XL Re Europe SE

AN AXA GROUP COMPANY

Solvency and Financial Condition Report

Year Ended

31 December 2019

Contents

Directors' Statement

The board of directors of XL Re Europe SE (the Board) acknowledges its responsibility for ensuring that this Solvency and Financial Condition Report (SFCR) has been properly prepared in all material respects in accordance with the Central Bank of Ireland rules and Solvency II regulations. The Board confirms that there is a written Solvency II Public Disclosure & Private Reporting Policy in place to ensure the ongoing appropriateness of any information disclosed. The Board is satisfied that:

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

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

By order of the Board

A. Barrage

Director

April 1, 2020

Summary

Unless otherwise stated, all amounts in this report are presented in thousands of Euros (€'000), with the Euro being the Company's reporting currency in the Financial Statements. The Quantitative Reporting Templates (QRT) included in Section E are presented in Euro whole numbers. This may result in a limited number of immaterial rounding differences in the report. 2019 is the fourth year of Solvency II being in force, having been implemented with effect from 1 January 2016. As a result comparative figures and commentary have been disclosed where appropriate.

On September 12, 2018, the XL Group Ltd (XL) completed its previously announced merger with AXA SA ("AXA"). As a result of the merger, the Company's ultimate owner was XL for the period until September 12, 2018, and after that became AXA. XL is domiciled in Bermuda and AXA is domiciled in France. AXA will publish its Group Financial Condition Report by May 31, 2020, and a copy will be available on the AXA website (https://www.axa.com/). Any references to AXA group refer to AXA SA together with its direct and indirect subsidiaries.

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

Business and performance

The Company is a member of the AXA XL division within AXA and became a member of the AXA Group ("the Group") in 2018. AXA XL, through its operating carriers, is a global insurance and reinsurance group of companies and other enterprises situated around the world.

AXA XL's operating entities underwrite both insurance and reinsurance (RI) business within its Property and Casualty (P&C) business segment. The P&C segment is structured into two segments; Insurance and Reinsurance, with Insurance further divided into territories. AXA XL underwrites across all the platforms available to best service both brokers and clients.

Further details of the Company's business and performance are provided in Section A below. Also refer to AXA's Annual Report for the year ended 31 December 2019 for additional information on the AXA Group's performance. A link to the 2019 earnings presentation is here.

The Company, formerly XL Re Europe Limited, was incorporated in Ireland on 10 July 2006. Its principal activity is writing non-life reinsurance business together with the orderly winding down of its life business. The business conducted is primarily International Property, Casualty, Marine and Energy, Aviation, Aerospace, Property Retrocession, Property Facultative and Specialty coverage.

The Company underwrites business predominately originating in Europe, the Middle East and Africa.

The 2019 trading environment continued to be competitive across all classes. Clients continue to diversify their portfolios and optimise reinsurance purchases to preserve underwriting margin and maintain adequate returns on capital. Despite the competitive trading environment, the Company was able to leverage AXA XL's enhanced market position and financial strength to create new opportunities. The Company continues to seek selective opportunities and its consistent underwriting strategy remains attractive to its customer base.

In 2019, the Company generated €675m (2018: €574m) of Gross Written Premium. Gross written premiums increased for non-life business by €99.7m or by 17.7% from €562.1m to €661.8m. The increase is primarily driven by an increase in new business written on the aviation and the casualty portfolio. Gross written premiums increased for life business by €1.9m or by 16.7% from €11.4m to €13.3m. The increase is as a result of life reinsurance business.

The combined ratio increased for non-life business from 92.2% in 2018 to 101.5% in 2019. The loss ratio went from 64.7% in the prior year to 72.4% in 2019 due to unfavourable development on the casualty portfolio in addition to a deterioration in the PPO discount rate and the acquisition ratio went from 27.5% in the prior year to 29.1% in 2019 due to increased external acquisition costs.

Total portfolio performance for the year was 5.9% in 2019 compared to -0.35% in 2018. During the year the Company experienced an increase in unrealised gains on investment primarily attributable to strong performance in the equity markets in 2019.

System of governance

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

The Board is committed to effective corporate governance and has established comprehensive governance and risk management frameworks for the Company's operations. The Board discharges its legal and fiduciary responsibilities through its own operations; through the activities of its two subcommittees, a Risk Management Committee and an Audit Committee; and through its management structure. Committees and senior managers operate under written terms of reference which are reviewed regularly to encourage transparency and accountability. The Company's risk management, compliance, internal audit and actuarial functions are the key control functions in its system of governance. These four functions and other critical or important functions, such as underwriting, claims management, finance and investment management, operate in accordance with written policies, which are reviewed regularly.

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

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

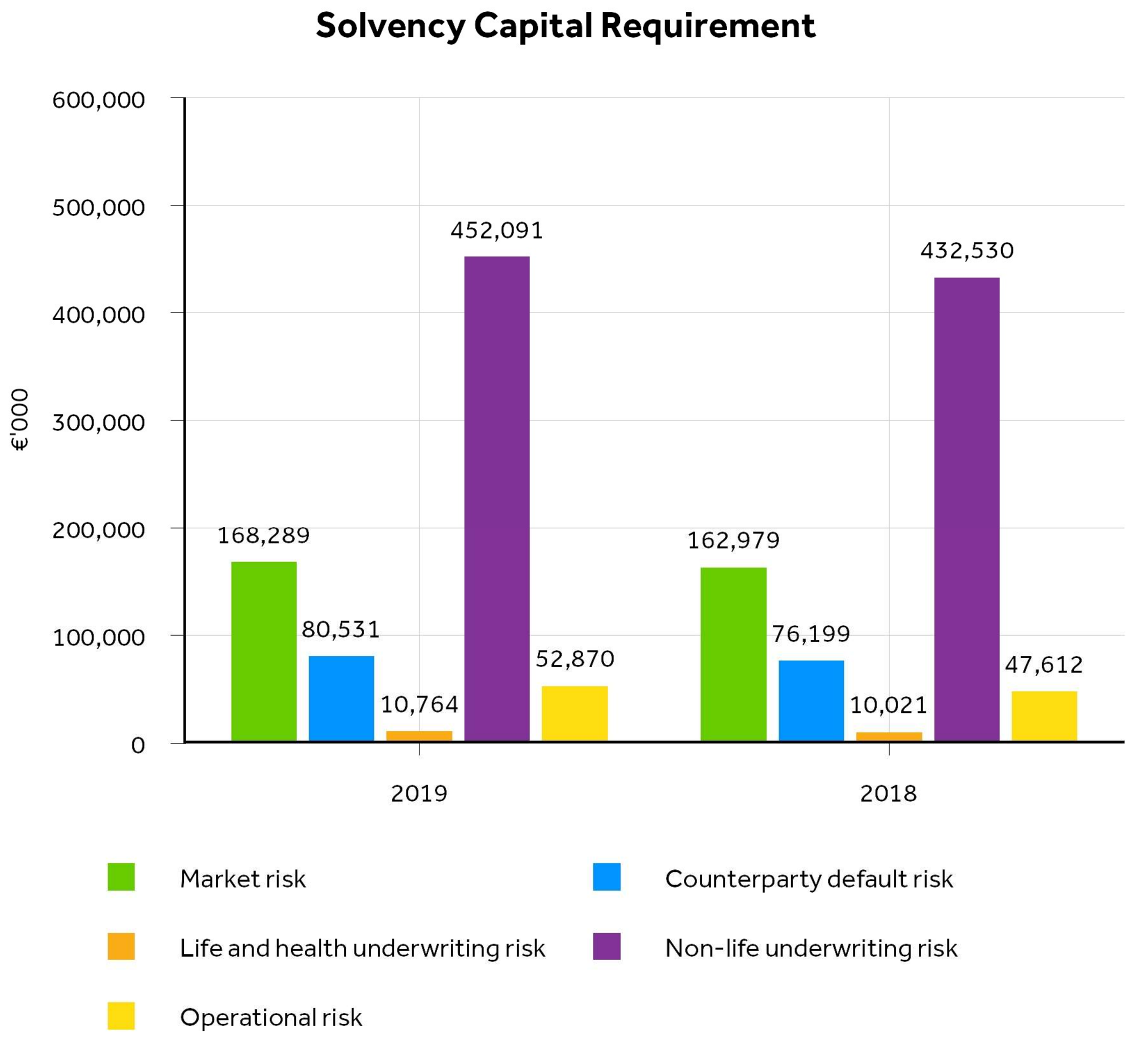
The Company calculates its Solvency Capital Requirement (SCR) using the Standard Formula.

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

Mazars was appointed to replace PwC as the Company's statutory auditor, to comply with auditor rotation regulations. This appointment took effect from 4th June 2019. See section B.8 for more information. A number of changes to the Company's board of directors were effective during the reporting period. See section B.1.1 for more information. The Company's governance committee was dissolved by the Board during February 2020. See section B.1.1 for more information. No other material changes were made to the Company's system of governance during or since the reporting period.

Risk profile

The key risks, excluding diversification and the loss absorbing capacity of deferred taxes, within the Solvency Capital Requirement ("SCR") are shown below:



See the Capital Management section of the Summary for commentary on the main drivers

The risk profile of the Company is dominated by non-life reinsurance underwriting risk. Underwriting and loss experience is reviewed regularly for, among other things, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions. Underwriting risk is also identified through:

- Business planning;
- Underwriting processes (including guidelines and escalation authorities);
- Reserving and claims processes;
- Enterprise Risk Management (ERM) risk assessment processes; and
- The use of Realistic Disaster Scenario's (RDS) and other scenarios.

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

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

Underwriting risk is mitigated through the purchase of reinsurance, controls over Actuarial pricing and reserving, rating adequacy, underwriting authorities and guidelines.

Market risk is driven primarily by spread risk due to the Company's investments in bonds and securitised assets.

The Company is exposed to counterparty risks in the form of cash deposits and recoveries from reinsurers and from receivables from intermediaries, policyholders and other debtors.

Operational risk is driven by technical provisions and earned premiums of all lines of business.

All other risk categories are less significant to the Company.

Further information on each separate category of risk can be found in detail in Section C below, including a description of the measures used to assess these risks and a description of the material risks which the Company is exposed to.

Valuation for solvency purposes

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

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

No significant changes were made to the recognition and valuation bases applied to assets or liabilities during the year.

Capital management

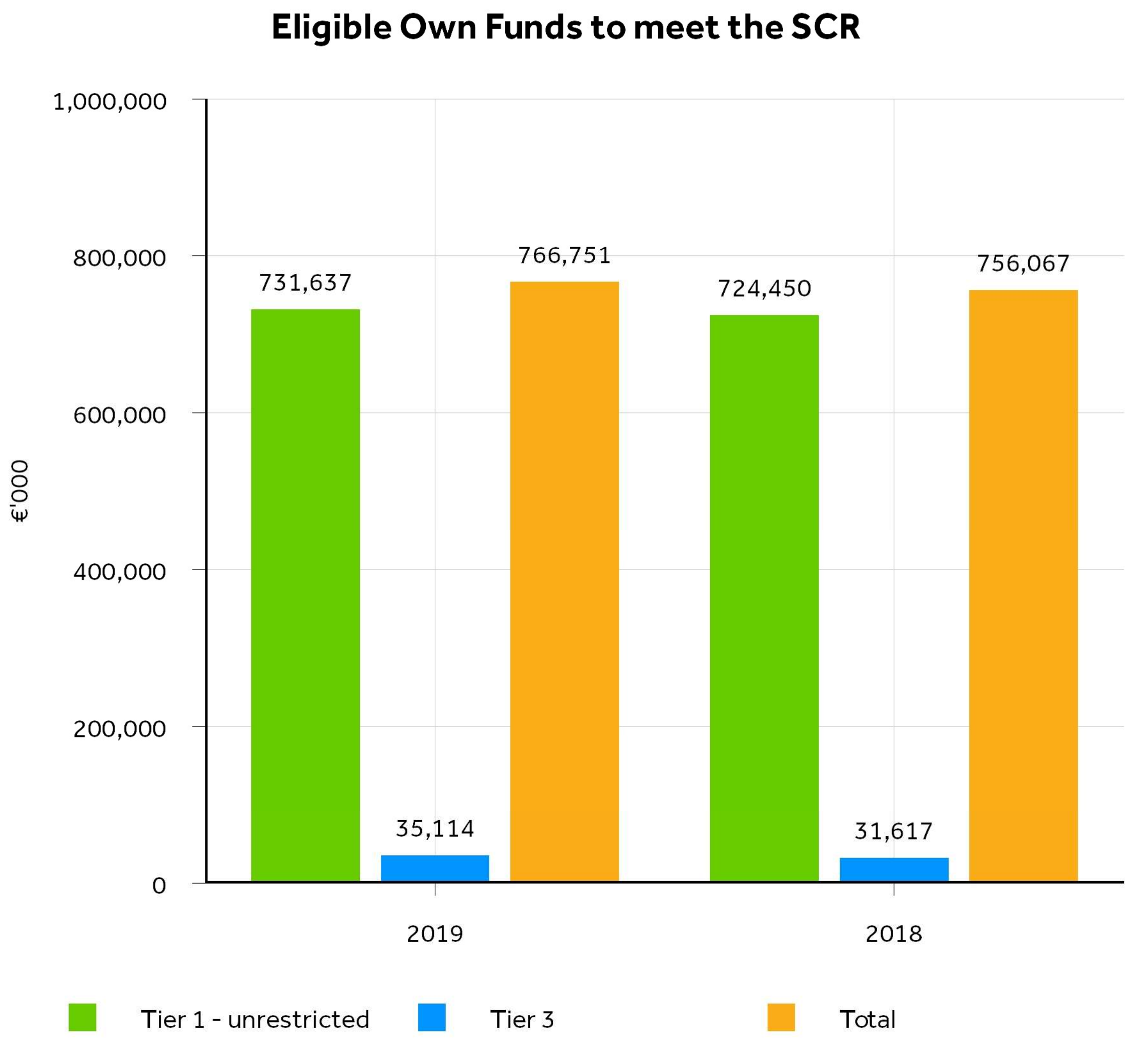
The Company is required to measure its assets and liabilities according to the European Solvency II Directive and its associated rules, regulations and guidelines. This regulatory framework for the European insurance industry adopts a dynamic risk-based approach based on economic principles that measure assets and liabilities to appropriately align insurers' risks with the capital they hold to safeguard policyholders.

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

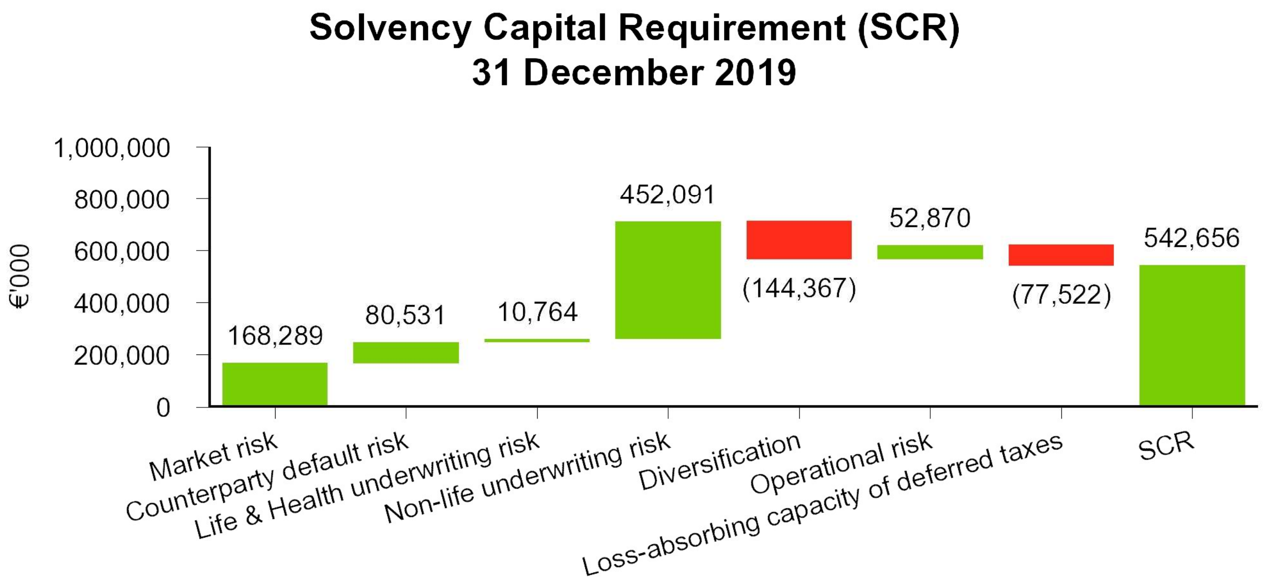
The Company's objectives in managing its capital are to:

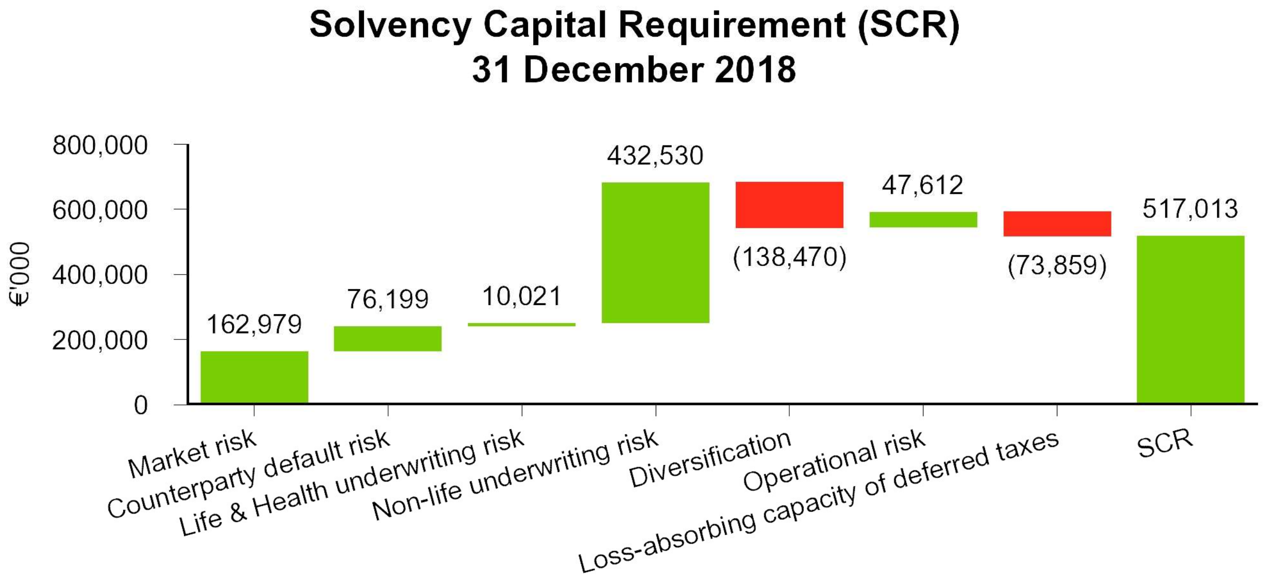
- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain financial strength to support new business growth;
- Satisfy the requirements of its policyholders and regulators;
- Retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- Allocate capital efficiently to support underwriting.

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



The increase in own funds during 2019 of €10.7m is primarily due to the fact that no dividend was declared this year.





The SCR has increased by approximately €25.6m since 2018, mainly due to an increase in Non-life underwriting risk caused by an increased proportion of non-proportional casualty reserves. The main driver of the SCR being Non-life underwriting risk which has increased by €19.6m, caused by an increased proportion of non-proportional casualty reserves. There was also an increase to counterparty default risk due to a change in the mix between type I and II .

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

	2019	2018
	€'000	€'000
SCR	542,656	517,013
MCR	176,763	157,854
Total eligible own funds to meet the SCR	766,751	756,067
Total eligible own funds to meet the MCR	731,637	724,450
	%	%
Ratio of Eligible own funds to SCR	141.3%	146.2%
Ratio of Eligible own funds to MCR	413.9%	458.9%

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

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

The Company will continue to use the standard formula to calculate the regulatory SCR until such time as the Company has a regulatory approved internal model.

Significant Business or other events

There have been no significant business or other events to report during the year.

A. Business and Performance

A.1. Business

A.1.1 Name and legal form of the undertaking

The Company is incorporated as a European company (Societas Europaea), limited by shares in the Republic of Ireland. The registered office is:

AXA XL
XL House
8 St Stephen's Green
D02 VK30
Ireland

Telephone: + (353) 1 400 5500

A.1.2 Supervisory authorities

Irish Regulator

Central Bank of Ireland ("CBI")
P.O.Box 559
New Wapping Street
North Wall Quay
Spencer Dock
Dublin 1

Telephone: + (353) 1 224 6000

Dubai Regulator

Dubai Financial Services Authority (in respect of the Company's Dubai branch only)
P.O. Box 758750
Dubai
UAE

Telephone: +971 (0)4 362 1500

Group Supervisor

Autorité de Contrôle Prudentiel et de Résolution (ACPR)
4, place de Budapest
CS 92459
75436 PARIS CEDEX 09
France

Telephone: +(33) 1 49 95 40 00

A.1.3 External auditor

Mazars

Chartered Accountants and Statutory Audit firm

Harcourt Centre, Block 3

Harcourt Road

Dublin 2
Ireland

Telephone: +353 1 449 4400

A.1.4 Company holders and position within legal structure of the Group

The Company's immediate holding company is XL Bermuda Ltd, a company registered in Bermuda, which holds 100% of the ownership interest and voting rights. The Company's ultimate parent and controlling undertaking is AXA SA, a company incorporated in France. The Company consolidates its reporting into the group financial statements of AXA SA.

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

A.1.5 Related undertakings

The Company has no investments in Group undertakings.

A.1.6 Material lines of business and geographical areas

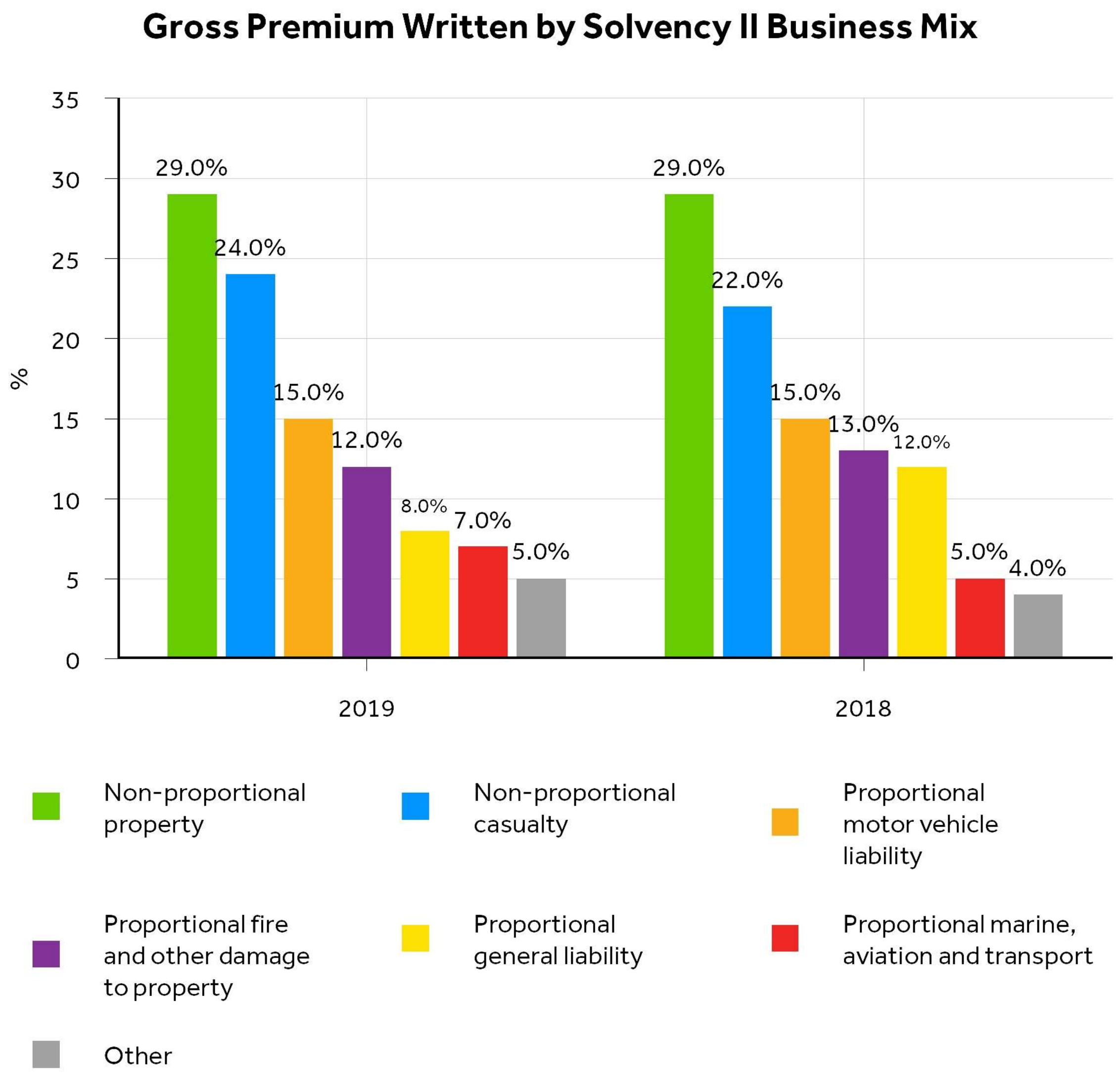
The following public Quantitative Reporting Templates (QRTs) give details of the material Solvency II lines of business and geographical areas where the Company carries out its business:

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

S.05.02.01 Premiums, claims and expenses by country

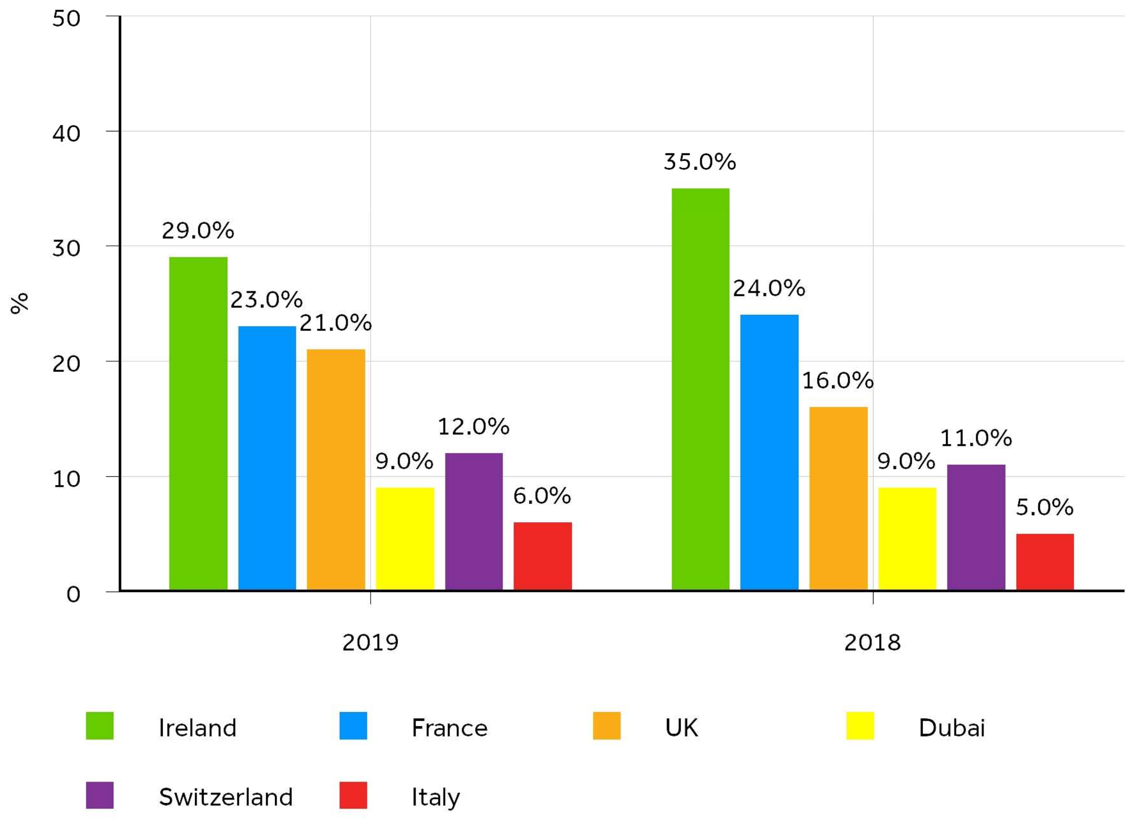
This analysis is based upon Irish GAAP totals, while the allocation is to Solvency II lines of business and geographies.

Gross written premium with percentage splits by line of business and geographical area are presented below:



Included in 'Other' is non-proportional health and non-proportional marine, aviation and transport, life reinsurance, proportional income protection, proportional workers' compensation and proportional credit and suretyship.

Gross Premium Written by Main Solvency II Geographic Areas



A.1.7 Significant events in the last reporting year

There have been no significant events in 2019 to report here.

However, since December 2019, a significant number of cases associated with the Coronavirus, now called COVID-19 by the World Health Organization ("WHO"), have been reported worldwide. Initially reported in the province of Hubei in the People's Republic of China, it has spread across other countries, resulting in reported infections and deaths in numerous countries, including South Korea, Iran, Italy, Spain, France, the United Kingdom and the United States, and new cases and fatalities are reported daily. Furthermore, it is currently not possible to know or predict the extent to which the current levels of reported cases reflect the actual transmission of the virus within populations, and accordingly the scale of the pandemic may be significantly larger than what is presently recorded. The spread of COVID-19 has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope; led to significant disruptions in the global travel and hospitality industries, and in global trade and supply chains more broadly; resulted in decreased economic activity and lowered estimates for future economic growth; created severe strains on local, national and supra-national medical and healthcare systems and institutions; and caused global financial markets to experience significant volatility and the worst downturn since the 2008 financial crisis.

XL Re Europe SE together with the AXA Group has or is in the process of establishing plans to address how it will manage the effects of the outbreak and assess disruptions and other risks to its operations. These include the protection of employees, sustaining our services to clients and other stakeholders and ensuring effective processes are in place to communicate and execute such plans. XL Re Europe SE is closely monitoring its exposure, including (i) the operational impact on its business, (ii) the consequences of a deterioration in macroeconomic conditions or of a slowdown in the flow of people, goods and services, especially on new business volumes, (iii) the extent of reinsurance coverage impacted and (iv) change in asset prices and financial conditions (including interest rates). Information in this section should be read in conjunction with the paragraph "Pricing and Underwriting-related risks" in Section 4.1 "Risk Factors" of the 2019 AXA Group Universal Registration Document.

A.2. Underwriting performance

A.2.1 Underwriting performance

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

The table below provides the key performance indicators.

	2019 €'000	2018 €'000	Percentage Change %
Gross written premiums			
– Non-life	661,820	562,102	17.7 %
– Life	13,336	11,427	16.7 %
Net earned premium			
– Non-life	248,496	211,523	17.5 %
– Life	199	208	(4.3)
Net claims incurred			
– Non-life	180,596	136,842	32.0 %
– Life	(188)	(2,844)	(93.4)
Non-life ratios			
Loss ratio	72.4%	64.7%	
Combined ratio	101.5%	92.2%	

Gross written premiums increased for non-life business by €99.7m or by 17.7% from €562.1m to €661.8m. The increase is primarily driven by by an increase in new business written on the aviation portfolio and the casualty portfolio.

The combined ratio increased for non-life business from 92.2% in 2018 to 101.5% in 2019. The loss ratio went from 64.7% in the prior year to 72.4% in 2019 due to unfavourable development on the casualty portfolio in addition to a deterioration in the PPO discount rate and the acquisition ratio went from 27.5% in the prior year to 29.1% in 2019 due to increased external acquisition costs.

Gross Written Premium by Business Mix

Gross written premium	Fire & other damage to property €'000	Marine, Aviation & Transit €'000	Liability €'000	Credit & Surety €'000	Other €'000	Total €'000
2019	261,825	61,733	309,196	6,289	22,777	661,820
2018	225,661	40,352	277,945	3,803	14,341	562,102

Net earned premiums increased in line with gross written premium for our non-life business by €37m or by 17.5% from €211.5m to €248.5m.

Net earned premiums	Fire & other damage to property €'000	Marine, Aviation & Transit €'000	Liability €'000	Credit & Surety €'000	Other €'000	Total €'000
2019	90,205	23,564	132,012	566	2,149	248,496
2018	71,540	22,774	111,437	1,915	3,857	211,523

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

2019

	Income protection	Workers' compensation	Motor vehicle liability	Marine, aviation and transport	Fire and other damage to property	General liability	Credit and suretyship	non-prop. Health	non-prop. Casualty	non-prop. Marine, aviation, transport	non-prop. Property	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross Written Premium	4,984	19	98,630	49,684	80,035	52,580	4,199	1,138	160,072	12,035	198,444	661,820
Net Earned Premium	1,484	162	44,635	18,561	28,909	25,240	566	503	62,137	5,003	61,296	248,496

2018

	Income protection	Workers' compensation	Motor vehicle liability	Marine, aviation and transport	Fire and other damage to property	General liability	Credit and suretyship	non-prop. Health	non-prop. Casualty	non-prop. Marine, aviation, transport	non-prop. Property	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross Written Premium	2,620	671	84,515	30,921	71,878	69,196	1,225	1,093	126,175	9,419	164,389	562,102
Net Earned Premium	601	618	34,862	18,657	29,441	28,698	652	467	45,597	4,106	47,825	211,524

The tables below provide the 2019 and 2018 non - life Gross Written Premiums and Net Earned Premiums performance by geographical area:

2019	IRELAND	FRANCE	UK	DUBAI	SWITZERLAND	ITALY	TOTAL
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross Written Premiums	193,690	152,332	132,016	58,443	83,331	42,008	661,820
Net Earned Premiums	84,146	49,446	47,750	24,023	28,632	14,499	248,496

2018	IRELAND	FRANCE	UK	DUBAI	SWITZERLAND	ITALY	TOTAL
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross Written Premiums	200,355	131,442	84,220	51,537	61,602	31,945	561,101
Net Earned Premiums	84,431	40,827	30,631	21,988	21,973	11,674	211,524

Dividends

During the year the Company paid dividends of €10m (2018: €70m) from its distributable reserves.

Reconciliation of Solvency II information to Irish GAAP

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

Year ended 31 December	**2019**	**2018**
	€000's	**€000's**
Gross Premiums	675,155	573,529
Reinsurers' share of premiums	401,818	355,430
Gross Earned Premiums	636,575	569,336
Reinsurers' share of earned premiums	387,880	357,605
Gross Claims incurred	429,950	351,057
Reinsurers' share of claims incurred	249,542	217,060
Net Expenses incurred	72,945	21,624
Other expenses	4	37,275
Per QRT Form S.05	**(4,662)**	**18,835**
Investment Income	32,567	43,464
Unrealised gain/(loss) on investments	78,963	(78,283)
Income (expense) from other activities	(11,535)	(12,679)
Pre-tax Irish GAAP profit	**95,333**	**(28,663)**

A.3. Investment performance

The primary objective of the Company's investment strategy is to maximize the risk adjusted return on economic capital employed subject to a variety of constraints including:

- Maintaining adequate regulatory and rating agency capitalization;
- Maintaining sufficient liquidity to ensure payment of claims, operating expenses and other obligations even during stressed scenarios; and
- Generating stable net investment income.

The Company holds investment grade fixed and variable income portfolios denominated in a variety of currencies, which broadly correspond to the respective liabilities of the Company. Assets representing capital of the Company, which are not matched to specific liabilities, are generally held in EUR.

The Company uses a fair value hierarchy for its fixed income and equity portfolios that prioritizes inputs to its valuation techniques which are used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets, 18% of the total portfolio, and then quoted prices in markets that are not active or inputs that are observable either directly or indirectly for 82% of the total portfolio. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Total portfolio performance for the year was 5.9% in 2019 compared to -0.35% in 2018. During the year the Company experienced an increase in unrealised gains on investment primarily attributable to strong performance in the equity markets in 2019.

	2019	2018
	%	**%**
Total portfolio	**5.9**	**-0.35**
Fixed income portfolio	4.01	-0.14
Non-fixed income portfolio	1.89	-2.64

Investment income, the sum of net investment income plus net realized gains and losses increased from €34.8m to €111.5m as hedge fund returns more than offset the ongoing impact on net investment income of the low yield environment.

A.3.1 Investment performance during the reporting period

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

2019

Solvency II Asset Class	Value	Investment income (including realised gains and losses)	Unrealised gains and losses
	€'000	€'000	€'000
Bonds			
Government Bonds	377,384	7,438	38,369
Corporate Bonds	760,335	14,778	9,199
Collateralised securities	287,767	7,289	2,179
Collective Investments Undertakings	317,005	3,062	29,215
	1,742,491	32,567	78,962

2018

Solvency II Asset Class	Value	Investment income (including realised gains and losses)	Unrealised gains and losses
	€'000	€'000	€'000
Bonds			
Government Bonds	314,984	12,171	(15,300)
Corporate Bonds	651,024	20,231	(24,127)
Collateralised securities	289,163	9,424	(5,302)
Collective Investments Undertakings	276,615	1,826	(33,554)
	1,531,786	43,652	(78,283)

A.3.2 Gains and losses recognized directly in equity

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

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

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

Investment Income	**Non-Life 2019 €'000**	**Life 2019 €'000**	**Non-Life 2018 €'000**	**Life 2018 €'000**
Income from other financial investments	40,168	1,375	29,652	2,734
Gain/(Loss) on realisation of investments	(850)	(404)	16,525	931
Investment expenses and charges	(7,722)		(6,368)	
Investment income	**31,596**	**971**	**39,809**	**3,665**

Unrealised (loss)/gain on investments	**Non-Life 2019 €'000**	**Life 2019 €'000**	**Non-Life 2018 €'000**	**Life 2018 €'000**
Unrealised exchange (loss)/gain	55,651	92	(5,704)	38
Unrealised capital (loss)/gain	23,224	(5)	(72,555)	(63)
Unrealised (loss) on investments	**78,875**	**87**	**(78,259)**	**(25)**

A.3.3 Investments in securitisation

The Company's holding in securitised assets are as follows:

Investments in securitisations	**Weighted Average Credit Rating**	**2019 €'000**	**2018 €'000**
Residential mortgage backed securities	AAA	285,478	258,706
Commercial mortgage backed securities and other securitised assets	AA+	2,289	33,178
Total	**AAA**	**287,767**	**291,884**

A.4. Performance of other activities

Income (expense) from other activities during the year are set out below:

	Total 2019 €'000	Total 2018 €'000
Foreign exchange gain / (loss)	(11,534)	(12,679)

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

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

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made by the Company for operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Total operating lease charges paid during the year:

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

	2019 €'000	2018 €'000
Payments on operating leases - office premises	358	358

A.5. Any other information

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

The Company has not availed itself of any transitional arrangements following the introduction of the Solvency II Directive.

B. System of Governance

B.1. General information on the system of governance

The Board has ultimate responsibility for directing the strategy of the business; setting the Company's risk appetites; and the implementation and maintenance of an effective corporate governance framework for the Company. The key components of this framework are discussed below. The Company's framework is designed to demonstrate the Board's and management's commitment to effective governance; and to meet the requirements of the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015 (the Code). The Company is not required to comply with the additional requirements of the Code for High Impact designated institutions. The Company has neither requested nor been granted any derogations from the Code during the reporting period.

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

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

Material changes made to the Company's system of governance during the reporting period are set out in sections B.1.1 and B.8 below.

B.1.1 Board of directors

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

The Board is composed of two members of the Company's executive management team and four non-executive directors, two of whom are independent.

The names of the directors of the Company at the reporting date are:

J. W. Hume (British)	Non-Executive Director, Chair of the Board and Risk Management Committee
A. Barrage (French)	Executive Director
P. M. Murray (British)	Independent Non-Executive Director and Chair of the Audit Committee
D. J. Watson (British)	Executive Director and Chief Executive Officer
R. J. P. Webb (British)	Non-Executive Director

The following changes (resignations) to the board of directors took place during the reporting period:

- C. M. Dill, Independent Non-Executive Director, resigned as Independent Non-Executive Director with effect from 11th April 2019.

- D.J. Watson resigned as Executive Director and Chief Executive Officer with effect from 31st December 2019.

The following changes (appointments) to the board of directors have taken place since the end of the reporting period:

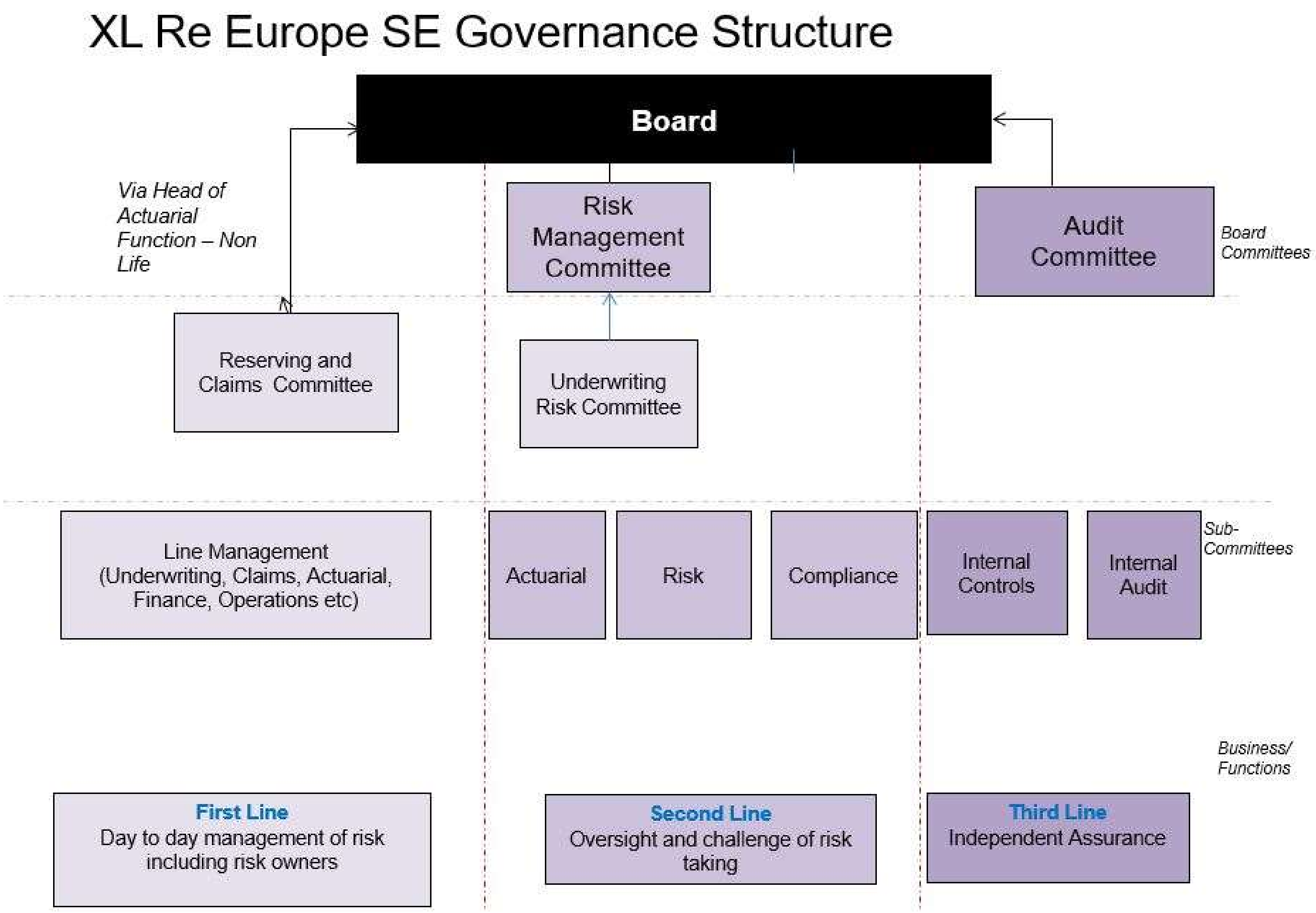
- J.P. Welch was appointed as an Executive Director and Chief Executive Officer with effect from 1st January 2020.

- B.R. Joseph was appointed as an Independent Non-Executive Director with effect from 1st January 2020.

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

Governance structure

The Governance structure of the Company is set out below.



B.1.2 Board committees

The following committees have been established by the Board:

Audit Committee

The Audit Committee is chaired by an independent non-executive director. All members of the Audit Committee are non-executive directors. The Audit Committee meets at least twice annually, to coincide with financial reporting dates and more frequently as required. Its role is to assist the Board in relation to the following activities:

- Review and oversight of the Company's financial reporting process;
- Review and oversight of the Company's internal and external audit functions;
- Monitoring of the Company's systems of internal controls;
- Review of the Company's financial performance; and
- Establishing a procedure for the selection of a statutory auditor.

The Audit Committee reports directly to the Board.

Risk Management Committee

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

- monitor all material risks associated with the strategic direction of the Company's business;

- advise the Board on the effectiveness of strategies and policies with respect to maintaining both internal capital and own funds which are adequate to cover the risks of the Company; and
- provide review and challenge to the Company's RMF including risk strategy, risk appetites, stress testing, and risk oversight arrangements.

The RMC reports directly to the Board.

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

Dissolution of Governance Committee

During February 2020 the Board approved the dissolution of the existing governance committee (Governance Committee). Its membership had been composed of the CEO and senior management. Its role had been to ensure that the Company complied with regulatory requirements and standards and conducted its business in accordance with the highest ethical standards. It was also responsible for assessing the effectiveness of underwriting and claims governance; and for reviewing and monitoring outsourced functions. The duties of the Governance Committee have been appropriately delegated to senior management for 2020.

Three Lines of Defence Model

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

B.1.3 Key functions

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

Each of these Key Function holders:

- Operates under the ultimate responsibility of, and reports to the Board or Board Committee as appropriate;
- Cooperates with the other functions, where appropriate, in carrying out their roles;
- Is able to communicate, at their own initiative, with any staff member and have the necessary authority, resources and expertise and have unrestricted access to all relevant information necessary to carry out their responsibilities; and
- Promptly reports any major problem in their area of responsibility to the Board.

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

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

Risk Management Function

The Chief Risk Officer ("CRO") leads the Company's risk management function and is responsible for maintaining and monitoring the effectiveness of the Company's risk management system. The CRO plays a key role in the operation of the

RMC. The key governance and operational responsibilities are set out in terms of reference which are reviewed annually by the RMC. The CRO reports to the Board periodically and has direct access to the Chairman of the Board. Further information about the risk management function is set out in Section B.3.

Compliance Function

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

Actuarial Function

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

Internal Audit

The Head of Internal Audit (HoIA) leads the Company's internal audit function, supported by the AXA XL Internal Audit Department. Their key responsibilities are set out in an audit charter, which is reviewed annually by the Audit Committee. The HoIA reports directly to the Audit Committee. Further information about the internal audit function is set out in Section B.5.

Other critical and important functions

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

B.1.4 Remuneration policy and practices

The AXA XL Division of AXA Group, of which the Company is a part, maintains a Remuneration Policy, the purpose of which is to outline how the Company ensures that the setting of remuneration is appropriate and transparent, and promotes sound and effective risk management within approved risk tolerance limits. The Company formally adopted the AXA XL Division Policy and operated in conformity with it throughout 2019. The Remuneration Policy contains a multi-tiered governance and compliance structure including oversight at the AXA Group, AXA XL Division and Company levels. Together, the AXA Group and AXA XL Remuneration Policies are designed to support AXA Group and AXA XL's long-term business strategy and to align the interests of its employees and other stakeholders, by:

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

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

- Fixed Remuneration (comprised of base salary and other fixed allowances) - The Company considers multiple factors - including an individual's role and responsibilities, performance, experience, expertise and peer market compensation information in setting target levels of base compensation.

- Variable Remuneration - Individual bonus awards are determined based on performance reviews of individual and overall performance and are fully discretionary, allowing for full flexibility to award no variable remuneration if warranted. Staff have a bonus target amount expressed as a percentage of base pay. Individual bonus pay-outs are capped at 200% of individual target, which prevents employees from taking excessive risks to obtain an excessive pay-out.

- Long-Term Incentive Plan - Long-term incentive awards are reserved for those who perform at a high level, with the recipient's anticipated future contributions, individual potential and unique skills taken into consideration. Grants of long-term incentives are based on sustained individual performance and criticality of skills.

Supplementary Pension Schemes

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

Material related party transactions

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

B.2. Fit and proper requirements

B.2.1 Qualifications of the board and key function holders

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

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

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

B.2.2 Recruitment process

All permanent recruitment within the Company is undertaken in accordance with the applicable fitness and probity standards.

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

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

Human Resources (HR) undertake, on an outsourced basis, a series of checks in relation to a candidate after an offer has been communicated to them. The offer of employment is made subject to the satisfactory completion of detailed relevant background checks. These checks are commensurate to the seniority of the position and if the checks are not completed to the Company's satisfaction or the candidate provides false or misleading information, the Company reserves the right to withdraw the contract. For Senior Management Functions, Key Function Holders and Certification Regime positions these checks include:

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

B.2.3 Code of conduct

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

B.2.4 Fit & Proper Reassessment

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

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

B.3.1 Risk management framework ("RMF")

The Company faces strategic, financial and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment, reserving, changes in laws or regulations, information systems, business interruption, and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on the Company's profitability, capital strength, and liquidity. This is managed by the Risk Management function, an integrated part of all business processes, who define and deploy the RMF.

The RMF is governed by the RMC and the risk appetite are recommended for approval to the Board. The risk plan would be reviewed more regularly than annually if the Company was subject to a major change in regulatory requirements, strategy or organisational structure. The aim of the RMF is to The RMF is governed by the RMC and the annual plan for the Risk Management function is recommended for approval to the Board. The risk plan would be reviewed more regularly than annually if the Company was subject to a major change in regulatory requirements, strategy or organisational structure. The aim of the RMF is to

- Support business objectives and strategy;
- Obtain management information to facilitate the identification and understanding of material risks including related mitigants;
- Contribute to the Company's overall internal control framework by helping to manage the inherent complexity within the business;
- Support the Company's Risk Management standing; and
- Support regulatory risk management requirements.

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

Risk Management Strategy

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

The risk management strategy is to ensure that risk implications, as well as reward, are considered in both setting and implementing the Company's strategic and business objectives, and risks associated with the strategic direction of the business are appropriately monitored. The strategy is articulated in the risk policies and is achieved by incorporating risk processes, information and decisions in the day to day running of the business.

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

- Retaining risk within an approved risk appetite that is consistent with the Company's strategic objectives, with appropriate levels of capital with excess held by the Company;
- A diversified portfolio of underwriting and financial markets risks;
- Managing excessive aggregation risk via a limit framework;
- Exercising consistency and transparency of risk management and control across the Company;
- Risk mitigation on key underwriting and financial market risks to protect capital from the impact of extreme events; and

- Risk reporting to the RMC, the Board and other stakeholders (e.g. regulators).

Risk Appetite Framework (RAF)

The Company's RAF is a key dimension of the risk management strategy and mirrors the AXA Group RAF. The RAF distinguishes between 'Risk Appetite Statements' which apply to multiple risk types, and 'Risk Appetite Exposures' which apply to single risk types. In addition, there exists the potential for additional 'Risk Indicators' which are not explicitly specified in the scope of the RAF but are identified as required by the Company. The RAF is used to provide governance for setting new monitoring requirements, as well as reviewing and updating existing risk appetite statements, tolerances and limits, so that these are aligned with business and risk management strategies. The Company's RAF focuses on regulatory capital at risk, tolerances to risks from material individual events (e.g. natural catastrophes (NAT CAT), RDS that cross multiple lines of business etc.), liquidity standards, tolerance to specific investment related risks and operational risk. The Board approved risk appetites and risk tolerances were reviewed during the 2020 business planning process and it was determined that all statements and tolerances were appropriate to allow the Company to execute the 2020 business plan.

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

- **Risk Governance -** a clear and cost-effective organisational structure for risk management, including clear roles and responsibilities. The Company operates a 'Three Lines of Defence' governance structure, at a functional level as well as a management committee level.
- **Risk Policies & Standards -** AXA and the Company recognises the importance and value of a consistent approach to governance, supported by an effective RMF. This is particularly relevant in the context of Solvency II and other regulatory requirements to ensure that there is a clear understanding of risks, both locally and Group-wide. The policies document the Company's approach to the management of each category of risk to which the Company is exposed. These policies are supported by AXA Group Standards which apply across the Division.
- **Risk definition and categorisation -** provides a common risk universe and language for risk to allow for categorisation of all risks in a way which facilitates links between the business and risk management processes.
- **Risk cycle and processes -** the approach taken to top down, bottom up, and process led - risk identification, quantification, management and control. The (non-approved) internal model is used in the risk assessment process.
- **Risk-based decision making -** The results of the ORSA and the insights gained in the ORSA process are taken into account for a range of business decisions.
- **Risk Management Information and Reporting, including ORSA Production -** ensuring timely and accurate information is reviewed in line with the governance structure.
- **Skills, Resources and Risk Culture; Organisational Learning; Change Management Governance -** All enable a mature risk culture throughout the Company.

Risk Reporting

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

The RMF remains appropriate for 2020.

B.3.2 Own risk and solvency assessment

The Company's Own Risk and Solvency Assessment (ORSA) process includes all of the material risks, processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face. It also assists to determine the own funds necessary to ensure that the Company's overall solvency needs are met at all times.

The Regulatory Capital Requirement is derived using the Solvency II Standard Formula profile. In addition the Standard Formula results are presented to the RMC and the Board to provide a breakdown of the risk exposures to inform and drive risk and capital based decision making.

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

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

ORSA governance

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

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

B.4. Internal control system

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

In addition, assurance on the controls around financial reporting is provided by the AXA XL Internal Financial Control (IFC) team. This team provides reasonable assurance that financial reporting is reliable and compliant with applicable laws and regulations and provides comfort over the completeness, accuracy and appropriateness of data.

B.4.1 Internal Controls

The IFC function is committed to promoting a robust internal financial control framework for the Audit Committee, executive management and external stakeholders to rely on for financial and regulatory reporting purposes.

The IFC’s core strategic objectives include:

- Conducting an effective and efficient assessment of the design and operating effectiveness of internal controls over financial reporting;
- Identifying areas in which the inherent risk of financial misstatement is high so that management can address these risks before they manifest themselves in an actual misstatement;

- Providing executive management, the Company's Board and AXA Group reasonable assurance over AXA XL's financial reporting processes; and

- Adding value by helping management promote a robust control environment.

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

B.4.2 Compliance function

The compliance function is responsible for advising the Company’s management and board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with the Solvency II Directive and other local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to AXA XL’s operations. AXA XL’s compliance function provides expertise, advice and support to various departments of the Company to assess situations and compliance matters, analyse compliance risk and contribute to design solutions to mitigate those risks to which AXA XL is exposed.

AXA XL’s compliance, financial crime and monitoring functions manages a wide range of compliance related matters including (i) regular reporting on significant compliance and regulatory matters to senior management and to regulators, (ii) financial crime matters (which include anti-corruption, anti-bribery, anti-money laundering programs as well as international sanctions/embargo compliance), (iii) data privacy, (iv) employee Compliance & Ethics Guide, (v) the monitoring of compliance and regulatory risks.

The Company’s compliance function undertakes an annual Compliance Risk Assessment to identify the most significant compliance risks to which the business is exposed. Based on this assessment, an Annual Compliance Plan is developed at the end of each year for the following year.

The compliance activities within AXA XL are articulated around a number of Group Standards and Policies which set the minimum requirements expected to be covered by AXA XL. The AXA Group Standards (GS) and Policies contain standards and policies on significant risks affecting the compliance activities as well as the high level control and monitoring principles to which AXA XL must adhere. Both the GS and supporting policies (e.g. Compliance Governance, Anti-Money Laundering, Sanctions, Anti-Bribery) are mandatory. In addition, the compliance function has adapted the Group requirements and developed local policies to align with the relevant laws and regulations in the jurisdiction in which AXA XL operates and conducts business.

On a quarterly basis the Company’s compliance function reports directly to the Board on significant compliance matters. These include major regulatory changes that have compliance implications, results of the Compliance Risk Assessment, the Annual Compliance Plan, remediation plans and any other significant issues that require escalation.

B.5. Internal audit function

The Head of Internal Audit for the Company reports to the AXA XL Chief Audit Executive and has a direct and unfettered reporting line directly to his/her respective Audit Committee Chairman. The Chief Audit Executive for AXA XL functionally reports through to the AXA Group Head of Audit who reports to the AXA Group Audit Committee Chairman.

Internal Audit exists to help the Board and Executive Management protect the assets, reputation and sustainability of the organisation by providing an independent and objective assurance activity designed to add value and improve the organisation’s operations. It helps the organisation meet its objectives by bringing a systematic, disciplined approach to challenge executive management and evaluate the effectiveness of risk management, control and governance processes.

The internal audit function has an audit charter to document its mission, independence, scope, accountabilities, responsibilities, authorities and standards. The charter is approved by the Company’s Audit Committee each year.

Internal Audit annually sets up an internal audit plan of work, based on an assessment of both the inherent risk and the adequacy of controls. Its performance is formally monitored and reported to the Audit Committee.

Over the audit cycle, all applicable Common Audit Universe categories for each entity are expected to be audited. Any exceptions identified are notified to the Audit Committee for ratification.

A report is issued at the conclusion of each audit assignment to the relevant senior management. The results of the audits and resolution status of internal audit issues are presented to the Audit Committee and executive management on a regular basis.

B.6. Actuarial Function

B.6.1 Roles and Structure

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

B.6.2 Reports of the Actuarial Function to the Board and Regulators

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

B.6.3 Actuarial Function Responsibilities

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

- Estimating the gross and net technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions and explaining any material effect of change of data, methodologies or assumptions between valuation dates on the amount of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions and where relevant providing recommendations on internal procedures to improve data quality;
- Informing the Board on the reliability and adequacy of the calculation of technical provisions; overseeing the calculation of technical provisions in cases set out in Article 82;
- Assisting in the execution of the risk management framework and ensuring effective governance framework around the review and validation of loss reserves (including technical provisions), policyholder obligations and potential exposures, which includes:
    i. Regular contact by reserving actuaries with underwriting and claims teams;
    ii. Review of technical provision results by an escalating series of reviews from reserving actuaries to the Division Actuarial Function Holder;
    iii. Review of technical provisions to provide sufficient independence from management;
    iv. Independent external analysis of the reserving requirements; and

- Setting and maintaining actuarial standards to be applied across the business, ensuring that the actuarial methods and techniques are compliant with all the appropriate Group and local regulatory requirements;
- Providing, at least annually, an opinion on underwriting policy and overall reinsurance arrangements;
- Assisting with the underwriting process, including those surrounding pricing and design of underwriting contracts and risk transfer mechanisms;
- Helping to maintain a competent, effective and efficient approach to pricing;

- Comparing best estimates against experience.

Additional responsibilities relating to capital modelling:

- The Actuarial Function has an additional responsibility in contributing to the effective implementation of the risk management system, in particular with respect to offering insights related to the risk modelling underlying the calculation of the capital requirements within the internal model;

- The Actuarial Function is responsible for specifying which risks within their domain of expertise are covered by the internal model. The Actuarial Function also offers insights into the nature of dependencies between these risks.

B.7. Outsourcing

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

The Company outsources the following critical or important functions:

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

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

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

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

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

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

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

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

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

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

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

B.8. Any other information

The Company's governance framework is constantly evolving and to some extent involves the adoption of policies and procedures developed at group level, provided that such policies or procedures meet all of the Central Bank of Ireland's governance requirements. Following the acquisition by AXA of XL in September 2018, a review of the governance framework was continued during the reporting period as part of a formal integration plan, to ensure that compliance with applicable regulation is maintained for all entities in the AXA XL division, including the Company. One of the priorities of integration was to ensure that AXA Group standards, which are substantively similar to those of legacy XL, were adopted on a phased basis during 2019 and this was achieved.

PwC resigned as the Company's statutory auditor with effect from 4th June 2019, in order to comply with the Company's obligations arising from applicable auditor rotation regulations. PwC confirmed that there were no circumstances connected with their resignation which they considered should be brought to the attention of the Company's members or creditors. Mazars was appointed as statutory auditors of the Company with effect from 4th June 2019 for the reporting year ending 31st December 2019 and until the next AGM. It was noted that this appointment was based on a recommendation from the Board and the Audit Committee and based on a tender process carried out under the supervision of the Audit Committee.

As reported in section B.1.1

- a number of changes to the Company's board of directors were effective during the reporting period; and
- the Company's governance committee was dissolved by the Board during February 2020.

No other material changes were made to the Company's system of governance during the reporting period.

C. Risk Profile

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

Risk Universe

The risk universe is based on the AXA Risk Grid as follows:

- Financial risks, including market, credit, and liquidity;
- Insurance risk;
- Operational risk;
- Other risks, including emerging risks, reputational risks, and strategic & regulatory risks;
- Intangible risk (intangible assets).

As outlined in section B.3.2 the Standard Formula is used to calculate the regulatory capital requirement and the Internal Capital Model (ICM) is used as a risk management tool until the Company's Internal Model is approved. A full breakdown of the key risk drivers of the Standard Formula SCR can be found in Section E.2.2 below.

There were no material changes to the risk profile in 2019 and there are no material changes to the risk profile of the Company as a result of the 2020 plan. The key risks continue to be natural catastrophe exposures and individual RDS across all lines of business. Although the net exposure to European Windstorm has reduced in 2019 it continues to be the main natural catastrophe exposure. Reserve deterioration risk is also a key risk for the Company.

The Company's rating along with other AXA XL core legal entities remains 'AA-' with stable outlook from S&P mainly driven by the strategic fit and core operation to the AXA Group. Additionally the rating from A.M. Best was upgraded from 'A' to 'A+' stable during the year.

C.1. Underwriting risk

Risk definition

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

limit

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

Risk identification

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

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

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

- **Reserving and claims process -** On an ongoing basis, claims trends are monitored and analysed for any indications of change in the nature of the underlying insurance risk;

- **Risk Management risk assessment process -** Through the internal model, the Company quantifies existing risks and also identifies new risks;

- **RDS and other scenarios -** Used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits.

Risk mitigation

Reinsurance purchase

The Company participates in AXA XL managed outwards 3rd party reinsurance ceded risk transfer programme to support the Company's underwriting strategy within risk appetite and to ensure efficient use of capital. AXA XL work with the AXA Group Reinsurance entity (AXA Global Re) on the outwards reinsurance strategy placements. Business ceded varies by location and line of business based on a number of factors, including market conditions. The goals of the outwards reinsurance risk transfer programme include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. The overall goal of the programme is to reduce volatility and enhance overall capital efficiency.

The adequacy of the AXA XL reinsurance strategy as a protection mechanism for the Company is considered and is approved by the Company Board as part of the annual business planning process, and the impact of that strategy is monitored quarterly by both the RMC and Board.

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

Actuarial Function

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

Rating adequacy

Underwriters are supported by dedicated teams of claims personnel and pricing actuaries. Premiums are set and adjusted based, in large part, on the industry group in which the insured is placed, the corresponding industry sector rating, and the perceived risk of the insured relative to the others in that group. The rating methodology used for individual insureds seeks to set premiums in accordance with claims potential. Underwriting guidelines and policy forms differ by product offering as well as by legal jurisdiction. Pricing tools are specialised and generally operate by line of business.

Underwriting authorities and guidelines

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

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

Risk monitoring

On a quarterly basis catastrophe exposures are measured, monitored and reported to the RMC and Board. This monitoring is both on an exposure (aggregate for CAT risk type) and per-risk basis. RDS are also produced twice a year and monitored and reported to RMC and Board. In addition Large Losses are regularly monitored at Board and Executive level.

In relation to event risk management, net underwriting risk tolerances are established for the individual largest events in the risk profile. These are captured through risk reporting to the RMC and Board and monitored as part of the RAF.

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

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

Stress testing framework

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

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

Natural catastrophe exposure results, and RDS exposure results, are used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits. RDS's are produced a minimum of twice per year to understand the Company's exposure to defined non-Nat Cat scenarios, which have been designed by experts and cover both short and long tail lines of business and cross class event exposures. The RMC (and Board) are informed of results of stress tests performed via risk dashboards and the ORSA report throughout the year where discussions and challenge include whether the results fall within relevant approved risk tolerances and limits.

The company reviews a range of extreme scenarios intended to stress our capital position and also take a view at the 1% TVaR, which is the point our natural catastrophe underwriting limits and many of our appetites are set. Considering the 1% TVaR underwriting risk, our key natural catastrophe for the Company is an intense windstorm impacting northern Europe and in particular Austria, Belgium, Switzerland, Germany, France, Ireland, Luxemburg, Netherlands, Poland, United Kingdom and offshore northern Europe. The 1% TVaR exposure is set on a net occurrence exceedance probability ("OEP") basis which is calculated using RMS. The Company's largest RDS exposure is to Casualty: Mono Line Clash (A product is found to be defective causing death and serious injury to a number of individuals). The capital above the SCR is greater than either the 1% TVaR European Windstorm or the largest RDS.

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

C.2. Market risk

Risk definition

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

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

Additional Market risk components include;

- Real Estate
- Hedge Funds
- Dynamic Hedging Basis Risk
- Private Equity
- Inflation
- Dynamic Hedging Transaction Cost

Risk identification

The Company identifies market risk through the following processes:

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

Risk mitigation

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

Strategic Asset Allocation

The Strategic Asset Allocation (SAA) process at AXA XL Division level establishes a benchmark that is constructed to maximise enterprise value, subject to various considerations and constraints. It is subject to the risk tolerances recommended by management and is approved at least every 3 years by the Company's Board.

- **Authorities Framework / Risk Appetite Framework**

  As part of the implementation of AXA XL's SAA Benchmark, a comprehensive framework of Investment Authorities are employed at AXA XL Division level. The objective of the Authorities Framework is to ensure that the risk profile of the investment portfolio is consistent with AXA XL's risk tolerance and liabilities in conjunction with the Divisional Risk Appetite Framework. The Authorities Framework controls active or tactical deviations from the SAA Benchmark. As the magnitude of these deviations increases or the resulting impact on the risk profile of the investment portfolio reaches certain predetermined thresholds, additional levels of authority and approval are required. The Company has a corresponding set of Risk Appetite Framework limits which is aligned with AXA XL Division and local constraints.

The Investment Risk Management Policy and Company Risk Appetite Framework market risk limits address the key market risk factors and are commensurate with the volume and complexity of activity undertaken by the Company.

- **Service level agreements**

  Service level agreements are in place between XLGIL and the Company. These include guidance on type of investments and the average weighted credit ratings of the portfolio that can be made on behalf of the Company. Adherence to policies and limits are monitored and signed off on a regular basis and subject to monitoring and reporting to the Company's Board as described below.

Currency risk mitigation

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

XL Re Europe exposure by currency as at 31 December 2019 and 2018:

		2019	**2018**
Currency name	**Currency**	**Net Assets/ (Liabilities) %**	**Net Assets/ (Liabilities) %**
Euro	EUR	47%	95%
United States dollar	USD	20%	10%
British pound	GBP	21%	5%
Israel New Shekel	ILS	7%	—%
Australian dollar	AUD	1%	(2)%
Swiss Franc	CHF	1%	1%
Hong Kong dollar	HKD	—%	—%
Danish krone	DKK	—%	(1)%
Canadian dollar	CAD	2%	(2)%
Other	OTH	1%	(6)%
		100%	100%

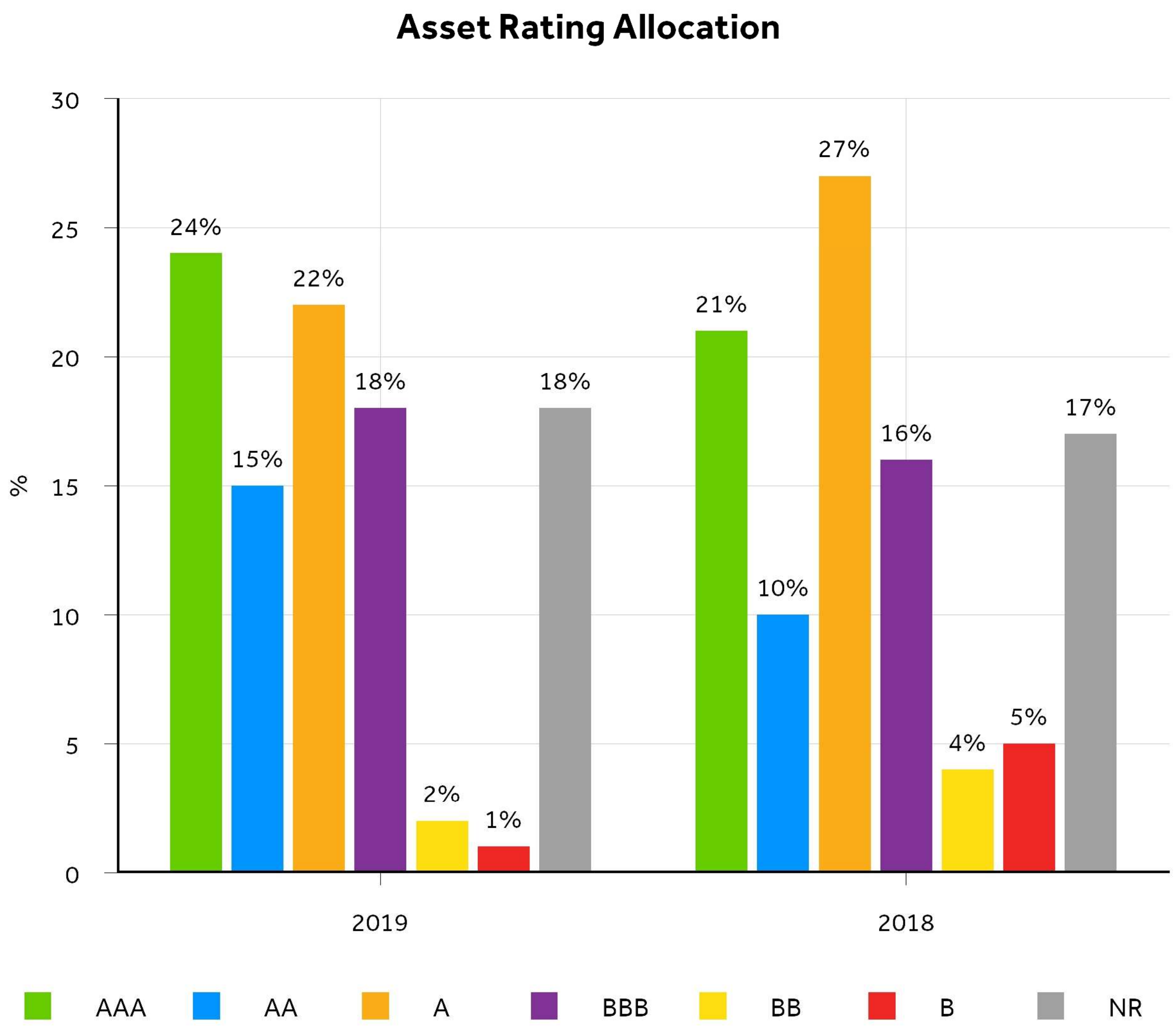
Risk monitoring

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

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

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

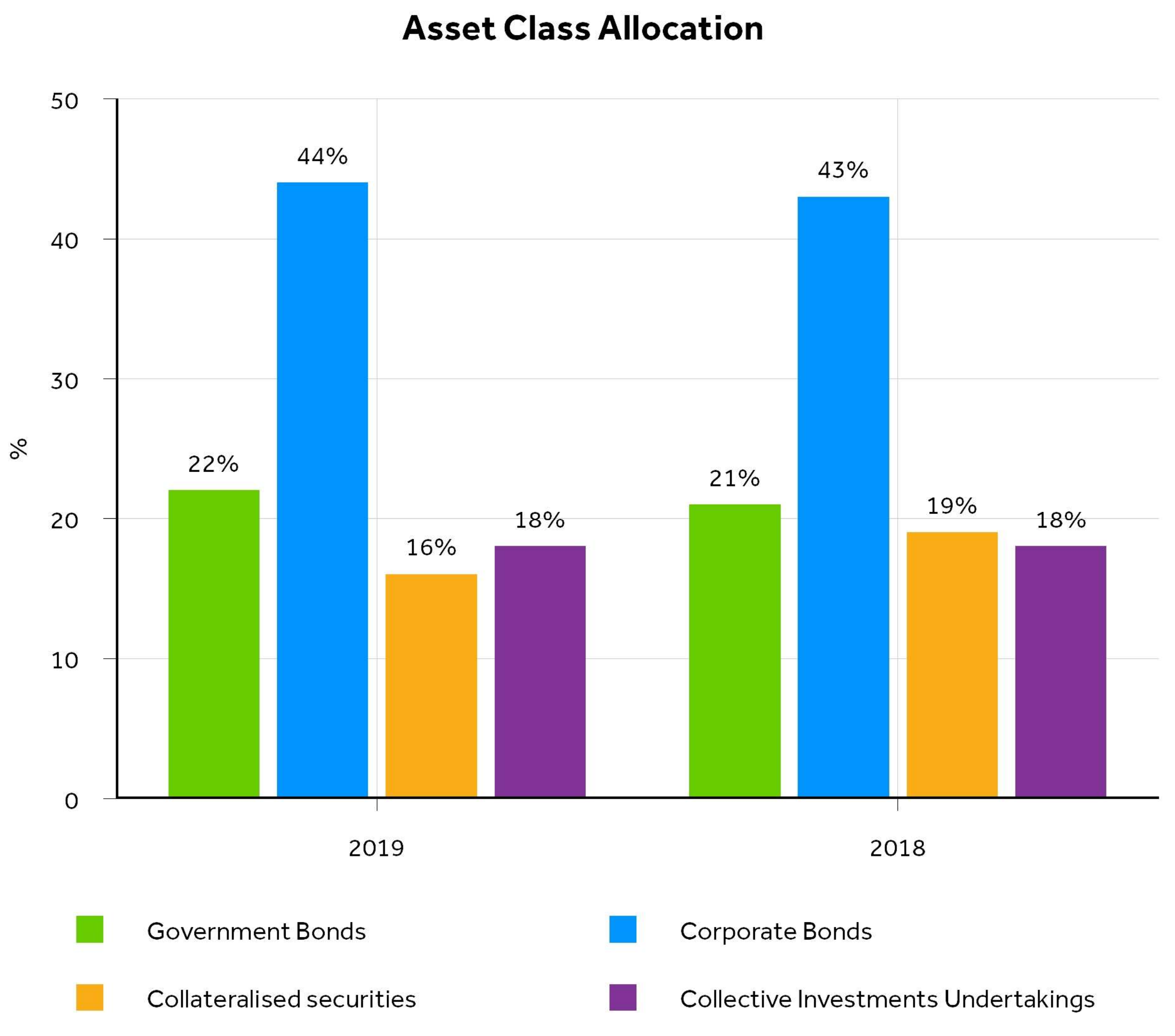
XL Re Europe portfolio rating allocation



AAA have decreased year on year due to a decrease in our government bonds holdings from a monetary and overall percentage of the portfolio perspective with that reallocation primarily going to A rated collateralised securities.

Investments which we consider collective investment schemes under SII are included in the NR category where a credit rating was not available. These holdings have decreased year on year increasing the relative percentages of the other categories compared to the prior year.

XL Re Europe portfolio asset class allocation



As mentioned under credit ratings, our government bonds and Agency MBS holdings, classified as Corporate Bonds under Solvency II, decreased year on year with a corresponding increase in A rated collateralised securities.

Risk appetite

Risk appetite and compliance with investment guidelines and authorities is captured through risk reporting to the RMC and Board and monitored (actual valuation compared to both alert and limit levels) as part of the RAF. The Company monitors and manages Market risk via a number of agreed risk appetite indicators and statements.

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

Stress testing framework

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

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

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

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

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

C.3. Credit risk

Risk definition

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

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

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

Additional Credit Risk components include:

- Mortgage

Risk identification

The Company identifies credit risk through the following processes:

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

Risk mitigation

Credit risk is managed through:

- **Credit risk framework -** Credit risk arising from credit sensitive underwriting activities is managed via the underwriting limit framework. Credit risk in the investment portfolio is managed through various frameworks applied at AXA XL and Company including Authorities & Guidelines, Fixed Income Concentration, Sovereign Risk Appetite, and Country of Risk. These address the credit quality of obligors and counterparties, diversification, exposure vs limits by rating, term and seniority, and quantitatively evaluate credit risk following a robust Credit VaR methodology. FRM Internal Credit Ratings (ICR) have been developed by taking into account the Group Credit Team (GCT) Internal Rating to decrease the dependency toward the 3 main Rating Agencies. Exposure to credit spreads primarily relates to market value and cash flow variability associated with changes to credit spreads. Credit spreads in the investment portfolio are regularly reviewed in terms of the inherent potential for downgrade of individual obligors as well as the wider impact on the overall credit risk of the portfolio.

- **Intra-group credit arrangements -** The Company has an internal reinsurance arrangement with XLB Ltd under a quota share arrangement that cedes losses after internal and external reinstatements premiums and outwards reinsurance (retrocession protection).

- **Underwriting authorities and limits -** See C1 Underwriting Risk.

- **Investment portfolio -** Credit risk is also managed through the credit research performed by external investment management service providers, Group Risk Management, and the in-house portfolio management team.

- **Reinsurance Security Department -** The Company manages its credit risk in its external reinsurance relationships by transacting with reinsurers that it considers financially sound, and if necessary, collateral in the form of funds, trust accounts and/or irrevocable letters of credit may be held. The following table outlines the Company's top external reinsurance credit exposures as at 31 December 2019

		2019	2018
Non-Life Reinsurer	**Rating**	**% of exposure**	**% of exposure**
Endurance Speciality Insurance	A	23%	1%
Ariel (Synd.#1910)	A	23%	17%
Harbour Point	A	16%	1%
St. Paul Fire and Marine Insurance Company	AA	14%	14%
Gothaer Ruck AG	A	9%	8%
Ge Frankona Reinsurance Ltd	A	7%	10%
Alea Europe Ltd	A	6%	11%
Ace Europe Ltd	AA	2%	38%

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

- **Premium payment and brokers -** The Company underwrites a significant amount of its (re)insurance business through brokers and credit and premium risk exists should any of these brokers be unable to pay premium due. A list of approved broking houses is maintained.

Risk monitoring

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

Investment portfolio

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

Stress testing framework

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

AXA S.A. Credit Facility.

The Company may benefit in part from a $1bn multi-currency facility, which AXA S.A. entered into July 2019, with the main insurance and reinsurance carriers of AXA XL. The credit agreement allows for letters of credit to be issued in a variety of currencies.

No letters of credit have been issued to the Company.

C.4. Liquidity risk

Risk definition

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

Risk identification

The Company identifies liquidity risk through the following processes:

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

Risk mitigation

One of the principal objectives of liquidity risk management is to ensure that there is readily available access to funds with which to settle large or multiple unforeseen claims. It is generally expected that positive cash flow from operations (underwriting activities and investment income) will be sufficient to cover cash outflows under most future loss scenarios. However, there is a possibility that unforeseen demands could be found due to extraordinary events and, as such, liquidity needs changing.

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

Liquidity risk is managed through:

- **Investment Portfolio Liquidity -** It is required that the legal entity hold sufficient unencumbered liquidity resources to be able to withstand a major natural catastrophe and capital markets shock along with stressed operating cashflows without the need for additional assets. This test is performed quarterly and focuses on four distinct time horizons: one week, one month, three months and one year.

- **Asset-Liability Management** - See section C.6 for further details of the ALM framework.

- **Special funding clauses -** The major source of liquidity risk within underwriting contracts is the provision of rating triggers, which are common practice. These triggers typically necessitate the cancellation of the policy and the return of the cedant's unearned premium in the event of being downgraded below a certain rating level, which has the potential to be a material liquidity event when aggregated. There are controls in place to ensure that there is appropriate authorisation for the inclusion of a downgrade clause in a contract.

Risk monitoring

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

Risk appetite

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

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

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

Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including liquidity risks. A stressed liquidity analysis report is prepared on a quarterly basis by Treasury, which includes the Company’s own view of the stressed sources and uses of liquidity over multiple time horizons (ranging from 1 week to 12 months).

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

Expected profit in future premium

Expected profit in future premium is the combination of profits in both unearned premium and bound but not incepted premium. The expected profit in future premium at December 31, 2019 was €8.3m compared to €5.5m at December 31, 2018.

The movement in expected profit during the year was due to a reduction in the ceded external BBNI.

C.5. Operational risk

Risk definition

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

Risk identification

Operational risk is identified through the following processes:

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

Risk mitigation and monitoring

The Company's risk register takes into account the controls in place that mitigate specific risks. The nature of the controls and the strength of control exercised are based upon the:

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

Purchase of Reinsurance

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

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

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

Risk appetite

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

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

Stress testing framework

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

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

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

- To monitor against tolerances;
- To better understand economic and reputational impact of the identified top operational risk exposures; and
- To parameterise the operational risk module in the ICM.

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

C.6. Other material risks

Asset liability mismatch risk

Risk definition

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

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

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

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

Risk identification

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

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

Risk treatment

The Company controls asset liability mismatch risk through:

- **Asset Liability Management (ALM) analysis -** The Company will conduct detailed ALM analyses to match the average duration and currency of its liabilities with appropriate assets. The SAA process which it follows determines the target allocation that maximises the value of the Company subject to risk tolerance and other constraints. The SAA takes into account management's risk tolerance, liability cash flows, business plan, liquidity considerations, capital market forecasts and regulatory considerations. The ALM/SAA process is centralized at the AXA XL Division level and then target allocations are propagated down to the legal entity level further taking into account local considerations. This is typically performed annually and is mandatory to be completed at least once in every three years.

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

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

Stress testing framework

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

Strategic risk

A strategic risk is the risk that a negative impact (current or prospective) on earnings or capital, material at the Divisional level, arises from a lack of responsiveness to industry changes or adverse business decisions regarding:

• Significant changes in footprint, including through mergers and acquisitions;

• Product offering and client segmentation;

• Distribution model (channel mix including alliances/partnerships, multi-access and digital distribution).

Given the nature of strategic risks, there is no capital charge assessment but rather a strong strategic RMF in place in order to assess, anticipate and mitigate these risks.

Reputational Risk

Reputation risk is the risk that an event will negatively influence the stakeholders' perceptions of the company. AXA XL maintains a Reputational Risk Framework which encompasses a set of planned actions and policies established, while reputation problems are still latent, to reduce the probability and/or the expected costs of latent reputation problems becoming actual.

Emerging Risks

Emerging risks are risks which may develop or which already exist that are difficult to quantify and may have a high loss potential. To assess the impact of emerging risks at AXA XL, the Emerging Risks Committee as well as Emerging Risks Task Force are tasked with identifying, analysing, prioritising, quantifying, monitoring and reporting on emerging risks that could have an impact on our existing and future product offerings and business operations. The Emerging Risks Committee and Task Force work together to undertake both strategic and risk management processes, assisting in identifying potential opportunities in the market and providing thought leadership around emerging risk issues to optimise underwriting and strategic decisions. The views and findings of the emerging risks team feed into the capital model.

Climate Change

As part of AXA, and AXA XL Division, the Company benefits from being part of widely supported climate change initiatives. Since becoming part of AXA, and aligning with AXA strategy, the AXA XL Division and entities within the Division, have adopted AXA's Corporate Social Responsibility Policy. As a result, business written has been adjusted to account for an underwriting approach that restricts coverage for risks relating to Coal and Oil-sands related assets, and arctic drilling .

Climate risks is a key area of risk consideration. There is a cross functional working group which includes Company representation, that meets on a regular basis to discuss climate risk and the associated action plans. Activities within the working group have included development of stress tests around climate risks and the consideration of future climate risk appetites.

Climate risks are considered in the context of:

- Physical risks: These are the first-order risks which arise from weather-related events, such as floods and storms. They comprise impacts directly resulting from such events, such as damage to property, and those that may arise indirectly through subsequent events, such as disruption of global supply chains or resource scarcity.
- Transition risks: These financial risks which could arise from the transition to a lower-carbon economy. This can include the potential impacts on the liability side resulting from reductions in insurance premiums in carbon-intensive sectors such as motor.
- Liability risks: These are risks that could arise from parties who have suffered loss and damage from climate change, and then seek to recover losses from others who they believe may have been responsible. Where such claims are successful, those parties against whom the claims are made may seek to pass on some or all the cost to insurance firms under third-party liability contracts such as professional indemnity (PI) or directors' and officers' (D&O) insurance.

To understand these risks within the Division, a number of workshops have been held with the underwriters, a review of wordings was undertaken, and an analysis of prior claims events performed, as well as a review of external data. The Company have used these to identify a set of "candidate stress tests". Furthermore, our operational resilience work considers the potential impact of climate change in terms of its impact on our office locations.

C.7. Any other information

There is no other material information regarding the risk profile.

D. Valuation for Solvency Purposes

This section contains information regarding the valuation of balance sheet items for solvency purposes. The Solvency II Balance Sheet S.02.01.02 is shown in the Public QRT section at the end of this report. A reconciliation between the Irish GAAP balance sheet and the Solvency II balance sheet is presented below. The numbering of line items refers to the comments which follow. Based on the differences in this template a reconciliation between the Irish GAAP equity and Solvency II equity is provided in Section E.1.2 below.

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

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

		2019			2018
	Reference	Irish GAAP Value	Adjustment	Solvency II Value	Solvency II Value
Assets		**€'000**	**€'000**	**€'000**	**€'000**
Deferred Acquisition Costs (DAC)	1	37,843	(37,843)	—	—
Deferred tax asset	2	—	35,114	35,114	25,857
Property, plant and equipment	3	54	—	54	101
Investments (excl participations)	4	1,695,929	46,561	1,742,490	1,736,403
Reinsurance recoverables	5	1,368,683	(373,478)	995,206	862,794
Deposits to cedants	6	154,672	—	154,672	115,022
Insurance and intermediaries receivables	7	401,662	(331,445)	70,216	33,327
Reinsurance receivables	8	198,421	(68,965)	129,456	45,759
Cash and cash equivalents	9	208,299	(35,039)	173,260	116,348
Any other assets, not elsewhere shown	10	31,836	(11,526)	20,310	1,561
Total assets		**4,097,400**	**(776,623)**	**3,320,777**	**2,937,172**
Liabilities					
Technical provisions (best estimates) - Non-Life & health similar to non-life	11	2,331,533	(603,041)	1,728,492	1,490,180
Technical provisions (risk margin) - Non-Life & health similar to non-life	11	—	192,466	192,466	153,752
Technical provisions (best estimates) - Life & health similar to life	11	104,496	121,020	225,516	208,672
Technical provisions (risk margin) - Life & health similar to life	11	—	15,948	15,948	13,583
Deposits from reinsurers	12	82,189	—	82,189	86,110
Deferred tax liabilities	13	20,730	(20,730)	—	—
Reinsurance payables	14	529,264	(253,122)	276,142	124,180
Any other liabilities, not elsewhere shown	15	33,273	—	33,273	42,013
Total liabilities		**3,101,486**	**(547,460)**	**2,554,027**	**2,118,490**
Excess assets over liabilities		**995,914**	**(229,163)**	**766,751**	**818,681**

D.1. Assets

This section describes the bases, methods and main assumptions used in the valuation for solvency purposes of each material class of assets. The material quantitative differences between the value of assets in the 31 December 2019 balance sheets presented in Section D above are explained. The numbering of the balance sheet line items refers to the comments below. Based on the differences in this template a reconciliation is prepared to reflect the difference between the Irish GAAP equity and Solvency II equity. No significant changes were made to the recognition and valuation bases or to estimations applied to assets or liabilities during the year.

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

I. Undertakings must use quoted market prices in active markets for the same assets or liabilities as the default valuation method, notwithstanding if the applicable GAAP would allow a different approach. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis;

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

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

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

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

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

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

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

3. Property, plant and equipment is held at cost less any depreciation and impairment loss under Irish GAAP. This valuation is a proxy for fair value under Solvency II. The immateriality of the balance also contributed to choosing this approach.

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

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

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

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

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

7. Insurance and intermediaries receivables under Irish GAAP are measured at cost less provision for impairment and are not discounted. The valuation differs to Solvency II due to the fact that that all of the not-yet-due insurance and

intermediaries receivables are transferred to technical provisions under Solvency II. As this is simply a balance sheet re-class between assets and liabilities there is no material impact on equity (apart from the fact that non-yet receivables are discounted within technical provisions). Only the due receivables remain in assets under Solvency II and are measured at cost less provision for impairment as a reasonable proxy for fair value given the short term nature of these assets.

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

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

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

D.2. Technical provisions

Items 5 and 11 from the Solvency II Balance Sheet in Section D above are combined below to present Net Technical Provisions:

		Solvency II Value	
		2019	**2018**
		€'000	**€'000**
Technical provisions (best estimates) - Non life & health similar to non life	11	1,728,492	1,558,884
Technical provisions (risk margin) - Non life & health similar to non life	11	192,472	163,813
Technical provisions (best estimates) - Life & health similar to non life	11	225,516	187,898
Technical provisions (risk margin) - Life & health similar to non life	11	15,948	11,965
Gross Technical Provisions		2,162,428	1,922,560
Reinsurance recoverables	5	(995,206)	(900,239)
Net Technical Provisions		**1,167,222**	**1,022,321**

D.2.1 Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

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

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

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

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

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

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

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

The Technical Provisions calculations do not apply the matching adjustment, volatility adjustment, or transitional measures referred to in Articles 77b, d and 308c, d of Directive 2009/138/EC.

The following table shows the total net Technical Provisions as at December 31 for each material line of business:

2019

€'000	Best Estimate	Risk Margin	Total	% of Total
Non-proportional casualty	459,019	130,602	589,621	51%
Non-proportional property	120,637	26,424	147,061	13%
General liability proportional reinsurance	75,310	9,954	85,264	7%
Others	227,384	25,492	252,876	22%
Total Non-Life	882,350	192,472	1,074,822	92%
Life Liabilities	76,452	15,947	92,399	8%
Total	**958,802**	**208,419**	**1,167,222**	**100%**

2018

€'000	Best Estimate	Risk Margin	Total	% of Total
Non-proportional casualty	443,147	110,891	554,038	54%
Non-proportional property	89,937	18,769	108,706	11%
Non-proportional marine, aviation and transport	75,353	9,832	85,185	8%
Others	181,940	24,321	206,261	20%
Total Non-Life	790,377	163,813	954,190	93%
Life Liabilities	56,165	11,965	68,130	7%
Total	**846,542**	**175,778**	**1,022,321**	**100%**

Non-Life Non-Proportional Reinsurance represents 66% of the Company's net Technical Provisions. The main methods and assumptions are applied consistently across all lines of business including standard actuarial techniques, chain-ladder method and Bornhuetter-Ferguson, which are used in the projection of the claims provisions. Major Events are identified and separately valued based on expected exposures to the Company.

Non-proportional casualty reinsurance

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

Non-proportional property reinsurance

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

Non-proportional marine, aviation and transport reinsurance

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

Risk Margin

The Risk Margin shall be such as to ensure that the value of the technical provisions is equivalent to the amount insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. The Risk Margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the obligations over their lifetime at a prescribed cost of capital rate of 6% per annum. XLReE project the run-off of each risk type individually with each future SCR for reserve risk re-calculated by line of business. This is simplification 1 of Guideline 61 of the Level 3 guidance on Technical Provisions.

Changes during the year

There has been no material change in the methodology or assumptions used to calculate the technical provisions during the year. Claim experience during the year which is different to that expected is generally reflected in the year-end provisions with the exception of the most recent underwriting years of long-tail classes which are reserved using a Target Loss Ratio approach.

D.2.2 Description of Recoverables from Reinsurance Contracts

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

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

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

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

D.2.3 Uncertainty/limitations associated with the value of the technical provisions

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

In particular, for the Company, inflation and legal trends affect non-proportional casualty provisions although this is mitigated due to the level of territorial and product diversification. The provisions for UK Periodical Payment Order claims are subject to uncertainty from longevity and the rate of escalation of the annual payments. Due to the predominance of 1st January incepting business the Premium Provision allows for a significant proportion of the annual underwriting risk on a best estimate basis, the actual performance may be significantly different and in particular from exposure to European Windstorm events as discussed in section C1.

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

D.3. Other liabilities

The following table details the value of each material class of other liabilities under both Irish GAAP and Solvency II at 31 December 2019 and comparatives for 2018.

		2019			2018
	Reference	Irish GAAP Value	Adjustment	Solvency II Value	Solvency II Value
		€'000	€'000	€'000	€'000
Deposits from reinsurers	12	82,189	—	82,189	89,055
Deferred tax liabilities	13	20,730	(20,730)	—	—
Reinsurance payables	14	529,264	(253,122)	276,142	161,546
Any other liabilities, not elsewhere shown	15	33,273	—	33,273	46,481
Total other liabilities		**665,456**	**(273,852)**	**391,604**	**297,082**

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

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

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

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

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

No significant changes were made to the recognition and valuation bases or to estimations applied to assets or liabilities during the year.

D.4. Alternative methods for valuation

Approximately 10% (2018: 1%) of other financial investments is invested in hedge funds. These funds are primarily valued based on the net asset value provided by the investment manager, which is in turn based on fair values of the funds' investments.

No investments (excluding participations) (2018: Nil) are valued using the unadjusted quoted price in active market for identical assets or liabilities at the measurement date. All remaining investments are valued using inputs that include: quoted prices for similar (but not identical) assets; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets.

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

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

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

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

D.5. Any other information

There is no other material information regarding the valuation of assets and liabilities for Solvency II.

E. Capital Management

E.1. Own Funds

This section provides a view of the capital management activities of the Company, its capital management methods and the structure, amount and quality of its own funds. Under Solvency II, capital is referred to as Own Funds. Own Funds are calculated from the excess of assets over liabilities in the Solvency II balance sheet, to which any subordinated debt is then added. This combined amount is known as Basic Own Funds. Total Own Funds may include Ancillary Own Funds which are off-balance-sheet items that can be called up to absorb losses, however, the Company does not have any Ancillary Own Funds. Own Funds are classified into tiers and restrictions are applied to limit the extent to which the various components of Own Funds can be used to meet the capital requirements. This section provides a view of the capital management activities of the Company, its capital management methods and the structure, amount and quality of its own funds. Under Solvency II, capital is referred to as Own Funds. Own Funds are calculated from the excess of assets over liabilities in the Solvency II balance sheet, to which any subordinated debt is then added. This combined amount is known as Basic Own Funds. Total Own Funds may include Ancillary Own Funds which are off-balance-sheet items that can be called up to absorb losses. The Company has €500m of Ancillary Own Funds. Own Funds are classified into tiers and restrictions are applied to limit the extent to which the various components of Own Funds can be used to meet the capital requirements.

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

The objective of Own Funds management is to maintain, at all times, sufficient Own Funds to cover the SCR and MCR. The Own Funds should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company allocates capital efficiently to achieve sustainable returns and facilitate growth and strive to maintain capital levels that are consistent with the Company's risk appetite, corporate strategy and statutory requirements.

The Company monitors its Own Funds and the Solvency Ratio at least quarterly and the Board receives a regular assessment of the capital position. In addition a dashboard of capital triggers is monitored to identify any instances which would require a recalculation of the standard formula capital requirement. The Committees which review solvency are described in more detail in Section B1 General Information on the System of Governance, and responsibility ultimately rests with the Company's Board. As part of Own Funds management, the Company prepares ongoing solvency projections and reviews the structure of its Own Funds and future requirements. The business plan, which forms the base for the Own Risk and Solvency Assessment (ORSA), contains a five year projection of funding requirements and this helps focus actions for future funding.

There have been no changes to the capital management objectives during the year.

E.1.2 Eligible Own Funds

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

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

	2019	2018
Reconciliation between equity shown in the financial statements and net assets per solvency II and eligible own funds	**€'000**	**€'000**
Net assets per financial statements	995,914	932,924
Adjustments for technical provision and risk margin under Solvency II	(247,159)	(176,717)
Adjustments for DAC	(37,843)	(32,300)
Deferred tax Adjustment	55,844	50,494
Other adjustments	(5)	667
Net assets per Solvency II	**766,751**	**766,067**
Foreseeable dividends, distributions and charges	—	(10,000)
Available and eligible own funds	**766,751**	**756,067**

Tiering of Basic Own Funds

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

2019	**Tier 1 - unrestricted**	**Tier 3**	***Total***
	€'000	**€'000**	**€'000**
Ordinary share capital	788,859		788,859
Net Deferred Tax Asset		35,114	35,114
Reconciliation reserve	(57,222)		(57,222)
Total Basic Own Funds	**731,637**	**35,114**	**766,751**

2018	**Tier 1 - unrestricted**	**Tier 3**	***Total***
	€'000	**€'000**	**€'000**
Ordinary share capital	788,859		788,859
Net Deferred Tax Asset		31,617	31,617
Reconciliation reserve	(64,409)		(64,409)
Total Basic Own Funds	**724,450**	**31,617**	**756,067**

The increase in own funds at year end 2019 is due to the fact that there is no dividend declared for 2019, as opposed to €10m declared in 2018.

The Company's ordinary share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a) (i) of the Delegated Regulation. The ordinary share capital is not subordinated and has no restricted duration. This year the directors did not recommend the payment of a final dividend (2018 €10.0m). The reconciliation reserve of

€(57.2m) (2018: €(64.4m)) comprises net assets from the Solvency II balance sheet of €766.8m (2018: €766.1m)less ordinary share capital of €788.9m (2018: €788.9m), dividend of zero (2018: €10.0m) and deferred tax asset of €35.1m (2018: €31.6m). The change in valuation of the reconciliation reserve is driven entirely by the change in net assets on the Solvency II balance sheet.

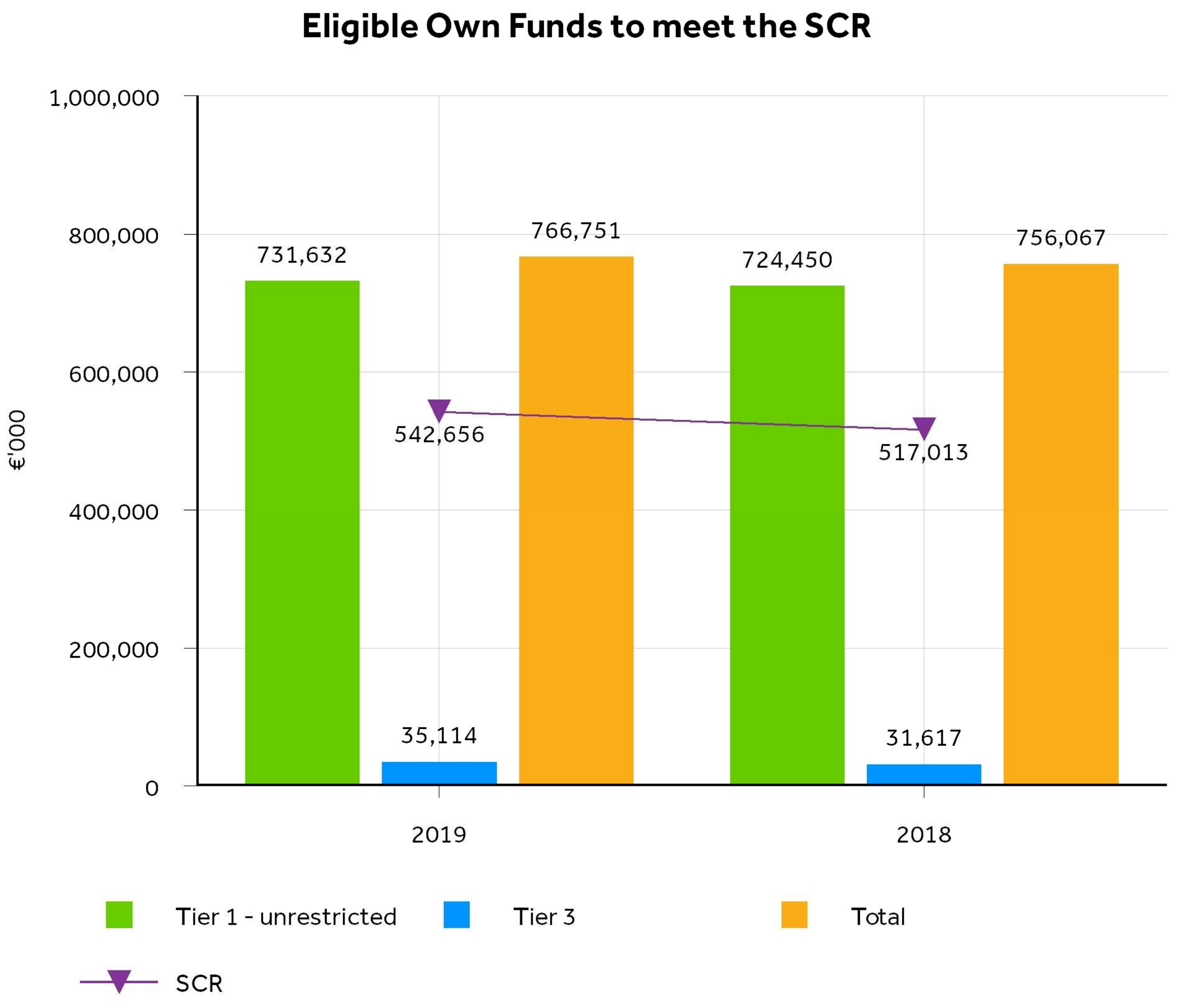
Eligible Own Funds

The classification into tiers is relevant to the determination of eligible own funds. These are the own funds that are eligible for covering the solvency capital requirement ("SCR") and the minimum capital requirement ("MCR"). For example the MCR must be covered by Tier 1 and Tier 2 capital and may not therefore be covered by Tier 3 capital.

Eligible Own Funds to meet the Standard Formula SCR and MCR at December 31, 2019 and 2018 is detailed below:

2019	**Tier 1 - unrestricted**	**Tier 3**	**Total**
	€'000	**€'000**	**€'000**
Total available own funds to meet the SCR	731,637	35,114	766,751
Total available own funds to meet the MCR	731,637	35,114	766,751

2018	**Tier 1 - unrestricted**	**Tier 3**	**Total**
	€'000	**€'000**	**€'000**
Total available own funds to meet the SCR	724,450	31,617	756,067
Total available own funds to meet the MCR	724,450	31,617	756,067



Eligible Own Funds to cover Capital Requirements

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

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

The table below shows the ratio of eligible Own Funds that the Company holds to cover the SCR and MCR at 31 December 2019 and 2018 :

	2019	2018
	€'000	€'000
SCR	542,656	517,013
MCR	176,763	157,854
Total eligible own funds to meet the SCR	766,751	756,067
Total eligible own funds to meet the MCR	731,637	724,450
	%	%
Ratio of Eligible own funds to SCR	**141.3%**	**146.2%**
Ratio of Eligible own funds to MCR	**413.9%**	**458.9%**

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR results

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

The SCR and MCR under the Standard Formula at 31 December 2019 and 2018 are set out below:

	2019	**2018**
	€'000	**€'000**
SCR	542,656	517,013
MCR	176,763	157,854

The Standard Formula process is owned by the Finance function and involves a cooperative cross-functional effort across the organization, with input from Risk, Finance, Actuarial, Underwriting, Underwriting Capital Management, Investments and other relevant stakeholders. The results are subject to various levels of review, including by Senior Management. The Company is not subject to any capital add-ons.

The Standard Formula MCR is calculated based on the same data sources used to produce the Standard Formula SCR.

The Company uses the Standard Formula to calculate its Minimum Capital Requirement ("MCR"). The amount of the MCR for the reporting period is €176.8m (2018: €157.9m).

	2019	**2018**
Overall MCR calculation	**€'000**	**€'000**
Linear MCR	176,763	157,854
SCR	542,656	517,013
MCR cap	244,145	232,656
MCR floor	135,664	129,253
Combined MCR	176,763	157,854
Absolute floor of the MCR	3,600	3,600
Minimum Capital Requirement	**176,763**	**157,854**

The main reason for the increase in the MCR was due to a change in the mix between proportional and non-proportional net technical provisions, with increases mainly in casualty and property.

The non-life MCR is based on factors applied to net premiums written amounts in the previous 12 months and the net best estimate technical provisions split by Solvency II class of business. The charge for premium and technical provision elements is then summed to create a total charge. The inputs used to calculate the MCR as follows:

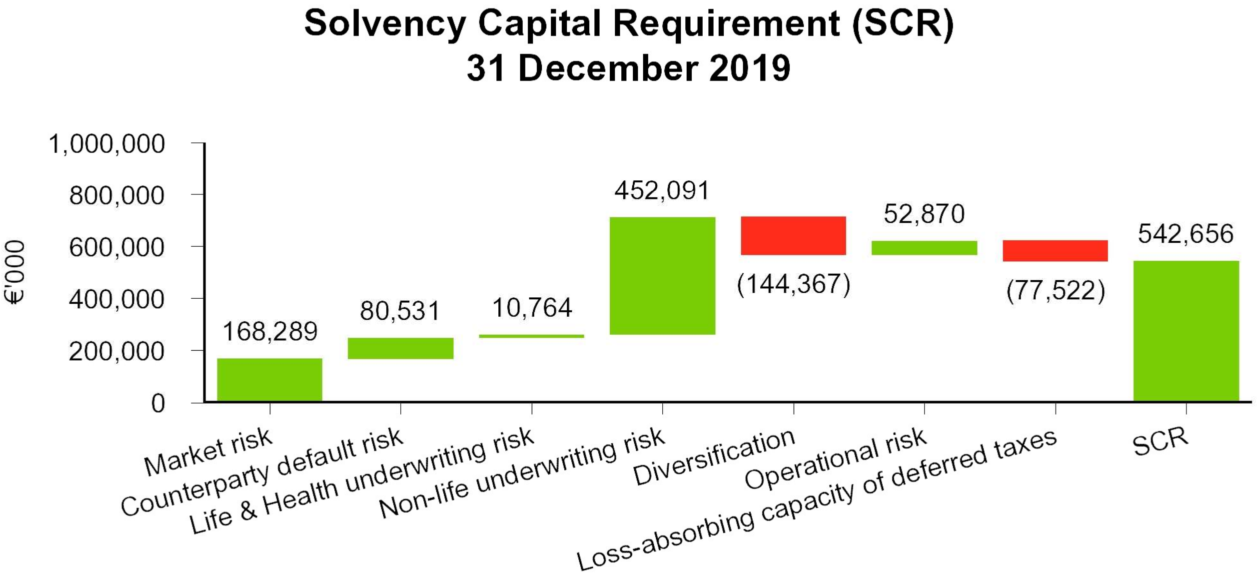
	2019	2018	2019	2018
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) best estimate and TP calculated as a whole**	**Net (of reinsurance) written premiums in the last 12 months**	**Net (of reinsurance) written premiums in the last 12 months**
	€'000	**€'000**	**€'000**	**€'000**
Income protection insurance and proportional reinsurance	618	280	1,484	601
Workers' compensation insurance and proportional reinsurance	2,475	2,949	162	618
Motor vehicle liability insurance and proportional reinsurance	88,838	60,955	44,635	34,862
Marine, aviation and transport insurance and proportional reinsurance	24,295	23,941	18,561	18,657
Fire and other damage to property insurance and proportional reinsurance	47,907	34,911	28,909	29,441
General liability insurance and proportional reinsurance	75,310	75,353	25,240	28,698
Credit and suretyship insurance and proportional reinsurance	6,169	9,555	566	652
Non-proportional health reinsurance	2,376	3,615	503	467
Non-proportional casualty reinsurance	459,019	443,147	62,137	45,597
Non-proportional marine, aviation and transport reinsurance	54,707	45,734	5,003	4,106
Non-proportional property reinsurance	120,637	89,937	61,297	47,825

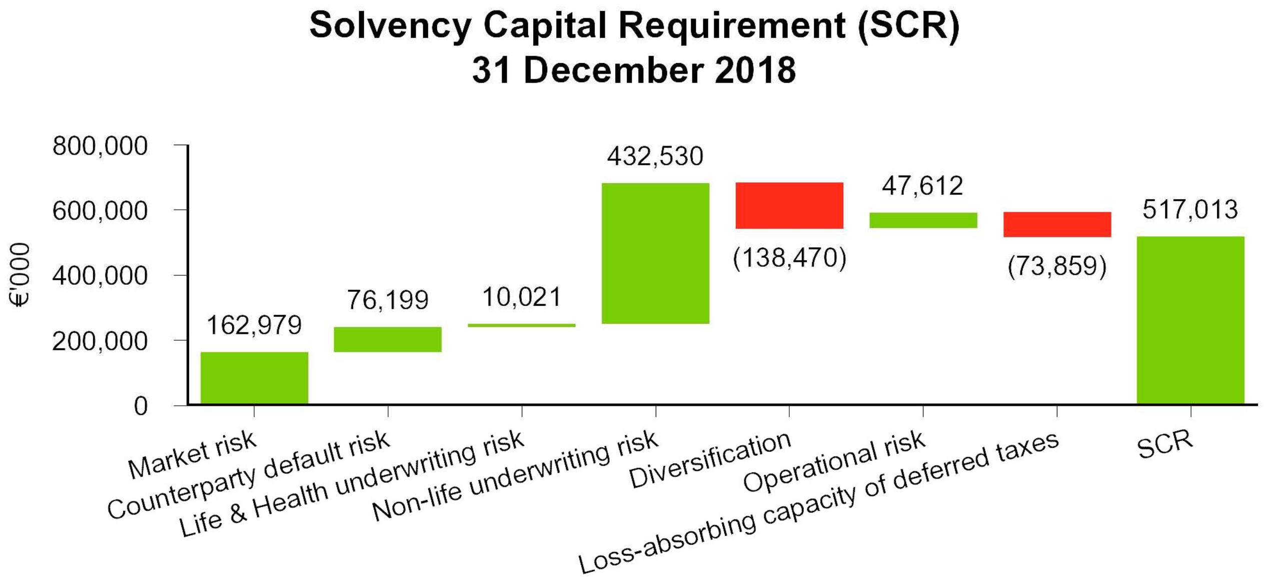
The inputs used to calculate the life MCR as follows:

	2019	2018
	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/ SPV) best estimate and TP calculated as a whole**
	€'000s	**€'000s**
Other life (re)insurance and health (re)insurance obligations	76,452	56,165

E.2.2 SCR by risk module

The Standard Formula SCR by risk module is set out below:





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

There has been no use of Undertaking Specific Parameters in the underwriting risk calculations.

Market Risk

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

- **Spread risk -** mainly driven by the Company's investments in bonds and securitised assets;
- **Interest rate risk -** driven by the changes in assets and liabilities of the Company due to changes in discount rates;

- **Property risk -** new investments this year in property;
- **Equity risk -** mainly driven by investments in equities; and
- **Currency risk -** mainly driven by the exposure of the Company's assets and liabilities denominated in foreign currencies.

Market Risk	**2019 €'000**	**2018 €'000**
Interest Rate risk	15,734	40,949
Equity Risk	43,109	41,985
Property Risk	22,500	—
Spread Risk	101,786	98,370
Concentration Risk	15,280	14,975
Currency Risk	37,188	49,969
Market Risk Diversification	(67,308)	(83,269)
Total Market Risk	**168,289**	**162,979**

Market risk has increased compared to the prior year due to the following:

- Interest rate risk reduction due to a removal of negative interest rate yields in the model;
- The addition of property risk for the first time;
- Currency risk where we hold proportionally more EUR denominated assets than the prior year;
- All of the above is partially offset by a decrease in market risk diversification.

Counterparty Risk

The Company is exposed to €128.4m (2018: €73.8m) of counterparty risks in the form of cash deposits and recoveries from reinsurers (type 1) and from receivables from intermediaries, policyholders and other debtors (type 2).

Counterparty Risk	**2019 €'000**	**2018 €000's**
Type I (RI + Cash)	27,286	26,177
Type II (Intermediaries)	58,019	54,574
Counterparty Risk Diversification	(4,773)	(4,551)
Total Counterparty Risk	**80,531**	**76,199**

The counterparty risk has increased compared to prior year due to the change in mix between Type II and Type I counterparties.

Life Underwriting Risk

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

Life Underwriting Risk	2018 €'000	2018 €'000
Mortality risk	259	202
Longevity Risk	5,193	3,587
Lapse Risk	1,594	2,556
Expense Risk	3,758	3,070
Life Catastrophe	142	—
Diversification	(2,958)	(2,577)
Life Underwriting Risk Total	**7,988**	**6,839**

The life underwriting risk has increased as life technical provisions increased.

Health Underwriting Risk

€2.8m (2018: €3.2m) of premium and reserve risk driven by earned premiums, forecast premiums and claims provisions of non-life business lines.

Health Underwriting Risk	2019 €'000	2018 €'000
Premium and Reserve Risk	2,776	3,184
Health Underwriting Risk Total	**2,776**	**3,184**

Health underwriting risk has decreased as premium volume for health business decreased in line with the run off nature of the business .

Non-Life Underwriting Risk

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

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

Non-Life Underwriting Risk	2019 €'000	2018 €'000
Premium and Reserve Risk	380,102	362,014
Catastrophe Risk	167,531	162,876
Lapse Risk	1,599	4,232
Non-Life Diversification	(97,141)	(96,592)
Non-Life Underwriting Risk Total	**452,091**	**432,530**

The non-life underwriting risk has increased compared to prior year due to premium and reserve risk. The increase in the premium and reserve risk is mainly driven by an increased proportion in non-proportional casualty technical provisions compared to the prior year. This is offset by a decrease in lapse risk due to lower year on year expected profits in future premiums.

Operational Risk

€52.9m (2018: €47.6m) operational risk is driven by technical provisions and earned premiums of all lines of business with no material movement year on year.

Loss absorbing capacity of deferred tax

The recognition of €77.5m (2018: €73.9m) of loss absorbing capacity of deferred tax has been based on the extent to which offsetting is permitted according to the relevant tax regimes and will offset against future profits based on the budget forecasts.

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

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

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

This section is not applicable to the Company as it does not use an approved internal model.

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

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

E.6. Any other information

There is no other material information regarding capital management.

Public Quantitative Reporting Templates

S.01.02.01 Basic information - 31/12/2019

		C0010
Undertaking name	R0010	XL Re Europe SE
Undertaking identification code	R0020	LEI\635400SOC5UTPXJQ9E28
Type of code of undertaking	R0030	LEI
Type of undertaking	R0040	6 – Reinsurance undertakings
Country of authorisation	R0050	IE
Language of reporting	R0070	English
Reporting submission date	R0080	7/04/2020
Reporting reference date	R0090	31/12/2019
Currency used for reporting	R0110	EUR
Accounting standards	R0120	Irish GAAP
Method of Calculation of the SCR	R0130	1 – Standard formula
Use of undertaking specific parameters	R0140	2 - Don't use undertaking specific parameters
Ring-fenced funds	R0150	2 - Not reporting activity by RFF
Matching adjustment	R0170	2 - No use of matching adjustment
Volatility adjustment	R0180	2 - No use of volatility adjustment
Transitional measure on the risk-free interest rate	R0190	2 - No use of transitional measure on the risk-free
Transitional measure on technical provisions	R0200	2 - No use of transitional measure on technical provisions
Exemption of reporting ECAI information	R0250	0 - Not exempted

S.02.01.02 Balance Sheet - 31/12/2019 - €'000

		Solvency II value €
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	35,114
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	54
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,742,490
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	—
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	1,425,485
Government Bonds	R0140	377,384
Corporate Bonds	R0150	760,335
Structured notes	R0160	
Collateralised securities	R0170	287,767
Collective Investments Undertakings	R0180	317,005
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
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	995,206
Non-life and health similar to non-life	R0280	846,141
Non-life excluding health	R0290	841,214
Health similar to non-life	R0300	4,927
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	149,064
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	149,064
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	154,672
Insurance and intermediaries receivables	R0360	70,216
Reinsurance receivables	R0370	129,456
Receivables (trade, not insurance)	R0380	
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	173,260
Any other assets, not elsewhere shown	R0420	20,310
Total assets	R0500	**3,320,777**

		€
		C0010
Liabilities		
Technical provisions – non-life	R0510	1,920,958
Technical provisions – non-life (excluding health)	R0520	1,909,434
TP calculated as a whole	R0530	
Best Estimate	R0540	1,718,096
Risk margin	R0550	191,338
Technical provisions - health (similar to non-life)	R0560	11,523
TP calculated as a whole	R0570	
Best Estimate	R0580	10,396
Risk margin	R0590	1,128
Technical provisions - life (excluding index-linked and unit-linked)	R0600	241,464
Technical provisions - health (similar to life)	R0610	—
TP calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	241,464
TP calculated as a whole	R0660	
Best Estimate	R0670	225,516
Risk margin	R0680	15,948
Technical provisions – index-linked and unit-linked	R0690	—
TP calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	82,189
Deferred tax liabilities	R0780	—
Derivatives	R0790	
Debts owed to credit institutions	R0800	—
Financial liabilities other than debts owed to credit institutions	R0810	—
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	276,142
Payables (trade, not insurance)	R0840	
Subordinated liabilities	R0850	—
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	33,273
Total liabilities	R0900	**2,554,027**
Excess of assets over liabilities	R1000	**766,751**

S.05.01.02 Premiums, claims and expenses by line of business - 31/12/2019- €'000

		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		4,984	19	98,630		49,684	80,035	52,580	4,199
Reinsurers' share	R0140		2,763	11	54,212		27,512	46,439	27,377	2,339
Net	R0200	—	2,222	8	44,418		22,172	33,596	25,203	1,860
Premiums earned										
Gross - Direct Business	R0210									
Gross - Proportional reinsurance accepted	R0220		3,387	377	101,978		42,187	70,109	55,460	1,341
Reinsurers' share	R0240		1,903	215	57,343		23,627	41,200	30,220	775
Net	R0300	—	1,4834	162	44,635		18,561	28,909	25,240	566
Claims incurred										
Gross - Direct Business	R0310									
Gross - Proportional reinsurance accepted	R0320		1,932	327	90,201		38,384	41,405	41,565	(286)
Reinsurers' share	R0340		1,081	187	44,175		23,284	21,835	24,077	332
Net	R0400	—	852	140	46,026		15,100	19,573	17,488	(618)
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Proportional reinsurance accepted	R0420									—
Reinsurers' share	R0440									
Net	R0500	0	0	0	0	0	0	0	0	—
Expenses incurred	R0550	0	951	143	18,830	—	6,276	5,576	7,527	475
Other expenses	R1200									
Total expenses	R1300									

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110								—
Gross - Proportional reinsurance accepted	R0120				—	—	0	0	290,131
Gross - Non-proportional reinsurance accepted	R0130				1,138	160,072	12,035	198,444	371,689
Reinsurers' share	R0140				632	90,058	5,649	131,689	388,681
Net	R0200	—	—	—	506	70,014	6,385	66,755	273,139
Premiums earned									
Gross - Direct Business	R0210								—
Gross - Proportional reinsurance accepted	R0220								274,840
Gross - Non-proportional reinsurance accepted	R0230				1,133	144,167	10,898	192,202	348,399
Reinsurers' share	R0240				630	82,030	5,894	130,906	374,743
Net	R0300	—	—	—	503	62,137	5,003	61,297	248,496
Claims incurred									
Gross - Direct Business	R0310								—
Gross - Proportional reinsurance accepted	R0320								213,528
Gross - Non-proportional reinsurance accepted	R0330				1,472	148,539	(19,717)	75,313	205,607
Reinsurers' share	R0340				822	89,088	(19,746)	53,407	238,542
Net	R0400	—	—	—	650	59,451	29	21,906	180,596
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	**0**	**0**	**0**	0	0	0	0	0
Expenses incurred	R0550	**0.00**	**0.00**	**0.00**	104	15,698	1,223	15,048	71,850
Other expenses	R1200								4
Total expenses	R1300								71,855

		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								13,336	13,336
Reinsurers' share	R1420								13,137	13,137
Net	R1500	—	—	—	—	—	—	—	199	199
Premiums earned										
Gross	R1510								13,336	13,336
Reinsurers' share	R1520								13,137	13,137
Net	R1600	—	—	—	—	—	—	—	199	199
Claims incurred										
Gross	R1610								10,812	10,812
Reinsurers' share	R1620								10,999	10,999
Net	R1700	—	—	—	—	—	—	—	(188)	(188)
Changes in other technical provisions										
Gross	R1710									—
Reinsurers' share	R1720									—
Net	R1800	—	—	—	—	—	—	—	—	—
Expenses incurred	R1900	—	—	—	—	—	—	—	1,094	1,094
Other expenses	R2500									—
Total expenses	R2600									1,094

S.05.02.01 Premiums, claims and expenses by country - 31/12/2019 - €'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		IRELAND	FRANCE	UNITED KINGDOM	UNITED ARAB EMIRATES	SWITZERLAND	ITALY	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110							—
Gross - Proportional reinsurance accepted	R0120	165,785	11,988	11,996	41,540	32,784	26,037	290,131
Gross - Non-proportional reinsurance accepted	R0130	27,904	140,344	120,020	16,903	50,547	15,970	371,689
Reinsurers' share	R0140	109,892	100,397	72,063	33,005	48,050	25,275	388,681
Net	R0200	83,798	51,935	59,953	25,439	35,281	16,732	273,139
Premiums earned								
Gross - Direct Business	R0210							—
Gross - Proportional reinsurance accepted	R0220	172,200	13,159	5,896	41,376	20,441	21,767	274,840
Gross - Non-proportional reinsurance accepted	R0230	27,864	136,024	103,478	16,250	49,271	15,512	348,400
Reinsurers' share	R0240	115,918	99,738	61,624	33,603	41,080	22,779	374,743
Net	R0300	84,146	49,446	47,750	24,023	28,632	14,500	248,496
Claims incurred								
Gross - Direct Business	R0310							—
Gross - Proportional reinsurance accepted	R0320	149,530	2,825	2,475	30,402	15,913	12,386	213,532
Gross - Non-proportional reinsurance accepted	R0330	13,824	35,825	91,536	1,300	32,262	30,860	205,607
Reinsurers' share	R0340	92,269	28,932	45,948	17,874	27,184	26,336	238,542
Net	R0400	71,085	9,718	48,064	13,829	20,991	16,910	180,596
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	29,471	11,180	7,390	6,922	11,865	5,022	71,850
Other expenses	R1200							4
Total expenses	R1300							71,855

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
	IRELAND	UNITED KINGDOM	FRANCE				
Premiums written							
Gross		7,091	6,244				13,336
Reinsurers' share		7,091	6,045				13,317
Net	—	—	199	—	—	—	199
Premiums earned							
Gross		7,091	6,244				13,336
Reinsurers' share		7,091	6,045				13,137
Net	—	—	199	—	—	—	199
Claims incurred							
Gross		5,513	5,298				10,812
Reinsurers' share		5,512	5,487				10,999
Net	—	1	(189)	—	—	—	(188)
Changes in other technical provisions							
Gross							—
Reinsurers' share							—
Net	—	—	—	—	—	—	—
Expenses incurred		250	844				1,094
Other expenses							—
Total expenses							1,094

S.12.01.02

Life and Health SLT Technical Provisions - 31/12/2019 - €’000

		Accepted reinsurance	Total (Life other than health insurance, incl. Unit-
		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	225,516	225,516
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	149,064	149,064
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	76,452	76,452
Risk Margin	R0100	15,948	15,948
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0110	—	—
Best estimate	R0120	—	—
Risk margin	R0130	—	—
Technical provisions - total	R0200	241,465	241,465

S.17.01.02 Non-life Technical Provisions - 31/12/2019 -€'000

		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 sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	—	(18)	—	11,604		2,378	8,018	6,160	76
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140		(252)	386	4,248		(1,371)	(7,196)	(5,058)	137
Net Best Estimate of Premium Provisions	R0150	—	234	(386)	7,357		3,749	15,214	11,218	(62)
Claims provisions										
Gross	R0160	—	890	5,958	186,908		55,432	68,769	140,384	10,159
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		505	3,097	105,427		34,887	36,076	76,292	3,928
Net Best Estimate of Claims Provisions	R0250	—	384	2,861	81,481		20,545	32,693	64,092	6,231
Total Best estimate - gross	R0260	—	871	5,958	198,513		57,810	76,787	146,544	10,234
Total Best estimate - net	R0270	—	618	2,475	88,838		24,295	47,907	75,310	6,169
Risk margin	R0280		127	510	7,242		3,368	3,581	9,954	1,256
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	—	999	6,469	205,755		61,179	80,368	156,498	11,490
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	—	253	3,483	109,675		33,516	28,880	71,234	4,065
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	—	745	2,985	96,080		27,663	51,488	85,265	7,425

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060				(408)	19,985	825	(25,344)	23,275
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140				(105)	750	1,019	(47,621)	(55,063)
Net Best Estimate of Premium Provisions	R0150				(303)	19,235	(194)	22,277	78,338
Claims provisions									
Gross	R0160				3,974	902,790	97,733	232,219	1,705,217
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240				1,295	463,006	42,832	133,860	901,205
Net Best Estimate of Claims Provisions	R0250				2,679	439,784	54,901	98,360	804,012
Total Best estimate - gross	R0260				3,566	922,776	98,558	206,875	1,728,492
Total Best estimate - net	R0270				2,376	459,019	54,707	120,637	882,351
Risk margin	R0280				490	130,602	8,917	26,424	192,472
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	—	—	—	4,056	1,053,377	107,475	233,298	1,920,964
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330				1,190	463,756	43,850	86,238	846,141
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	—	—	—	2,866	589,621	63,625	147,060	1,074,822

S.19.01.21 Non-life Insurance Claims Information - 31/12/2019 - €’000

Total Non-Life Business

Gross Claims Paid (non-cumulative)

Development year (absolute amount)

Year		—	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											22,405
N-9	R0160	19,068	24,820	32,821	14,718	15,923	21,708	7,653	9,374	4,882	6,148	
N-8	R0170	8,333	57,591	61,213	38,308	30,948	13,421	22,342	9,651	14,032		
N-7	R0180	10,811	64,016	75,256	19,460	16,797	10,296	19,712	9,303			
N-6	R0190	21,148	78,032	70,613	23,481	12,506	11,258	9,690				
N-5	R0200	6,643	45,993	22,955	17,555	23,843	21,222					
N-4	R0210	3,406	29,293	50,078	40,657	32,890						
N-3	R0220	4,442	51,406	52,700	37,764							
N-2	R0230	5,791	89,627	73,714								
N-1	R0240	5,931	66,766									
N	R0250	6,062										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	22,405	22,405
	R0160	6,148	157,116
	R0170	14,032	255,839
	R0180	9,303	225,652
	R0190	9,690	226,727
	R0200	21,222	138,211
	R0210	32,890	156,323
	R0220	37,764	146,311
	R0230	73,714	169,132
	R0240	66,766	72,697
	R0250	6,062	6,062
Total	R0260	299,996	1,576,476

Gross undiscounted Best Estimate Claims Provisions

Development year (absolute amount)

Year		—	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											411,875
N-9	R0160	—	—	—	—	—	—	69,986	61,588	52,614	48,986	
N-8	R0170	—	—	—	—	—	111,683	80,489	67,351	51,937		
N-7	R0180	—	—	—	—	125,302	107,963	81,416	71,738			
N-6	R0190	—	—	—	142,995	109,887	82,440	68,352				
N-5	R0200	—	—	153,120	126,066	130,319	104,715					
N-4	R0210	—	200,989	213,669	192,762	162,043						
N-3	R0220	108,478	224,497	210,060	177,085							
N-2	R0230	224,495	290,684	254,052								
N-1	R0240	140,609	253,274									
N	R0250	167,349										

		Year end (discounted data)
		C0360
	R0100	380,809
	R0160	46,639
	R0170	49,442
	R0180	69,512
	R0190	66,774
	R0200	102,657
	R0210	159,132
	R0220	173,479
	R0230	247,379
	R0240	245,811
	R0250	163,583
Total	R0260	1,705,217

S.23.01.01 Own funds - 31/12/2019 - €'000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	788,859	788,859			
Share premium account related to ordinary share capital	R0030	—				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	—				
Subordinated mutual member accounts	R0050	—				
Surplus funds	R0070	—				
Preference shares	R0090	—				
Share premium account related to preference shares	R0110	—				
Reconciliation reserve	R0130	(57,222)	(57,222)			
Subordinated liabilities	R0140	—				
An amount equal to the value of net deferred tax assets	R0160	35,114				35,114
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	—				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	—				
Total basic own funds after deductions	R0290	766,751	731,637	—	—	35,114
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	—				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	—				
Unpaid and uncalled preference shares callable on demand	R0320	—				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	—				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	—				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	—				

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	—				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	—				
Other ancillary own funds	R0390	—				
Total ancillary own funds	R0400	—			—	—
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	766,751	731,637	—	—	35,114
Total available own funds to meet the MCR	R0510	731,637	731,637	—	—	
Total eligible own funds to meet the SCR	R0540	766,751	731,637	—	—	35,114
Total eligible own funds to meet the MCR	R0550	731,637	731,637	—	—	
SCR	R0580	542,656				
MCR	R0600	176,763				
Ratio of Eligible own funds to SCR	R0620	141.3%				
Ratio of Eligible own funds to MCR	R0640	413.9%				

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	**766,751**				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720	—				
Other basic own fund items	R0730	**823,973**				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
Reconciliation reserve	R0760	**(57,222)**				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770					
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	**8,310**				
Total Expected profits included in future premiums (EPIFP)	R0790	**8,310**				

S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula - 31/12/2019 - €'000

		Gross solvency capital requirement
		C0040
Market risk	R0010	168,289
Counterparty default risk	R0020	80,531
Life underwriting risk	R0030	7,989
Health underwriting risk	R0040	2,776
Non-life underwriting risk	R0050	452,091
Diversification	R0060	(144,367)
Intangible asset risk	R0070	
Basic Solvency Capital Requirement	R0100	567,309

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	52,870
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	(77,522)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	542,656
Capital add-on already set	R0210	
Solvency capital requirement	R0220	542,656
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	542,655
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF in SCR aggregation for article 304	R0440	

Calculation of loss absorbing capacity of deferred taxes

LAC DT	R0640	(77,522)
LAC DT justified by revision of deferred tax liabilities	R0650	(20,730)
LAC justified by reference to probable future taxable economic profit	R0660	(44,875)
LAC DT justified by carry back, current year	R0670	(11,917)
LAC DT justified by carry back, future years	R0680	---
Maximum LC DT	R0690	(77,522)

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity - 31/12/2019 - €'000

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	175,157

		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	R0030	618	1,484
Workers' compensation insurance and proportional	R0040	2,475	162
Motor vehicle liability insurance and proportional re nsurance	R0050	88,838	44,635
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070	24,295	18,5601
Fire and other damage to property insurance and proportional reinsurance	R0080	47,907	28,909
General liability insurance and proportional reinsurance	R0090	75,310	25,240
Credit and suretyship insurance and proportional reinsurance	R0100	6,169	566
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140	2,376	503
Non-proportional casualty reinsurance	R0150	459,019	62,137
Non-proportional marine, aviation and transport reinsurance	R0160	54,707	5,003
Non-proportional property reinsurance	R0170	120,637	61,297

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	1,605

		Net (of reinsurance/SPV) best estimate & TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance o gat on	R0240	76,452	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	176,763
SCR	R0310	542,656
MCR cap	R0320	244,145
MCR floor	R0330	135,664
Combined MCR	R0340	176,763
Absolute floor of the MCR	R0350	3,600
Minimum Capital Requirement	R0400	176,763

Glossary

AFR	Actuarial Function Reports
ALM	Asset Liability Management
AOTP	Actuarial Opinion on Technical Provisions
ARTP	Actuarial Report on Technical Provisions
BOF	Basic Own Funds
CAT	Catastrophe
CBI	Central Bank of Ireland
CFO	Chief Financial Officer
CRO	Chief Risk Officer
DAC	Deferred Acquisition Costs
ENID	Events not in Data
ERM	Enterprise Risk Management
FIC	Framework for Internal Control
GAAP	Generally Accepted Accounting Principles
HIM	Harvey, Irma and Maria
HoAF	Head of Actuarial Function
HoIA	Head of Internal Audit
ICM	Internal Control Model
IIA	The Institute of Internal Auditors
MCR	Minimum Capital Requirement
MTM	Mark to Market
NAT CAT	Natural Catastrophe
Non-prop	Non-proportional
ORSA	Own Risk and Solvency Report
PPO	Periodic Payment Orders
QRT	Quantitative Reporting Template
RAF	Risk Appetite Framework
RDS	Realistic Disaster Scenario
RMC	Risk Management Committee
RMF	Risk Management Framework
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SII	Solvency II
TVaR	Tail Value at Risk
XLB	XL Bermuda
XLGIL	XL Group Investments Ltd