whole lifetime (ultimate view). In general, a contract boundary is set on that future date where at least one of the following criteria is met:

- The future date where the (re)insurance undertaking has a unilateral right to terminate the contract
- The future date where the (re)insurance undertaking has a unilateral right to reject premiums payable under the contract
- The future date where the (re)insurance undertaking has a unilateral right to amend the premiums or benefits payable under the contract in such a way that the premiums fully reflect the risks.

In case no contract boundaries exist, the projection is based on a look-through approach, i.e. the policies are projected until their natural expiry.

The BEL is shown on a gross basis in the following, i.e. before the reduction of reinsurance recoverables, and the RM is shown on a net basis, i.e. reflecting the risk mitigating effect of retrocessions. This is consistent with the methodology used in the Solvency II balance sheet.

### Best Estimate Liability (BEL)

The calculation of the BEL is based on the projection of future cash in- and outflows like premiums, claims, and expenses. Best estimate assumptions are used in the calculation of the BEL. The expenses consist of direct administration expenses and costs of on-going operations.

As described in Section "Deposits to cedants R0350", cash flows in connection with funds withheld (increase, decrease or interest on funds withheld) of the underlying business are usually netted against the liability cash flows. Exceptions from this rule are funds held with inherent capital market risk and funds withheld with insufficient offset possibilities (with the respective liabilities). The respective amounts are shown separately on the asset side of the balance sheet, if applicable. The netting of the deposits has no impact on the own funds.

For the Property & Casualty business there are not any material financial options and guarantees (FOGs). For the Life & Health business, there is an immaterial amount of FOGs for US business only. It is included in the BEL.

The projections are done separately for assumed and retroceded business using the same bases, methods and assumptions.

### Risk Margin (RM)

According to article 37 (1) of the delegated acts (EU) 2015/35, a uniform cost-of-capital approach is used for calculating the risk margin.

The Cost of Capital ("CoC") factor is 6%. The required capital is the SCR under Solvency II according to Hannover Re's partial internal model (operational risk according to standard formula). The allocation of the SCR to the lines of business reflects the contribution to the SCR (Art. 37). The distributed capital is run off in future years using appropriate risk drivers for each line of business.

Diversification between the Property & Casualty and Life & Health reinsurance business group is not taken into account.

The following have not been used by HRI in the calculation of the Solvency II technical provisions:

- Matching adjustment
- Volatility adjustment
- Transitional risk-free interest rate term structure
- Transitional deduction.

### D.2.1 Life & Health: Valuation Principles

S.12.01.02 Life and Health SLT Technical Provisions included in the "Quantitative Reporting Templates" section shows the technical provisions associated with each HRI |Life & Health line of business.

#### Valuation Bases

In all cases the technical provisions have been calculated as the sum of the Best Estimate Liability and Risk Margin.

The Best Estimate Liability is calculated as the present value of future cashflows arising within the contract boundary using current best estimate assumptions and the relevant risk-free interest term structure. The cashflows projected include the following:

- Premiums
- Benefits
- Commissions
- Profit sharing payments
- Expenses

Included in the Best Estimate Liability is an estimation of incurred but not reported claims and outstanding claims where relevant.

The Risk Margin is calculated using the cost-of-capital approach as set out in Delegated Acts Solvency II Article 37. The approach used falls under Method 1 of the hierarchy of methods as set out in Guideline 62 of the EIOPA Guidelines on the Valuation of Technical Provisions (i.e. to approximate the individual risks or sub-risks within some or all modules and sub-modules to be used for the calculation of future Solvency Capital Requirements).

#### Life

#### Methods

This line of business covers a significant number of treaties, originating primarily in the US and to a lesser extent in the UK as well as a small number of treaties coming from the rest of the world. The underlying business covers term, permanent and annuity business through traditional reinsurance arrangements, with and without financing, as well as through more structured financing reinsurance arrangements which are more risk remote.

A combination of seriatim data and model points is used to project the best estimate future cashflows using actuarial projection programmes.

The Best Estimate Liability also includes cashflows related to administration and overhead expenses generated within HRI.

#### Main Assumptions

The primary assumptions for the traditional risk reinsurance arrangements are mortality and lapse.

The base mortality for the US originated business has been developed from Hannover Re's in-house US mortality system and calibrated to emerging experience. The base mortality for the UK originated business has been developed based on a UK industry mortality table, calibrated to recent experience. Mortality assumptions include assumptions for future mortality improvement, developed from US and UK population mortality improvements respectively.

Lapse assumptions are based on current best estimates, reflecting factors such as duration, issue age, product type, sales channel, risk classes and single/joint life. For term business in the US, premiums increase significantly in the post level period and the lapse assumption varies by the relationship of the post level premium to the level premium.

The primary assumptions for the US originated financing reinsurance arrangements are mortality and lapse but also extend to premium payment patterns (for flexible premium products) and benefit utilisation patterns (for annuity products). For the structured transactions, cedant recapture assumptions are also material.

The assumptions for the traditional financing are set based on original pricing and historical experience where credible. For the structured transactions, the experience assumptions are generally those developed at pricing but treaty performance relative to expected is monitored and updates made if required.

### Valuation Differences

The following table shows the difference between the Solvency II technical provisions and the technical provisions reported in the financial statements:

**SII & IFRS Technical provisions**

In USD 000's

| Line of Business | BEL | RM | TP | IFRS Technical Provisions* | Comparison SII and IFRS |
|---|---|---|---|---|---|
| Life | 2,347,174 | 952,644 | 3,299,818 | 3,605,579 | (305,761) |

*IFRS Technical Provision = Benefit reserve + IBNR + O/S claims reserve + UPR + Profit Commission Reserve- DAC

The IFRS reserves in the financial statements have been calculated under USGAAP principles.

For the traditional arrangements, the benefit reserve component is calculated using a Gross Premium Valuation approach for acquired business and a Net Premium Valuation approach otherwise. The benefit reserve component reflects the best estimate assumptions at the start of the contract with a provision for adverse deviation, whereas Solvency II reflects the current best estimate view of assumptions. The best estimate view of these assumptions has evolved over time arising from own emerging experience and industry studies.

The Solvency II technical provisions include a risk margin. The benefit reserve assumptions include a provision for adverse deviation but the IFRS technical provisions do not include a further explicit risk margin similar to the Solvency II methodology.

The Best Estimate Liability is calculated using current risk free interest rates whereas the benefit reserve is calculated using a valuation interest rate set at the start of the contract. The average valuation interest rate is higher than the current risk free rates.

There are large differences between the Solvency II and IFRS technical provisions related to where balances are shown on the respective balance sheets. The IFRS technical provision above does not include contract deposits of USD 523,229k whereas these form part of the Solvency II technical provision. On the other hand, for some treaties the structure is set such that the only actual cashflows that occur are the transfer of reinsurer's margin and the claims in excess of the funds withheld balance. The funds withheld accounts (USD 751,409k) do not create any cashflows between the insurance company and reinsurance company, with no investment risk borne by HRI on the assets, and therefore the BEL is set using the actual cashflows expected in each of the treaties.

For the structured transactions the IFRS reserves are zero. The corresponding Solvency II technical provisions are negative for these deals, representing the expectation of receipt of future fee income, with insignificant risk margins given the remoteness of the risk being provided for.

The Incurred but not reported and outstanding claims reserves are consistent between IFRS and Solvency II.

### Health

#### Methods

This line of business comprises treaties where the material underlying risks relate to Long Term Care, Medicare Supplement Insurance and Medicare Advantage products originating in the US. The Best Estimate Liability is calculated using actuarial models built in an actuarial modelling programme to project the future cashflows using model points (developed from seriatim data) or in aggregate at a treaty/plan level depending on the level of detail provided by clients.

#### Main Assumptions

The primary assumptions are morbidity, lapse and mortality as well as premium increase rates which are a feature of the underlying Medicare Supplement and Long Term Care business in the US.

Assumptions are set based on original pricing, client provided information, historical experience, and industry specific information.

#### Valuation Differences

The following table shows difference between the Solvency II technical provisions and the technical provisions reported in the financial statements:

**SII & IFRS Technical provisions**

In USD 000's

| Line of Business | BEL | RM | TP | IFRS Technical Provisions* | Comparison SII and IFRS |
|---|---|---|---|---|---|
| Health | 75,430 | 35,816 | 111,246 | 95,497 | 15,750 |

The IFRS reserves have been calculated under USGAAP principles or in some cases set equal to the client reported US Statutory reserves. For those calculated under USGAAP the benefit reserve component reflects the best estimate assumptions at the start of the contract with a provision for adverse deviation, whereas Solvency II reflects the current best estimate view of assumptions. The best estimate view of these assumptions has evolved over time arising from own emerging experience and industry studies.

The Solvency II technical provisions include a risk margin. The benefit reserve assumptions include a provision for adverse deviation but the IFRS technical provisions do not include a further explicit risk margin similar to the Solvency II methodology.

The Best Estimate Liability is calculated using current risk free interest rates whereas the benefit reserve is calculated using a valuation interest rate set at the start of the contract. The average valuation interest rate is higher than the current risk free rates.

### Reinsurance Recoverable

The following table shows the reinsurance recoverable amount per line of business:

**SII Reinsurance Recoverable**

In USD 000's

| Line of Business | Reinsurance recoverable |
|---|---|
| Life | 194,443 |
| Health | 0 |

The same approach is used to calculate the reinsurance recoverable as for the calculating the gross Best Estimate Liability, with best estimate future cashflows projected in actuarial systems. The recoverable reflects retrocession in place, both internally within the Hannover Re Group and externally to third parties. Where appropriate, a default adjustment is included.

The technical provisions included in the financial statements for retroceded business is USD 482,096k. Similar to the assumed technical provisions, there are differences in assumptions and the interest rates used in the calculations. For one treaty, the ceded funds withheld account (USD 181,503k) does not create any cashflows, with no investment risk borne by HRI or the retrocessionaire on the assets, and therefore the BEL is set using the actual cashflows expected in the treaty.

### Material Changes in Assumptions

As part of the regular and ongoing review of all assumptions, updates were made on the US originating traditional life reinsurance business is respect of base mortality, post level lapse and expense assumptions to reflect experience as well as an allowance for cedant behaviour. There were also model developments and management actions implemented during the year. These changes resulted in an overall increase in the Best Estimate Liability.

### Level of Uncertainty in the Technical Provisions

The main area of uncertainty around the level of the technical provisions relates to the potential deviation of actual experience from the underlying assumptions and the sensitivity of cash flows to changes in those assumptions.

The most material uncertainty comes from the traditional life and health risk business. Small changes in the mortality rates can have significant effects on the claim payments.

Changes in lapse rates are material for certain products as well. The directionality of the lapse effect is dependent on the treaty and type of reinsurance. In aggregate, an increase in lapse rates would be more adverse in that HRI would forgo positive expected future cash flows.

Given the risk remoteness of the deals, the structured transactions are a more limited source of uncertainty. The recapture rights of the cedants are an area of uncertainty.

### D.2.2 Property & Casualty: Valuation Principles

S.17.01.02 Non-life Technical Provisions included in Section F Quantitative Reporting Templates shows the technical provisions associated with each HRI Property & Casualty line of business. For management reporting purposes underwriting performance is reviewed on a treaty-by-treaty basis as this is how the business is structured. Therefore the analysis below is performed strictly to meet the Solvency II narrative reporting requirements.

For the purposes of calculating the Technical Provisions the same approach is applied regardless of line of business, so the description below applies across all lines of business above.

#### Methodology

HRI calculate the best estimate liability ("BEL") on a treaty by treaty basis. Because of the structured nature of the business written by HRI traditional actuarial techniques would not be appropriate, even at a Solvency II segment level, to calculate the best estimate liability at a portfolio level.

In general, the BEL is based on the IFRS reserve minus the expected margin to be earned on the treaty. The expected margin is the weighted average margin derived at the time of pricing, which reflects the present value of the full range of possible outcomes modelled. So the BEL also reflects the weighted average outcome rather than a median scenario. In addition for older treaties where the margin has been recognised a portfolio level reserve is held to reflect the possibility of negative outcomes. However if a particular treaty is not performing as expected a treaty specific approach will be adopted.

#### Best Estimate Premium Provision

Premium provisions relate to claims events occurring after the valuation date and during the remaining in-force coverage period of policies. The cash flow projections comprise of all future claims payments and expected future premiums stemming from these events.

The best estimate includes all future cash flows associated with existing obligations. Premium provisions take account of expected profits during remaining periods on risk and of the time value of money over the period until settlement of relevant cash outflows. Thus, the best estimate may be negative.

Only premiums that relate to incepted business arising from 'unearned exposure' are taken into account in premium provisions.

#### Best Estimate Claims Provision

All future payments as well as any future premium resulting from those losses which occurred up to the valuation date are taken into account so as to calculate a best estimate claims provision irrespective of loss reporting date. Thus, any cash flow includes also loss payments and premiums for losses which are incurred but not reported at the valuation date. The best estimate claim provision calculation does not include any implicit or explicit redundancy or deficiency of calculated reserves.

Given the payment information up to the due date an ultimate loss estimator and a respective payout pattern is calculated for each treaty so as to project a cash flow of outstanding claims until ultimate loss is achieved.

### Current assumptions

There are a number of treaties with specific assumptions as to their ultimate loss position. These are updated as experience develops or circumstances change and documented appropriately.

For treaties where the margin has been recognised a portfolio wide reserve is held on a best estimate basis.

Some treaties written by HRI contain features, such as the start of maintenance fees for example, to encourage the cedant behaviour that was anticipated at the inception of the treaty, such as commutation at a certain point. The expected margin reflects these features and the probability of commutation or payment of additional premiums or fees. So expected cedant behaviour is reflected in the BEL and any exceptions due to poor performance for example are reflected accordingly as necessary.

### Expenses

The technical provisions include all cash flows arising from expenses that will be incurred in serving all recognised reinsurance obligations over the lifetime. Furthermore, expenses used for technical provision calculation include both, allocated and unallocated (overhead) expenses. Allocated expenses are those expenses, which could be directly allocated to individual claims. Overhead expenses include all other expenses, which the undertaking incurs to settle its obligations and which are not directly assignable to settling claims.

### Treaty boundary

For the calculation of technical provisions all expected cash flows allocated to treaties have to be projected into the future. For HRI, all treaties are evaluated over the whole lifetime (ultimate-view). Therefore, for purposes of measurement, the boundary of a reinsurance treaty is the point at which HRI would no longer be required to provide coverage.

Renewals are treated as a new treaty when HRI is no longer required to provide coverage, or the existing treaty does not confer any substantive rights on the ceding company. Obligations that do not relate to premiums which have already been paid do not belong to the treaty, unless HRI can compel the ceding company to pay the future premium.

### Allowing for future management actions

HRI makes no allowance for future management actions within the calculation of the technical provisions.

### Reinsurance Recoverables within technical provisions

The technical provisions held correspond to the probability-weighted average of all future cash flows including cash flows recoverable from reinsurance contracts. This takes account of the time value of money and the adjustment for the expected losses due to the default of the counterparty.

The following table shows the reinsurance recoverables associated with each relevant HRI Property & Casualty line of business, in USD 000's:

| Line of Business | Reinsurance recoverable |
|---|---|
| Motor vehicle liability reinsurance | 20,147 |
| Fire and other damage to property reinsurance | 10,607 |
| Non-proportional property reinsurance | 973 |
| **Total** | **31,727** |

### Risk-free interest rates

HRI does not use any transitional measures, the volatility adjustment or the matching adjustment, so the liabilities are discounted at the basic risk-free rate. The relevant risk free discount rate will apply to each currency.

### Risk margin

The Risk Margin is calculated using the cost-of-capital approach as set out in Delegated Acts Solvency II Article 37. The approach used falls under Method 1 of the hierarchy of methods as set out in Guideline 62 of the EIOPA Guidelines on the Valuation of Technical Provisions (i.e. to approximate the individual risks or sub-risks within some or all modules and sub-modules to be used for the calculation of future Solvency Capital Requirements).

### Comparison of IFRS reserves to Solvency II Technical Provisions

The following table shows a comparison of the gross IFRS reserves versus the Solvency II Technical Provisions in USD 000's:

| | |
|---|---|
| IFRS Reserves(1) | 789,337 |
| Adjustments to Solvency II basis(2) | (57,065) |
| Best Estimate Liability | 732,272 |
| Risk margin | 33,589 |
| **Total P&C Technical Provisions** | **765,861** |

(1) IFRS Reserves = Claims Reserves + IBNR + UPR +Contingent Commission Reserve – Funds Withheld – DAC

(2) Adjustments are the removal of prudence in the IFRS reserves and discounting

# D.3 Other Liabilities

## D.3.1 Provisions other than technical provisions R0750

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Provisions other than technical provisions | 10,334 | 10,334 |

The following items are listed in the Solvency II balance sheet under non-technical provisions:

- Prov. for audit fees and annual report expenses
- Prov. for stock options
- Prov. for stock awards
- Outstanding invoices
- Bonuses
- Other various provisions

The carrying amount of other payables and accrued expenses is deemed to be a reasonable approximation to fair value.

## D.3.2 Deposits from reinsurers R0770

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Deposits from reinsurers | (13,688) | 801,666 |

Deposit from reinsurers consists of funds withheld and contract deposits due to/(from) reinsurers.

The funds withheld liabilities primarily consist of funds held on certain contracts representing the collateral contractually withheld by HRI to cover the technical liabilities that the retrocessionaires have reinsured. These liabilities are valued at market value using a mark-to-market method. These liabilities primarily consist of government and corporate bonds. Such investments are typically held in trust and managed in accordance with approved investment guidelines.

### Differences in valuation

There are three main reasons for the difference in valuation of Deposits from reinsurers.

The IFRS contract deposits liabilities for the majority of the L&H business are reclassified as the "Best-estimate liability" in the Solvency II balance sheet. The bases, methods and main assumptions used for their valuation are discussed in the technical provisions section (see section D.2).

Certain HRI treaties have "notional" ceded funds withheld accounts. The actual cash flows received/paid are only settled after the depletion/utilisation of the funds withheld balance. Therefore the fair value of these notional funds withheld are deemed to be nil for the purposes of Solvency II as no cash flow takes place. There is an offsetting decrease to the reinsurance recoverable.

The Solvency II balance sheet requires that the deposits are reported separately depending on whether the treaty is assumed (R0350 - Deposits to cedants) or ceded (R0770 – Deposits from reinsurers). The statutory balance sheet does not require this split. Therefore a reclassification between these two line items is required for the purposes of Solvency II.

### D.3.3 Deferred tax liabilities R0780

| in USD 000's | Solvency II | IFRS |
| --- | --- | --- |
| Deferred tax liabilities | 17,386 | 7,894 |

In the IFRS financial statements balance sheet deferred tax is provided in full in accordance with IAS 12, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

In the Solvency II balance sheet, deferred taxes may result from the following:

- Taxable / deductible temporary differences between the Solvency II balance sheet and the tax base (tax balance sheet); and
- Unused tax loss and tax credits that may be carried forward.

#### Differences in valuation

The difference in valuation relates to the taxable / deductible temporary differences between the Solvency II balance sheet and the tax base (tax balance sheet).

### D.3.4 Derivatives R0790

| in USD 000's | Solvency II | IFRS |
| --- | --- | --- |
| Derivatives | 4,002 | 4,002 |

Recognition and valuation of obligations pertaining to derivatives are described in "D.1.6 Derivatives R0190".

### D.3.5 Financial liabilities other than debts owed to credit institutions R0810

| in USD 000's | Solvency II | IFRS |
| --- | --- | --- |
| Financial liabilities other than debts owed to credit institutions | 278,466 | 597,701 |

Financial liabilities are valued using the expected cash value of future payment streams for the purposes of Solvency II.

#### Differences in valuation

The main reason for the difference is a reclassification of certain Tier 2 subordinated loans to R0870 Subordinated liabilities in Basic Own Funds for the purposes of Solvency II.

The remaining difference is due to loans and borrowings being measured at amortised cost using the effective interest method in the IFRS financial statements. The Solvency II value includes future interest payments and is discounted.

### D.3.6 Insurance and intermediary payables R0820

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Insurance and intermediary payables | 23,785 | 23,785 |

The carrying amount of Insurance and intermediary payables is deemed to be a reasonable approximation of fair value. Balances payable include actual account balances due plus an estimate of the amount due for the period for which accounts have not yet been received. The payable balance relates to a number of different cedants.

### D.3.7 Reinsurance payables R0830

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Reinsurance payables | 2,539 | 2,539 |

The carrying amount of Reinsurance payables is deemed to be a reasonable approximation of fair value. Balances payable include actual account balances due plus an estimate of the amount due for the period for which accounts have not yet been received. The payable balance relates to a number of different retrocessionaires.

### D.3.8 Payables (trade not insurance) R0840

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Payables (trade not insurance) | 5,619 | 6,194 |

The carrying amount of Payables (trade not insurance) is deemed to be a reasonable approximation of fair value.

### D.3.9 Subordinated liabilities R0870

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Subordinated liabilities | 339,813 | - |

Financial liabilities are valued using the expected cash value of future payment streams for the purposes of Solvency II.

#### Differences in valuation

Tier 2 subordinated loans are classified as R0870 Subordinated liabilities in Basic Own Funds for the purposes of Solvency II. The IFRS financial statements do not make any distinction in the classification of the loans and as such they are classified as R0810 Financial liabilities other than debts owed to credit institutions.

The remaining difference is due to loans and borrowings being measured at amortised cost using the effective interest method in the IFRS financial statements. The Solvency II value includes future interest payments and is discounted.

### D.3.10 Any other liabilities, not elsewhere shown R0880

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Any other liabilities, not elsewhere shown | 4,717 | 4,717 |

The carrying amount of Any other liabilities, not elsewhere shown is deemed to be a reasonable approximation of fair value.

## D.4 Alternative methods for valuation

Valuation principles are applied pursuant to Solvency II. In addition to the general valuation principles the following valuation hierarchy is applied to the recognition and valuation of assets and other liabilities.

1. Stock exchange prices observed on active markets are utilised as part of the standard valuation method. The use of stock exchange prices should be based on the criteria stipulated for an active market, which are defined in the International Accounting Standards (IAS).
2. If no stock exchange prices in active markets are available for the assets and liabilities to be valued, stock exchange prices from similar assets and liabilities are used. Adjustments are made in order to reflect the differences.
3. In instances where the criteria for the use of stock exchange prices are not fulfilled, alternative valuation methods are utilised (different methods to those described in number 2). If alternative valuation methods are used these should be – to the greatest extent possible – based on market data, and should contain – to the least extent possible – company-specific influencing factors.

HRI uses alternative valuation methods for some balance sheet items, which are subsequently described in more detail:

### D.4.1 Further information on alternative valuation methods

For the calculation of market values for assets and other liabilities which are not listed on a stock exchange, or whose relevant markets are deemed to be inactive at the point in time of valuation, we use the following valuation models and methods as an alternative. They represent the standard and recognised methods used for the respective assets, and are used in order to be able to determine a market price in spite of the absence of available valuations from active markets.

| Financial instruments | Parameters | Valuation models / methods |
|---|---|---|
| Unlisted plain-vanilla bonds, loans | Interest rate curves | Present value method |
| Unlisted, structured bonds | Interest rate curve, | Hull-White, Black-Karasinski, Libor Market Model among |

| | | |
|---|---|---|
| | volatility surfaces | others |
| Unlisted CDO/CLO | Risk premiums, default rates, prepayment speed and recovery rates | Present value method |
| Unlisted equities and participations | Acquisition costs, cash flows, EBIT multiples, book value as applicable | Capitalised earnings method, discounted cash flow method, multiples-based approaches |
| Unlisted fixed income funds | Audited net asset values (NAV) | Net asset value method |
| Currency forwards | Interest rate curves, spot and forward rates | Interest rate parity model |
| Life settlements | Interest rate curves, spot rates, mortality rates | Discounted cashflow method |

The majority of assets valued using alternative valuation methods are valued on the basis of the present value method. This is a predominantly assumption-free method, with which the future cash flows of securities are discounted with the use of suitable interest rate curves. These curves are derived from appropriate market data observed on publicly accessible markets. Broadly speaking, this procedure is premised on the assumption generally accepted in the market that price differences for comparable securities listed in transparent markets with regard to risk, term and creditworthiness are predominantly the result of issuance-specific characteristics and lower liquidity, and are thus deemed immaterial with regard to their influence on market value.

Specific assumptions are made in the valuation of CLOs. They relate to prepayment rates and retrieval rates. The prepayment rate describes the scope available for the instrument to repay to the bearer parts of the outstanding nominal amount before maturity. The retrieval rate is the proportion of the nominal amount repaid to the bearer subsequent to proceedings triggered by a potential default. Both parameters are estimated with an industry-standard fixed value. They do, however, have a comparably limited influence on the valuation. The significant valuation parameters here are either directly observable market data or are derived from market data.

If particular structures are embedded into the security such as, for example, termination rights, further valuation models are also utilised such as, for example, the Hull-White Model or the Libor Market Model. The models calculate, for example, the probability of termination rights being exercised with the help of swaption volatilities. No noteworthy assumptions are utilised here either.

The use of models includes different model risks, which can lead to a degree of valuation uncertainty:

- Modelling risk (appropriateness and suitability of the model)
- Data quality risk (incomplete or obsolete data for the model calibration or parameterisation)
- Risk pertaining to the validity of assumptions and estimations.
- Risks in the model implementation

Through a process of regular validation in which a systematic, quantitative and qualitative assessment of the appropriateness of valuation models and methods is undertaken, model risks can be limited. Furthermore, the model results (for items which are predominantly valued using alternative valuation methods) are continuously subject to plausibility checks as part of daily quality assurance processes.

## D.5 Any other information

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

# E. Capital Management

Please note: Rounding differences of +/- one unit can occur in the following tables.

## E.1 Own Funds

### E.1.1 Management of own funds

The objective of own funds management is to maintain sufficient own funds to cover the SCR and MCR with an appropriate buffer on a continuous basis.

The own funds are categorised into three tiers, according to their capacity to absorb losses. Own fund items included in Tier 1 are of the highest quality and, as they are permanently available, demonstrably absorb unexpected losses to enable an undertaking to continue in the case of winding-up, as well as on a going-concern basis. Tier 2 relates to basic own funds, the characteristic of which is that they are able to absorb losses in the case of winding-up of the undertaking (e.g. classic subordinated loans) but not on a going-concern basis. Own funds items not classified as Tier 1 or Tier 2 shall be classified as Tier 3, for example a deferred tax asset or ancillary own funds, which are items of capital other than basic own-funds which can be called up to absorb losses.

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

### E.1.2 Tiering

The own funds of HRI split by tier as at 31 December 2016 was comprised as follows:

| in USD 000's | 2016 |
|---|---|
| Tier 1 | 1,753,508 |
| Tier 2 | 339,813 |
| Tier 3 | 213,814 |
| **Total eligible own funds to meet SCR** | **2,307,135** |

None of the Tier 1 own funds is restricted capital. There is an upper limit 15% of the SCR on the amount of Tier 3 capital that can be counted towards covering the SCR.

The eligible amount of basic own funds to cover the MCR is below.

| in USD 000's | 2016 |
|---|---|
| Tier 1 | 1,753,508 |
| Tier 2 | 128,289 |
| **Total eligible own funds to meet MCR** | **1,881,797** |

There are currently no ring-fenced funds or restrictions on capital fungibility.

### E.1.3 Basic own funds

**Share capital**

The ordinary share capital of HRI as of 31 December 2016 amounts to USD 54,635k. The shares are paid in full. Each share carries an equal voting right and an equal dividend entitlement. At the balance sheet date there are no shares held by the undertaking. Paid-in ordinary share capital including its related Capital Contribution account form the highest quality own funds which can be relied on to absorb losses on a going concern basis.

### Capital Contribution

The Capital Contribution account, approved by the CBI, related to ordinary share capital at 31 December 2016 is USD 1,240,468k.

### Reconciliation reserve

The reconciliation reserve equals the total Solvency II excess of assets over liabilities reduced by all of the following:

- Share capital
- Capital Contribution;

The reconciliation reserve is USD 458,405k.

**Structure of basic own funds**

| in USD 000's | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 |
|---|---|---|---|---|
| Ordinary share capital | 54,635 | 54,635 | - | - |
| Capital Contribution | 1,240,468 | 1,240,468 | - | - |
| Reconciliation reserve | 458,405 | 458,405 | - | - |
| Subordinated own funds | 339,813 | - | - | 339,813 |
| **Total** | **2,093,321** | **1,753,508** | **-** | **339,813** |

## E.1.4 Ancillary own funds

Within the Tier 3 own funds is included an Ancillary Own Funds ("AOF") item approved by the Central Bank of Ireland on 14 December 2015. The material terms and conditions of the Tier 3 Ancillary Own Funds were as follows:

| | Ancillary Own Funds |
|---|---|
| Counterparty | Hannover Rück SE |
| Initial Consideration | EUR 1 |
| Subordinated loan tranche | USD 50,000k |
| Total Commitment Sum | The lower of 15% of SCR and 300,000k |
| Rank | Tier 3 |

Upon drawdown of these Ancillary Own Funds, Hannover Rück SE will provide subordinated loans that qualify as Tier 2 basic own funds items. The method of valuation has not changed over the time period.

### E.1.5 Comparison of IFRS Financial Statements Equity and Solvency II Excess of assets over liabilities

The table below shows the difference between the IFRS Financial Statements Equity and Solvency II Excess of assets over liabilities for 2016.

| In USD 000's | 2016 |
|---|---|
| Solvency II Excess of assets over liabilties | 1,753,508 |
| Total shareholders' equity - IFRS | 1,713,980 |
| **Difference** | **39,528** |

The difference is further analysed into the key drivers of this revaluation in the table below:

| In USD 000's | 2016 |
|---|---|
| Difference relating to non-technical positions | (11,168) |
| Difference relating to technical positions | 56,934 |
| Difference relating to deferred tax | (6,238) |
| **Total** | **39,528** |

The reasons for the difference in valuation on a line by line basis are further described in Section D Valuation for Solvency Purposes.

# E.2 Solvency Capital Requirement and Minimum Capital Requirement

## E.2.1 Solvency Capital Requirement

The Solvency Capital Requirement split by risk categories as at 31 December 2016 is below.

| In USD 000's | 2016 |
|---|---|
| Underwriting risk - Property & Casualty | 127,926 |
| Underwriting risk - Life & Health | 1,005,053 |
| Market risk | 530,706 |
| Counterparty default risk | 76,267 |
| **Diversification** | **274,654** |
| **Basic SCR** | **1,465,298** |
| Operational risk | 119,956 |
| **Total risk (pre-tax)** | **1,585,254** |
| Deferred tax | 159,826 |
| **Total risk (post-tax)** | **1,425,429** |

The most material changes in the SCR over the reporting period were significant decreases in life and health underwriting risk and P&C underwriting risk. These occurred due to the implementation of a stop loss agreement on mortality solutions business and a reduction in the quota share on a large P&C treaty. Operational risk capital also decreased significantly over the reporting period due to a reduction in overall premium volume.

## E.2.2 Minimum Capital Requirement

The Minimum Capital Requirement at the end of 2016 was USD 641,443k. The ratio of eligible own funds for the Minimum and Solvency Capital Requirements was 293%.

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

This is not applicable to HRI.

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

### E.4.1 Technical Specifications on the Internal Model

HRI documents the uses of the internal model in a Use Test Register. The key local applications are:

- assessing the overall required capital including the diversification benefit
- in risk budgeting and allocation
- monitoring of risk appetite statements
- for strategic decisions
- in pricing
- testing risk mitigation options
- to quantify the severity and frequency of the risks faced by HRI.

There are also locally important uses at a group level such as setting margins and investment benchmarks and informing the strategic asset allocation.

The complete risk landscape of Hannover Rück SE consists of the primary categories of underwriting risks (Property and Casualty, Life & Health), market risks, counterparty default risks, operational risks and other risks.

The scope of the internal model is such that the risk categories addressed quantitatively by the model are life underwriting risk, P&C underwriting risk, market risk, counterparty default risk and operational risk. These risks and their interactions are accounted for in the representation of target variables through the application of stochastic simulation models. There are no separate modules for other risks in the internal model for the following reasons:

- In contrast to existing risks, emerging risks concern potential risks that can develop at short notice. It is more appropriate to assess these risks on a qualitative basis. Capital requirements arising from emerging risks would only occur when a qualitative assessment leads to the conclusion that the risks could materialise.
- The liquidity risk relates to the short-term payments which could necessitate the sale of assets. A financial loss can occur if the sales process leads to deterioration in the market price, as a consequence of the scale of the transaction or due to illiquid markets. It is assumed that the company is not in a position to execute transactions which could lead to a shift in the market. Market illiquidity is covered within the calibration of economic scenarios, and is therefore covered by market risk.

- The reputational risk and the strategic risk do not affect the available capital over a one-year horizon, but rather the franchise value of the company exclusively. They are therefore excluded from the scope of the internal model.

It should be noted that concentration risk is taken into account in the calculation of required capital for every risk category.

### E.4.2 Implementation of the (Partial-) Internal Model

The internal model currently covers all business units and risk categories other than Operational Risk, which is modelled on a Standard Formula basis. This is integrated into the partial internal model by adding the capital charge for Operational Risk to the Basic Solvency Capital Requirement.

A stochastic model is used to project own funds under a range of different scenarios. The Solvency Capital Requirement is derived from the 99.5 percentile of the resulting distribution.

### E.4.3 Comparison of the Internal Model with the Standard Formula

Generally speaking, the internal model represents a probability calculation approach, while the standard formula is factor-based. For natural and man-made catastrophes, the internal model uses exposure data for all risks whereas the standard formula only uses exposure data for EU proportional business. Premium figures are used for all other areas. Retrocessions and reinsurance cover are correctly applied in the internal model, whereas the standard formula only permits the use of approximate values. Further differences arise from correlation assumptions and the presentation of retrocessions. The latter cannot be expressed exactly in the standard formula.

In the internal model, the premium and reserve risk on the P&C line of business is modelled by estimating marginal distributions for every risk factor, with their mutual dependencies assessed on the basis of company-specific historical data or expert judgement. This results in more refined segmentation than under the standard formula. It also leads to non-linear dependency structures, whereas a correlation approach would be used under the standard formula. The internal model covers all risks from provisions relating to incepted unearned premiums within the reserve risk sub-module instead of the premium risk sub-module. The volume measure for a reserve risk of a particular segment is the best estimate ultimate claims provision relating to that segment instead of the best estimate outstanding ultimate claim provision as set out in the regulations.

For Life & Health underwriting risk, the standard formula does not sufficiently account for the portfolio and diversification effects of a globally active reinsurer. It also does not allow for diversification between geographies. Relatively static scenarios or factors are used, in order to determine the necessary amount of capital for every risk category within market risk. The internal model allows for diversification between geographies and thus generates a more comprehensive set of scenarios in an integrated way. While the standard formula explicitly allows for concentration risk, this risk is implicitly represented in the internal model where applicable

Default risks in the internal model follow a stochastic model for credit spreads. This produces a complete distribution of random variables, which represents the counterparty default risk. The standard formula calculates the required capital for the counterparty default risk on the basis of multiples of standard deviations of the respective loss distribution. As opposed to the standard formula, which is premised on the probability of default for every valuation class and on certain correlation assumptions between the counterparties, the internal model uses a comprehensive matrix in which the transitions between the individual valuations are described. The internal model includes a fixed recovery rate for every counterparty, and permits the full use of collaterals. In the standard formula, the recovery rate and the use of collaterals depends on the economic situation of the counterparty. For new business, the internal model uses the fully stochastic exposure at default, subject to any risk mitigation measures, while the standard formula uses the difference between the SCRs with and without the corresponding measures as the constant exposure at default.

The risk measure used is the change in own funds as used to calculate the SCR over a one year time horizon. The confidence level used is the 1-in-200 year, or 99.5%, level, in line with Solvency II guidance.

#### Data

All data used in the internal model is subject to the data standards for internal models. This design is appropriate, in order to be able to supply timely data, which is free from significant errors. HRI relies on data which is also used in other business applications to ensure consistent information and data usage within the company. Examples include the individual data sets from cash flow projections underlying the calculation of the Best Estimate Liability and the IFRS accounting methods, through which a reference point is provided for other established reporting processes. Subsequently, many individual data sets are subject to numerous quality assessments and both internal and external auditing.

The plausibility and credibility of information and data is established by way of repeated discussion with the suppliers. Calibration assumptions are reported and made transparent in calibration reports, which are discussed with the suppliers of information and the recipients of model results. The effect of influencing parameters is presented in sensitivity analyses. In particular, significant assumptions which are based on expert assessments are documented separately.

Relevant historical company data and internal company date is used to calibrate the model, particularly for underwriting risk. Long-term market data is used for the calibration of market and counterparty risk.

The risk profile of HRI consists of Property & Casualty and Life & Health underwriting risks, market risks, counterparty default risks, operational risks and other risks such as strategic risk, emerging risk, liquidity risk and reputational risk. The risk categories explicitly covered by the partial internal model are underwriting risks, market risk and counterparty default risk, with operational risk calculated on a standard formula basis. The other risks are managed and monitored using other methods.

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

### E.5.1 Non-Compliance with Minimum Capital Requirement

There have been no instances of non-compliance with the Minimum Capital Requirement.

### E.5.2 Significant Non-Compliance with Solvency Capital Requirement

There have been no instances of non-compliance with the Solvency Capital Requirement.

## E.6 Any other information

There is no other material information regarding capital management.

# Quantitative Reporting Templates

All values are in USD 000's if not otherwise stated.

If a value amounts to less than USD 0.5, we show "0" in the respective cell. Empty cells represent the fact that HRI has no value to state.

Rounding differences of +/- one unit can occur in the following tables.

**Annex I**
**S.02.01.02**
**Balance sheet**

| | | Solvency II value |
|---|---|---|
| **Assets** | | **C0010** |
| Intangible assets | **R0030** | - |
| Deferred tax assets | **R0040** | 4,403,996 |
| Pension benefit surplus | **R0050** | |
| Property, plant & equipment held for own use | **R0060** | 86,234 |
| Investments (other than assets held for index-linked and unit-linked contracts) | **R0070** | 2,898,665,007 |
| Property (other than for own use) | **R0080** | |
| Holdings in related undertakings, including participations | **R0090** | 50,000,000 |
| Equities | **R0100** | - |
| Equities - listed | **R0110** | |
| Equities - unlisted | **R0120** | |
| Bonds | **R0130** | 2,688,527,436 |
| Government Bonds | **R0140** | 1,607,994,012 |
| Corporate Bonds | **R0150** | 986,981,097 |
| Structured notes | **R0160** | |
| Collateralised securities | **R0170** | 93,552,327 |
| Collective Investments Undertakings | **R0180** | 20,500,259 |
| Derivatives | **R0190** | 8,411,868 |
| Deposits other than cash equivalents | **R0200** | 10,040,343 |
| Other investments | **R0210** | 121,185,101 |
| Assets held for index-linked and unit-linked contracts | **R0220** | |
| Loans and mortgages | **R0230** | - |
| Loans on policies | **R0240** | |
| Loans and mortgages to individuals | **R0250** | |
| Other loans and mortgages | **R0260** | - |
| Reinsurance recoverables from: | **R0270** | 226,169,626 |
| Non-life and health similar to non-life | **R0280** | 31,726,590 |
| Non-life excluding health | **R0290** | 31,726,590 |
| Health similar to non-life | **R0300** | - |
| Life and health similar to life, excluding health and index-linked and unit-linked | **R0310** | 194,443,036 |
| Health similar to life | **R0320** | - |
| Life excluding health and index-linked and unit-linked | **R0330** | 194,443,036 |
| Life index-linked and unit-linked | **R0340** | - |
| Deposits to cedants | **R0350** | 2,896,190,127 |
| Insurance and intermediaries receivables | **R0360** | 536,777,946 |
| Reinsurance receivables | **R0370** | 2,905,113 |
| Receivables (trade, not insurance) | **R0380** | 646,872 |
| Own shares (held directly) | **R0390** | |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | **R0400** | |
| Cash and cash equivalents | **R0410** | 37,562,399 |
| Any other assets, not elsewhere shown | **R0420** | |
| **Total assets** | **R0500** | 6,603,407,321 |

| Liabilities | | Solvency II value |
|---|---|---|
| | | C0010 |
| Technical provisions – non-life | R0510 | 765,860,941 |
| Technical provisions – non-life (excluding health) | R0520 | 703,698,403 |
| TP calculated as a whole | R0530 | |
| Best Estimate | R0540 | 673,503,022 |
| Risk margin | R0550 | 30,195,381 |
| Technical provisions - health (similar to non-life) | R0560 | 62,162,538 |
| TP calculated as a whole | R0570 | |
| Best Estimate | R0580 | 58,769,129 |
| Risk margin | R0590 | 3,393,409 |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 | 3,412,412,567 |
| Technical provisions - health (similar to life) | R0610 | 111,246,639 |
| TP calculated as a whole | R0620 | |
| Best Estimate | R0630 | 75,430,127 |
| Risk margin | R0640 | 35,816,512 |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 | 3,301,165,929 |
| TP calculated as a whole | R0660 | |
| Best Estimate | R0670 | 2,348,529,861 |
| Risk margin | R0680 | 952,636,068 |
| Technical provisions – index-linked and unit-linked | R0690 | - 1,347,529 |
| TP calculated as a whole | R0700 | |
| Best Estimate | R0710 | - 1,355,726 |
| Risk margin | R0720 | 8,197 |
| Contingent liabilities | R0740 | |
| Provisions other than technical provisions | R0750 | 10,334,328 |
| Pension benefit obligations | R0760 | |
| Deposits from reinsurers | R0770 | - 13,687,825 |
| Deferred tax liabilities | R0780 | 17,386,128 |
| Derivatives | R0790 | 4,001,604 |
| Debts owed to credit institutions | R0800 | - |
| Financial liabilities other than debts owed to credit institutions | R0810 | 278,466,093 |
| Insurance & intermediaries payables | R0820 | 23,784,813 |
| Reinsurance payables | R0830 | 2,538,752 |
| Payables (trade, not insurance) | R0840 | 5,619,012 |
| Subordinated liabilities | R0850 | 339,813,490 |
| Subordinated liabilities not in BOF | R0860 | |
| Subordinated liabilities in BOF | R0870 | 339,813,490 |
| Any other liabilities, not elsewhere shown | R0880 | 4,716,501 |
| **Total liabilities** | R0900 | 4,849,898,874 |
| **Excess of assets over liabilities** | R1000 | 1,753,508,447 |

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

| | | Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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** | | 14,479,101 | | 617,367,091 | 37,150,150 | 14,086,292 | 890,810,751 | 563,034 | 54,453,896 |
| Gross - Non-proportional reinsurance accepted | **R0130** | - | - | - | - | - | - | - | - | - |
| Reinsurers' share | **R0140** | | - | | - 26,406,274 | - | 13,535,454 | 30,157,182 | 3,367 | 54,906,615 |
| Net | **R0200** | - | 14,479,101 | - | 643,773,365 | 37,150,150 | 550,838 | 860,653,569 | 559,667 | - 452,719 |
| **Premiums earned** | | - | - | - | - | - | - | - | - | - |
| Gross - Direct Business | **R0210** | | | | | | | | | |
| Gross - Proportional reinsurance accepted | **R0220** | | 14,807,846 | | 673,667,712 | 37,846,153 | 14,458,528 | 889,589,698 | 563,825 | 28,270,153 |
| Gross - Non-proportional reinsurance accepted | **R0230** | - | - | - | - | - | - | - | - | - |
| Reinsurers' share | **R0240** | | - | | 99,802,473 | - | 13,891,415 | 28,912,773 | 4,158 | 28,722,873 |
| Net | **R0300** | - | 14,807,846 | - | 573,865,239 | 37,846,153 | 567,113 | 860,676,924 | 559,667 | - 452,719 |
| **Claims incurred** | | - | - | - | - | - | - | - | - | - |
| Gross - Direct Business | **R0310** | | | | | | | | | |
| Gross - Proportional reinsurance accepted | **R0320** | | 3,812,247 | | 487,996,522 | 30,539,670 | 7,841,729 | 549,220,706 | - 15,995,800 | 21,423,805 |
| Gross - Non-proportional reinsurance accepted | **R0330** | - | - | - | - | - | - | - | - | - |
| Reinsurers' share | **R0340** | | - | | 28,744,754 | - | 6,550,736 | 36,358,639 | - 4,486 | 21,834,798 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Net | **R0400** | - | 3,812,247 | - | 459,251,768 | 30,539,670 | 1,290,993 | 512,862,067 | - 15,991,314 | - 410,994 |
| **Changes in other technical provisions** | | - | - | - | - | - | - | - | - | - |
| Gross - Direct Business | **R0410** | | | | | | | | | |
| Gross - Proportional reinsurance accepted | **R0420** | | | | | | | | | |
| Gross - Non- proportional reinsurance accepted | **R0430** | - | - | - | - | - | - | - | - | - |
| Reinsurers'share | **R0440** | | | | | | | | | |
| Net | **R0500** | - | - | - | - | - | - | - | - | - |
| **Expenses incurred** | **R0550** | | 10,531,527 | | 177,327,971 | 13,149,558 | - 92,253 | 289,121,096 | 3,270,768 | - 129,112 |
| **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** | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | **C0100** | **C0110** | **C0120** | **C0130** | **C0140** | **C0150** | **C0160** | **C0200** |
| **Premiums written** | | | | | | | | | |
| Gross - Direct Business | **R0110** | | | | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | **R0120** | | | | - | - | - | - | 1,628,910,316 |
| Gross - Non-proportional reinsurance accepted | **R0130** | - | - | - | 12,270,627 | 25,373,692 | 5,322,583 | 13,770,491 | 56,737,394 |
| Reinsurers' share | **R0140** | | | | - | 7,767 | 15,874 | 2,424,074 | 74,644,059 |
| Net | **R0200** | - | - | - | 12,270,627 | 25,365,926 | 5,306,709 | 11,346,417 | 1,611,003,651 |
| **Premiums earned** | | - | - | - | - | - | - | - | - |
| Gross - Direct Business | **R0210** | | | | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | **R0220** | | | | - | - | - | - | 1,659,203,915 |
| Gross - Non-proportional reinsurance accepted | **R0230** | - | - | - | 17,136,136 | 20,972,028 | 4,926,279 | 13,956,156 | 56,990,599 |
| Reinsurers' share | **R0240** | | | | - | 7,767 | 13,764 | 2,497,046 | 173,852,269 |
| Net | **R0300** | - | - | - | 17,136,136 | 20,964,262 | 4,912,515 | 11,459,109 | 1,542,342,244 |
| **Claims incurred** | | - | - | - | - | - | - | - | - |
| Gross - Direct Business | **R0310** | | | | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | **R0320** | | | | - | - | - | - | 1,084,838,879 |
| Gross - Non-proportional reinsurance accepted | **R0330** | - | - | - | 13,227,622 | 2,420,166 | 2,343,193 | 12,769,771 | 30,760,752 |
| Reinsurers' share | **R0340** | | | | - | - | - | - 12,103 | 93,472,338 |
| Net | **R0400** | - | - | - | 13,227,622 | 2,420,166 | 2,343,193 | 12,781,873 | 1,022,127,292 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Changes in other technical provisions** | | - | - | - | - | - | - | - | - |
| Gross - Direct Business | **R0410** | | | | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | **R0420** | | | | - | - | - | - | - |
| Gross - Non- proportional reinsurance accepted | **R0430** | - | - | - | | | | | - |
| Reinsurers'share | **R0440** | | | | | | | | - |
| Net | **R0500** | - | - | - | - | - | - | - | - |
| **Expenses incurred** | **R0550** | | | | 21,441,620 | 13,107,184 | 485,076 | 4,711,403 | 532,924,838 |
| **Other expenses** | **R1200** | - | - | - | - | - | - | - | |
| **Total expenses** | **R1300** | - | - | - | - | - | - | - | 532,924,838 |

| | | 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** | | | | | | | 22,886,767 | 1,688,870,569 | 1,711,757,337 |
| Reinsurers' share | **R1420** | | | | | | | - | 18,999,341 | 18,999,341 |
| Net | **R1500** | - | - | - | - | - | - | 22,886,767 | 1,669,871,228 | 1,692,757,995 |
| **Premiums earned** | | - | - | - | - | - | - | - | - | - |
| Gross | **R1510** | | | | | | | 22,886,767 | 1,688,871,500 | 1,711,758,268 |
| Reinsurers' share | **R1520** | | | | | | | - | 19,127,416 | 19,127,416 |
| Net | **R1600** | - | - | - | - | - | - | 22,886,767 | 1,669,744,084 | 1,692,630,851 |
| **Claims incurred** | | - | - | - | - | - | - | - | - | - |
| Gross | **R1610** | | | | | | | 19,184,662 | 1,650,364,333 | 1,669,548,995 |
| Reinsurers' share | **R1620** | | | | | | | - | 19,762,437 | 19,762,437 |
| Net | **R1700** | - | - | - | - | - | - | 19,184,662 | 1,630,601,896 | 1,649,786,558 |
| **Changes in other technical provisions** | | - | - | - | - | - | - | - | - | - |
| Gross | **R1710** | | | | | | | | | - |
| Reinsurers' share | **R1720** | | | | | | | | | - |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Net | **R1800** | - | - | - | - | - | - | - | - | - |
| **Expenses incurred** | **R1900** | | | | | | | 5,265,891 | 231,549,354 | 236,815,245 |
| **Other expenses** | **R2500** | - | - | - | - | - | - | - | - | |
| **Total expenses** | **R2600** | - | - | - | - | - | - | - | - | 236,815,245 |

**Annex I**
**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 |
|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| | R0010 | | CHINA | GERMANY | UNITED KINGDOM | UNITED STATES | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| **Premiums written** | | | | | | | | |
| Gross - Direct Business | **R0110** | | | | | | | - |
| Gross - Proportional reinsurance accepted | **R0120** | | 254,820,894 | 869,148,886 | 308,908,443 | 103,681,770 | | 1,536,559,994 |
| Gross - Non-proportional reinsurance accepted | **R0130** | | - | 866,795 | - | 33,259,603 | | 34,126,398 |
| Reinsurers' share | **R0140** | | - | 69,456,970 | - | - | | 69,456,970 |
| Net | **R0200** | | 254,820,894 | 800,558,712 | 308,908,443 | 136,941,373 | | 1,501,229,421 |
| **Premiums earned** | | | - | - | - | - | | - |
| Gross - Direct Business | **R0210** | | | | | | | - |
| Gross - Proportional reinsurance accepted | **R0220** | | 329,331,358 | 872,098,914 | 283,893,698 | 90,553,681 | | 1,575,877,651 |
| Gross - Non-proportional reinsurance accepted | **R0230** | | - | 866,795 | - | 39,078,155 | | 39,944,950 |
| Reinsurers' share | **R0240** | | - | 168,584,789 | - | - | | 168,584,789 |
| Net | **R0300** | | 329,331,358 | 704,380,921 | 283,893,698 | 129,631,836 | | 1,447,237,812 |
| **Claims incurred** | | | - | - | - | - | | - |
| Gross - Direct Business | **R0310** | | | | | | | - |
| Gross - Proportional reinsurance accepted | **R0320** | | 210,766,961 | 536,402,531 | 230,702,312 | 59,376,073 | | 1,037,247,877 |
| Gross - Non-proportional reinsurance accepted | **R0330** | | - | 122,579 | - | 26,192,448 | | 26,315,027 |
| Reinsurers' share | **R0340** | | - | 84,145,830 | - | - | | 84,145,830 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net | **R0400** | | 210,766,961 | 452,379,280 | 230,702,312 | 85,568,521 | | 979,417,073 |
| **Changes in other technical provisions** | | | - | - | - | - | | - |
| Gross - Direct Business | **R0410** | | | | | | | - |
| Gross - Proportional reinsurance accepted | **R0420** | | | | | | | - |
| Gross - Non- proportional reinsurance accepted | **R0430** | | | | | | | - |
| Reinsurers'share | **R0440** | | | | | | | - |
| Net | **R0500** | | | | | | | - |
| **Expenses incurred** | **R0550** | | 147,069,906 | 210,371,381 | 61,513,168 | 73,990,456 | | 492,944,911 |
| **Other expenses** | **R1200** | | - | - | - | - | | - |
| **Total expenses** | **R1300** | | - | - | - | - | | 492,944,911 |

**Annex I**

**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 |
|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| | R0010 | | CHINA | GERMANY | UNITED KINGDOM | UNITED STATES | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| **Premiums written** | | | | | | | | |
| Gross - Direct Business | R0110 | | | | | | | - |
| Gross - Proportional reinsurance accepted | R0120 | | 254,820,894 | 869,148,886 | 308,908,443 | 103,681,770 | | 1,536,559,994 |
| Gross - Non-proportional reinsurance accepted | R0130 | | - | 866,795 | - | 33,259,603 | | 34,126,398 |
| Reinsurers' share | R0140 | | - | 69,456,970 | - | - | | 69,456,970 |
| Net | R0200 | | 254,820,894 | 800,558,712 | 308,908,443 | 136,941,373 | | 1,501,229,421 |
| **Premiums earned** | | | - | - | - | - | | - |
| Gross - Direct Business | R0210 | | | | | | | - |
| Gross - Proportional reinsurance accepted | R0220 | | 329,331,358 | 872,098,914 | 283,893,698 | 90,553,681 | | 1,575,877,651 |
| Gross - Non-proportional reinsurance accepted | R0230 | | - | 866,795 | - | 39,078,155 | | 39,944,950 |
| Reinsurers' share | R0240 | | - | 168,584,789 | - | - | | 168,584,789 |
| Net | R0300 | | 329,331,358 | 704,380,921 | 283,893,698 | 129,631,836 | | 1,447,237,812 |
| **Claims incurred** | | | - | - | - | - | | - |
| Gross - Direct Business | R0310 | | | | | | | - |
| Gross - Proportional reinsurance accepted | R0320 | | 210,766,961 | 536,402,531 | 230,702,312 | 59,376,073 | | 1,037,247,877 |
| Gross - Non-proportional reinsurance accepted | R0330 | | - | 122,579 | - | 26,192,448 | | 26,315,027 |
| Reinsurers' share | R0340 | | - | 84,145,830 | - | - | | 84,145,830 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net | **R0400** | | 210,766,961 | 452,379,280 | 230,702,312 | 85,568,521 | | 979,417,073 |
| **Changes in other technical provisions** | | | - | - | - | - | | - |
| Gross - Direct Business | **R0410** | | | | | | | - |
| Gross - Proportional reinsurance accepted | **R0420** | | | | | | | - |
| Gross - Non- proportional reinsurance accepted | **R0430** | | | | | | | - |
| Reinsurers'share | **R0440** | | | | | | | - |
| Net | **R0500** | | | | | | | - |
| **Expenses incurred** | **R0550** | | 147,069,906 | 210,371,381 | 61,513,168 | 73,990,456 | | 492,944,911 |
| **Other expenses** | **R1200** | | - | - | - | - | | - |
| **Total expenses** | **R1300** | | - | - | - | - | | 492,944,911 |

**Annex I**

**S.12.01.02**
**Life and Health SLT**
**Technical Provisions**

| | | Insurance with profit participation | Index-linked and unit-linked insurance | | | Other life insurance | | | Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations | Accepted reinsurance | **Total (Life other than health insurance, incl. Unit-Linked)** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Contracts without options and guarantees | Contracts with options or guarantees | | Contracts without options and guarantees | Contracts with options or guarantees | | | |
| | | | | | | | | - | - | - | |
| | | **C0020** | **C0030** | **C0040** | **C0050** | **C0060** | **C0070** | **C0080** | **C0090** | **C0100** | **C0150** |
| **Technical provisions calculated as a whole** | **R0010** | | | - | - | | - | - | | | - |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | **R0020** | | | - | - | | - | - | | | - |
| **Technical provisions calculated as a sum of BE and RM** | | - | - | - | - | - | - | - | - | - | - |
| **Best Estimate** | | - | - | - | - | - | - | - | - | - | - |
| **Gross Best Estimate** | **R0030** | | - | | | - | | | | 2,347,174,135 | 2,347,174,135 |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0080** | | - | | | - | | | | 194,443,036 | 194,443,036 |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | **R0090** | - | - | - | - | - | - | - | - | 2,152,731,099 | 2,152,731,099 |
| **Risk Margin** | **R0100** | | | - | - | | - | - | | 952,644,265 | 952,644,265 |
| **Amount of the transitional on Technical Provisions** | | - | - | - | - | - | - | - | - | - | - |
| Technical Provisions calculated as a whole | **R0110** | | | - | - | | - | - | | | - |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Best estimate | **R0120** | | - | | | - | | | | | - |
| Risk margin | **R0130** | | | - | - | | - | - | | | - |
| **Technical provisions - total** | **R0200** | - | - | - | - | - | - | - | - | 3,299,818,400 | 3,299,818,400 |

| | | Health insurance (direct business) | | | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Health reinsurance (reinsurance accepted) | **Total (Health similar to life insurance)** |
|---|---|---|---|---|---|---|---|
| | | | Contracts without options and guarantees | Contracts with options or guarantees | | | |
| | | **C0160** | **C0170** | **C0180** | **C0190** | **C0200** | **C0210** |
| **Technical provisions calculated as a whole** | **R0210** | | - | - | | | - |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | **R0220** | | - | - | | | - |
| **Technical provisions calculated as a sum of BE and RM** | | - | - | - | - | - | - |
| **Best Estimate** | | - | - | - | - | - | - |
| **Gross Best Estimate** | **R0030** | - | | | | 75,430,127 | 75,430,127 |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0080** | - | | | | | - |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | **R0090** | - | - | - | - | 75,430,127 | 75,430,127 |
| **Risk Margin** | **R0100** | | - | - | | 35,816,512 | 35,816,512 |
| **Amount of the transitional on Technical Provisions** | | - | - | - | - | - | - |
| Technical Provisions calculated as a whole | **R0110** | | - | - | | | - |
| Best estimate | **R0120** | - | | | | | - |
| Risk margin | **R0130** | | - | - | | | - |
| **Technical provisions - total** | **R0200** | - | - | - | - | 111,246,639 | 111,246,639 |

**Annex I**
**S.17.01.02**
**Non-life Technical Provisions**

| | | 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 |
| | | **C0020** | **C0030** | **C0040** | **C0050** | **C0060** | **C0070** | **C0080** | **C0090** | **C0100** |
| **Technical provisions calculated as a whole** | **R0010** | | | | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | **R0050** | | | | | | | | | |
| **Technical provisions calculated as a sum of BE and RM** | | - | - | - | - | - | - | - | - | - |
| **Best estimate** | | - | - | - | - | - | - | - | - | - |
| Premium provisions | | - | - | - | - | - | - | - | - | - |
| Gross | **R0060** | | 1,044,425 | | 51,847,330 | 9,194 | 601,504 | 43,286 | - 16,556 | 11,613 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0140** | | | | 4,406,111 | | | 2,064 | | |
| Net Best Estimate of Premium Provisions | **R0150** | - | 1,044,425 | - | 47,441,219 | 9,194 | 601,504 | 41,222 | - 16,556 | 11,613 |
| **Claims provisions** | | - | - | - | - | - | - | - | - | - |
| Gross | **R0160** | | 5,960,315 | | 116,143,083 | 563,489 | 3,472,439 | 6,161,566 | 140,287,391 | 618,466 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0240** | | | | 15,740,672 | | | 10,604,876 | | |
| Net Best Estimate of Claims Provisions | **R0250** | - | 5,960,315 | - | 100,402,411 | 563,489 | 3,472,439 | - 4,443,309 | 140,287,391 | 618,466 |
| **Total Best estimate - gross** | **R0260** | | 7,004,741 | | 167,990,413 | 572,683 | 4,073,943 | 6,204,852 | 140,270,835 | 630,078 |
| **Total Best estimate - net** | **R0270** | - | 7,004,741 | - | 147,843,630 | 572,683 | 4,073,943 | - 4,402,087 | 140,270,835 | 630,078 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Risk margin** | **R0280** | | 402,827 | | 7,356,826 | | 226,043 | 272,726 | 1,973,473 | 8,830 |
| **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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 |
| | | **C0020** | **C0030** | **C0040** | **C0050** | **C0060** | **C0070** | **C0080** | **C0090** | **C0100** |
| **Technical provisions - total** | | | | | | | | | | |
| Technical provisions - total | **R0320** | - | 7,407,568 | - | 175,347,239 | 572,683 | 4,299,986 | 6,477,579 | 142,244,308 | 638,908 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | **R0330** | - | - | - | 20,146,784 | - | - | 10,606,940 | - | - |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | **R0340** | - | 7,407,568 | - | 155,200,456 | 572,683 | 4,299,986 | - 4,129,361 | 142,244,308 | 638,908 |

| | | Direct business and accepted proportional reinsurance | | | Accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | Total Non-Life obligation |
| | | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| **Technical provisions calculated as a whole** | **R0010** | | | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | **R0050** | | | | | | | | - |
| **Technical provisions calculated as a sum of BE and RM** | | - | - | - | - | - | - | - | - |
| **Best estimate** | | - | - | - | - | - | - | - | - |
| Premium provisions | | - | - | - | - | - | - | - | - |
| Gross | **R0060** | | | - 5,251 | 226,686 | 11,031,322 | 440,780 | 104,026,199 | 169,260,531 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0140** | | | | | | | 405,361 | 4,813,536 |
| Net Best Estimate of Premium Provisions | **R0150** | - | - | - 5,251 | 226,686 | 11,031,322 | 440,780 | 103,620,838 | 164,446,995 |
| **Claims provisions** | | - | - | - | - | - | - | - | - |
| Gross | **R0160** | | | 59,634 | 51,537,702 | 60,103,362 | 14,185,363 | 163,918,808 | 563,011,619 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0240** | | | | | | | 567,506 | 26,913,054 |
| Net Best Estimate of Claims Provisions | **R0250** | - | - | 59,634 | 51,537,702 | 60,103,362 | 14,185,363 | 163,351,303 | 536,098,566 |
| **Total Best estimate - gross** | **R0260** | | | 54,383 | 51,764,388 | 71,134,684 | 14,626,143 | 267,945,007 | 732,272,151 |
| **Total Best estimate - net** | **R0270** | - | - | 54,383 | 51,764,388 | 71,134,684 | 14,626,143 | 266,972,140 | 700,545,561 |
| **Risk margin** | **R0280** | | | | | 4,100,341 | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2,990,581 | | 843,836 | 15,413,305 | 33,588,790 |
| **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** | - | - | 54,383 | 54,754,969 | 75,235,025 | 15,469,979 | 283,358,312 | 765,860,941 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | **R0330** | - | - | - | - | - | - | 972,867 | 31,726,590 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | **R0340** | - | - | 54,383 | 54,754,969 | 75,235,025 | 15,469,979 | 282,385,445 | 734,134,351 |

**Annex I**

**S.19.01.21**
**Non-life Insurance Claims Information**
**Total Non-Life Business**

| Accident year / Underwriting year | **Z0010** | UWY |
|---|---|---|

**Gross Claims Paid (non-cumulative)**

**Development year**

| | **Year** | **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10 & +** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **C0010** | **C0020** | **C0030** | **C0040** | **C0050** | **C0060** | **C0070** | **C0080** | **C0090** | **C0100** | **C0110** |
| **Prior** | **R0100** | | | | | | | | | | | 3,294,996,028 |
| **N-9** | **R0160** | 90,016,694 | 98,257,300 | 95,395,982 | 44,651,024 | 7,150,637 | 650,984 | 11,455,617 | 94,843 | 2,263,445 | 28,108 | |
| **N-8** | **R0170** | 74,424,987 | 96,447,319 | 63,824,394 | 9,740,958 | 15,992,105 | 18,224,532 | 8,024,654 | 7,013,723 | 960,036 | | |
| **N-7** | **R0180** | 91,968,555 | 162,687,880 | 71,866,464 | 21,756,954 | 20,936,869 | 8,494,219 | 27,831,557 | 3,978,452 | | | |
| **N-6** | **R0190** | 18,037,901 | 111,290,717 | 108,769,812 | 25,787,814 | 15,781,350 | 32,744,258 | 7,931,278 | | | | |
| **N-5** | **R0200** | 41,748,447 | 355,175,748 | 138,680,649 | 14,564,403 | 20,017,659 | 9,850,242 | | | | | |
| **N-4** | **R0210** | 197,919,341 | 99,474,101 | 124,204,301 | 26,940,107 | 11,648,760 | | | | | | |
| **N-3** | **R0220** | 222,692,330 | 89,023,427 | 127,012,175 | 19,043,703 | | | | | | | |
| **N-2** | **R0230** | 182,291,541 | 33,628,814 | 110,710,622 | | | | | | | | |
| **N-1** | **R0240** | 546,714,078 | 464,215,158 | | | | | | | | | |
| **N** | **R0250** | 468,665,002 | | | | | | | | | | |

| | | In Current year | Sum of years (cumulative) |
|---|---|---|---|
| | | C0170 | C0180 |
| | R0100 | 3,294,996,028 | 3,294,996,028 |
| | R0160 | 28,108 | 349,964,634 |
| | R0170 | 960,036 | 294,652,709 |
| | R0180 | 3,978,452 | 409,520,950 |
| | R0190 | 7,931,278 | 320,343,130 |
| | R0200 | 9,850,242 | 580,037,148 |
| | R0210 | 11,648,760 | 460,186,609 |
| | R0220 | 19,043,703 | 457,771,636 |
| | R0230 | 110,710,622 | 326,630,977 |
| | R0240 | 464,215,158 | 1,010,929,236 |
| | R0250 | 468,665,002 | 468,665,002 |
| **Total** | R0260 | 4,392,027,389 | 7,973,698,060 |

**Gross undiscounted Best Estimate Claims Provisions**

(absolute amount)

| Year | | Development year - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 |
| Prior | R0100 | | | | | | | | | | | 5,075,323 |
| N-9 | R0160 | - | - | - | - | - | - | - | - | - | 52,213,726 | |
| N-8 | R0170 | - | - | - | - | - | - | - | - | 21,169,998 | | |
| N-7 | R0180 | - | - | - | - | - | - | - | 10,314,026 | | | |
| N-6 | R0190 | - | - | - | - | - | - | 8,798,704 | | | | |
| N-5 | R0200 | - | - | - | - | - | 18,638,110 | | | | | |
| N-4 | R0210 | - | - | - | - | 23,665,824 | | | | | | |
| N-3 | R0220 | - | - | - | 67,016,697 | | | | | | | |
| N-2 | R0230 | - | - | 58,585,307 | | | | | | | | |
| N-1 | R0240 | - | 103,526,068 | | | | | | | | | |
| N | R0250 | 210,820,903 | | | | | | | | | | |

| | Year end (discounted data) |
|---|---|
| | C0360 |
| R0100 | 4,936,678 |
| R0160 | 50,569,352 |
| R0170 | 20,210,077 |
| R0180 | 9,653,860 |
| R0190 | 8,267,245 |
| R0200 | 17,741,448 |
| R0210 | 22,071,353 |
| R0220 | 63,856,117 |
| R0230 | 56,456,506 |
| R0240 | 99,542,853 |
| R0250 | 209,706,129 |
| R0260 | 558,074,941 |

**Annex I**

## 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** | 54,634,998 | 54,634,998 | | - | |
| 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** | 458,405,431 | 458,405,431 | | | |
| Subordinated liabilities | **R0140** | 339,813,490 | | | 339,813,490 | - |
| An amount equal to the value of net deferred tax assets | **R0160** | - | | | | - |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | **R0180** | 1,240,468,018 | 1,240,468,018 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **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** | 2,093,321,937 | 1,753,508,447 | - | 339,813,490 | - |
| **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** | 213,814,296 | | | | 213,814,296 |
| **Total ancillary own funds** | **R0400** | 213,814,296 | | | - | 213,814,296 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | **R0500** | 2,307,136,233 | 1,753,508,447 | - | 339,813,490 | 213,814,296 |
| Total available own funds to meet the MCR | **R0510** | 2,093,321,937 | 1,753,508,447 | - | 339,813,490 | |
| Total eligible own funds to meet the SCR | **R0540** | 2,307,136,233 | 1,753,508,447 | - | 339,813,490 | 213,814,296 |
| Total eligible own funds to meet the MCR | **R0550** | 1,881,797,025 | 1,753,508,447 | - | 128,288,578 | |
| **SCR** | **R0580** | 1,425,428,639 | | | | |
| **MCR** | **R0600** | 641,442,888 | | | | |
| **Ratio of Eligible own funds to SCR** | **R0620** | 162% | | | | |
| **Ratio of Eligible own funds to MCR** | **R0640** | 293% | | | | |

| | | C0060 | |
|---|---|---|---|
| **Reconciliation reserve** | | | |
| Excess of assets over liabilities | **R0700** | 1,753,508,447 | |
| Own shares (held directly and indirectly) | **R0710** | | |
| Foreseeable dividends, distributions and charges | **R0720** | | |
| Other basic own fund items | **R0730** | 1,295,103,017 | |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | **R0740** | | |
| **Reconciliation reserve** | **R0760** | 458,405,431 | |
| **Expected profits** | | | |
| Expected profits included in future premiums (EPIFP) - Life business | **R0770** | 1,027,512,355 | |
| Expected profits included in future premiums (EPIFP) - Non- life business | **R0780** | - | |
| **Total Expected profits included in future premiums (EPIFP)** | **R0790** | 1,027,512,355 | |

**Annex I**

**S.25.02.21**

**Solvency Capital Requirement - for undertakings using the standard formula and partial internal model**

| Unique number of component | Components description | Calculation of the Solvency Capital Requirement | Amount modelled | USP | Simplifications |
|---|---|---|---|---|---|
| C0010 | C0020 | C0030 | C0070 | C0080 | C0090 |
| 101 | Market Risk according to PIM | 530,705,834 | | No embedded consideration of future management actions | 530,705,834 |
| 102 | Counterparty default risk according to PIM | 76,266,767 | | No embedded consideration of future management actions | 76,266,767 |
| 103 | Life underwriting risk according to PIM | 1,005,053,402 | | Future management actions regarding the loss-absorbing capacity of technical provisions embedded within the component | 1,005,053,402 |
| 104 | Non-life underwriting risk according to PIM | 127,925,996 | | No embedded consideration of future management actions | 127,925,996 |

| | | | | | |
|---|---|---|---|---|---|
| **7** | **Operational risk according to SF** | **119,956,166** | | **No embedded consideration of future management actions** | |
| **107** | **LAC TP according to PIM** | | | **No embedded consideration of future management actions** | |
| 108 | LAC DT according to PIM | - 159,825,747 | | **No embedded consideration of future management actions** | **- 159,825,747** |

| Calculation of Solvency Capital Requirement | | C0100 |
|---|---|---|
| Total undiversified components | R0110 | 1,700,082,417 |
| Diversification | R0060 | - 274,653,778 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | |
| Solvency capital requirement excluding capital add-on | R0200 | 1,425,428,639 |
| Capital add-ons already set | R0210 | |
| Solvency capital requirement | R0220 | 1,425,428,639 |
| Other information on SCR | | |
| Amount/estimate of the overall loss-absorbing capacity of technical provisions | R0300 | - 80,898,251 |
| Amount/estimate of the overall loss-absorbing capacity ot deferred taxes | R0310 | - 159,825,747 |
| Capital requirement for duration-based equity risk sub-module | R0400 | - |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | - |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)) | R0420 | - |
| Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios | R0430 | - |
| Diversification effects due to RFF nSCR aggregation for article 304 | R0440 | - |
| - | - | - |

**Annex I**
**S.28.01.01**
**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**
**Linear formula component for non-life insurance and reinsurance obligations**

| | | C0010 |
|---|---|---|
| $MCR_{NL}$ Result | **R0010** | 241,564,974 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|---|
| | | **C0020** | **C0030** |
| Medical expense insurance and proportional reinsurance | **R0020** | - | - |
| Income protection insurance and proportional reinsurance | **R0030** | 7,004,741 | 14,479,101 |
| Workers' compensation insurance and proportional reinsurance | **R0040** | - | - |
| Motor vehicle liability insurance and proportional reinsurance | **R0050** | 147,843,630 | 643,773,365 |
| Other motor insurance and proportional reinsurance | **R0060** | 572,683 | 37,150,150 |
| Marine, aviation and transport insurance and proportional reinsurance | **R0070** | 4,073,943 | 550,838 |
| Fire and other damage to property insurance and proportional reinsurance | **R0080** | - 4,402,087 | 860,653,569 |
| General liability insurance and proportional reinsurance | **R0090** | 140,270,835 | 559,667 |
| Credit and suretyship insurance and proportional reinsurance | **R0100** | 630,078 | - 452,719 |
| Legal expenses insurance and proportional reinsurance | **R0110** | - | - |
| Assistance and proportional reinsurance | **R0120** | - | - |
| Miscellaneous financial loss insurance and proportional reinsurance | **R0130** | 54,383 | - |
| Non-proportional health reinsurance | **R0140** | 51,764,388 | 12,270,627 |
| Non-proportional casualty reinsurance | **R0150** | 71,134,684 | 25,365,926 |
| Non-proportional marine, aviation and transport reinsurance | **R0160** | 14,626,143 | 5,306,709 |
| Non-proportional property reinsurance | **R0170** | 266,972,140 | 11,346,417 |

**Linear formula component for life insurance and reinsurance obligations**

| | | C0040 |
|---|---|---|
| $MCR_L$ Result | **R0200** | 501,474,775 |

| | | 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** | 525,568,340 | |
| Obligations with profit participation - future discretionary benefits | **R0220** | 0 | |
| Index-linked and unit-linked insurance obligations | **R0230** | 0 | |
| Other life (re)insurance and health (re)insurance obligations | **R0240** | 1,703,948,613 | |
| Total capital at risk for all life (re)insurance obligations | **R0250** | | 637,494,037,009 |

## Overall MCR calculation

| | | |
|---|---|---|
| | | **C0070** |
| Linear MCR | **R0300** | 743,039,750 |
| SCR | **R0310** | 1,425,428,639 |
| MCR cap | **R0320** | 641,442,888 |
| MCR floor | **R0330** | 356,357,160 |
| Combined MCR | **R0340** | 641,442,888 |
| Absolute floor of the MCR | **R0350** | 3,794,386 |
| - | - | **C0070** |
| **Minimum Capital Requirement** | **R0400** | 641,442,888 |

- -

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