

SCOTTISH RE (DUBLIN) DAC
SOLVENCY AND FINANCIAL CONDITION REPORT

As of 31 December 2021

(25 March 2022)

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Introduction and Background Information

a) Overview of the Company

Scottish Re (Dublin) dac (the “Company” or “SRD”) is a limited liability company incorporated and domiciled in the Republic of Ireland (“Ireland”) since December 2000, is principally engaged in the reinsurance of life assurance business. The Company reports under FRS’s 102 and 103 (as defined herein) and Solvency II.

The Company reinsures business from one counterparty, Scottish Re (U.S.), Inc. (“SRUS”), a former affiliate of the Company and part of the structure of the Scottish Re group of companies (the “Group”) the Company was originally created under. There is no longer any common control in existence within the Group structure, following the liquidation proceedings of Scottish Re Group Limited (“SRGL”) and Scottish Annuity & Life Insurance Company (Cayman) Ltd. (“SALIC”) (as explained further in the notes accompanying the financial statements following this Report). There are currently two reinsurance agreements in place between SRUS and the Company: a modified coinsurance reinsurance agreement (the “Penn Mutual Life Treaty”) and a yearly renewable term reinsurance agreement (the “YRT Treaty”).

The Penn Mutual Life Treaty with SRUS is a portion of business assumed on individual single premium deferred annuities, as well as individual flexible premium deferred annuities. SRUS assumes from Penn Mutual Life certain individual single premium deferred annuities, as well as individual flexible premium deferred annuities on a coinsurance basis and cedes 90% of the foregoing to SRD on a modified coinsurance basis.

The YRT Treaty assumes risk for amounts between US\$0.5 million to US\$3.0 million. The risk corridor consists of policies primarily comprised of guaranteed level premiums term life insurance issued between 1 January 2004 and 31 December 2004. The defined block of business is a closed block of business. The policies are from a broad section of direct writers.

SRD also has in place, subject to the parenthetical notes, as applicable, the following intra-group agreements with entities within the Group:

- Net Worth Maintenance (“NWM”) Agreement dated 1 January 2002 between SALIC, in liquidation (as explained further in the notes accompanying the financial statements following this Report), and SRD (as amended) (although this agreement is not terminated, SALIC no longer is capable of providing relevant services to the Company and, as a result, no fees are being paid by the Company to SALIC, nor are there any amounts outstanding due to SALIC, under this agreement);
- Support Service Agreement dated 1 January 2002 between SRUS, in rehabilitation, and SRD;
- Support Service Agreement dated 1 January 2003 between Scottish Holdings, Inc. (“SHI”) and SRD (this agreement effectively is terminated as SHI no longer is capable of providing relevant services to the Company and, as a result, no fees are being paid by the Company to SHI, nor are there any amounts outstanding due to SHI, under this agreement).

There was also a Support Service Agreement dated 1 June 2017 between Scottish Re Life (Bermuda) Limited (“SRLB”) and SRD. SRLB is a subsidiary of SRUS. This agreement was terminated effective 31 August 2021, following the redundancies of all the SRLB staff. A former employee of SRLB, Mark Harris, is Chief Risk Officer and Head of Internal Audit for the Company, and a consultancy contract was put in place to allow him to continue with his roles in the Company.

In total, the fees charged in relation to these agreements for 2021, between SRUS and the Company, and between SRLB and the Company, were US\$203,818 (2020: US\$290,036). As of 31 December 2021 and 2020, the Company had US\$46,178 and US\$27,418, respectively, that was payable to these entities (for 2021, the amount was solely payable to SRUS), both in relation to the forgoing agreements and for intercompany expenses paid on behalf of the Company by SRUS.

COVID-19 Update

The emergence of the outbreak of the COVID-19 pandemic in the first quarter of 2020 introduced further uncertainty to the Company. With regards to the Company’s technical provisions, the unearned premium reserve on the YRT Treaty, under the Company’s financial statements as prepared under FRS’s 102 and 103, establishes sufficient reserves to avoid the Company setting up a specific COVID-19 provision, as compared to the Solvency II balance sheet requirements, which, under the latter requirements, has a specific COVID-19 provision of US\$490,691 as of December 31, 2021 (2020: US\$553,000). The YRT unearned premium reserve is greater than the Solvency II balance sheet best estimate liability and the COVID-19 provision combined, thereby providing the Company with a degree of prudence for any adverse deviation. As of 31 December 2021, the Company has sufficient capital from an Irish company law (“Company Law”) perspective while it continues to regularly monitor updated information on COVID-19 developments and the continued emergence of COVID-19 variants of concern (such as the Delta and Omicron variants that have been spreading across the United States of America) to determine if any action is required.

The Company has experienced little impact from the pandemic on its investment portfolio directly. However, of particular concern to the Company’s Board of Directors (the “Board”) and Company management (“Management”) is the impact from the fall in interest rates, among other things, as a result of COVID-19, given the sensitivity to the guarantee on Penn Mutual Life Treaty and its sensitivity to movements in interest rates. The Board appreciates that COVID-19 is a rapidly evolving risk and will continue to monitor the outbreak and the development and administration of successfully tested vaccinations, and the associated repercussions on the global stage.

Company Developments

SRD is required by the Central Bank of Ireland (the “Central Bank”) to maintain a minimum level of paid up share capital. The Central Bank has put certain restrictions in place on the ability of SRD to make dividend payments from profits available for distribution within the meaning of the Companies Act 2014 (the “Act”). The Board and Management also continue to adhere to the conditions in the direction letter received by the Company from the Central Bank on 28 November 2019, renewed on 13 November 2020, and further renewed on 9 November 2021, which among other things, instructed all out-of-scope expenditure and expenditure to other companies within the Group (which included claims payments) to be submitted to the Central Bank for review and approval at least fifteen calendar days prior to the processing of any such payments.

SRD's financial situation has deteriorated in recent years due to the lack of new business, its claims experience, and lack of support from its parent company and sole shareholder, SALIC, which entered U.S. Chapter 7 liquidation proceedings in April 2019. This has resulted in a continued decline in the solvency coverage ratio for both SRD's Minimum Capital Requirement ("MCR") and Solvency Capital Requirement ("SCR") under Solvency II. (Note that, for SRD, the MCR is now at the level of the absolute floor (€3.6 million¹) and is higher than the calculated SCR.) From late 2020 to July 2021, the coverage of the MCR has been in the 100% to 110% range.

However, as a result of a large claim payment falling due and accrued for on its YRT Treaty, the MCR coverage level fell below 100% as of 31 August 2021 (which was observed on 10 September 2021) and caused SRD to be in non-compliance with its Solvency II MCR. The Company wrote to the Central Bank on 10 September 2021 under Regulation 148 (1) and Regulation 148 (2) to notify the Central Bank that the Company believed that it was in breach of its requirement to cover the MCR and no longer met the requirements as set out under Regulation 148 (1) and 148 (2) as of 31 August 2021. As of 31 December 2021, MCR coverage level remains below 100%, at 63.8%.

SRD submitted its Finance Scheme to the Central Bank on 8 October 2021, as it was required to do on non-compliance of its MCR pursuant to Regulation 148 (2) of the European Union (Insurance and Reinsurance) Regulations 2015. SRD's Finance Scheme provides, inter alia, for the proposed recapture by the single counterparty, SRUS, of the Penn Mutual Life Treat and the YRT Treaty (together, the "Treaties"). Pursuant to the Finance Scheme, following recapture of the Treaties on commercially agreeable terms, SRD will have removed all reinsurance liabilities from its balance sheet and ultimately would move to wind-up through a Members' Voluntary (Solvent) Liquidation.

SRD's counterparty (and former affiliated entity) on its two in force Treaties, SRUS, is the subject of a Rehabilitation Order, and the Receiver now controls the affairs of SRUS. A draft plan of rehabilitation ("Rehabilitation Plan") for SRUS was submitted to the Court for approval on 30 June 2020. Since that time, the Receiver has been in contact with the SRUS cedent and retro companies, addressing questions and concerns and providing further information to the cedent and retro companies to try and obtain their support for the Rehabilitation Plan. This process, and a change in the presiding judge of the Court in May 2021 has resulted in the date for the submission of the Rehabilitation Plan for review by the Court being pushed back from July 2021 to the middle of 2022, with any approval by the Court to take place sometime afterwards, although the exact date of this approval process following the review by the Court is uncertain. However, as this process has been delayed several times, the Board cannot be assured that this current known timeline for review and approval of the Rehabilitation Plan will not be pushed back further.

Since the Rehabilitation Order, SRD had issued numerous letters to the SRUS Receiver's legal counsel through the Company's U.S. advisor, Cozen O'Connor ("Cozen"), requesting termination/recapture of the Treaties, and setting out offers with proposed terms of recapture, with follow up emails and telephone calls. Up until recently and prior to the MCR breach, it was indicated by the Receiver's legal counsel that SRUS was not yet in a position to consider SRD's earlier proposals.

On 30 September 2021, SRD, through Cozen, further engaged in correspondence with SRUS (through its Receiver) on proposed commercial terms for the recapture of the Treaties. Given the circumstances of the MCR breach, and the desire of the Board and Management for an orderly wind-up of its remaining business, SRD made an offer for the Receiver's recapture of the Treaties, all figures based on U.S. Statutory Reserves, account values, outstanding pending claims, and commissions, as of 31 August 2021 (the "SRD Offer").

¹ To be updated to €3.9 million from 19 October 2022

In the SRD Offer, the Company reiterated to SRUS that it would require both Treaties to be recaptured in order to rectify the MCR breach and avoid falling into administration. The Company made it clear that, due to the circumstances described above, SRD's proposal will likely not be open for much longer, urging the Receiver to consider the recapture of the Treaties at this time. The Company is aware that any such recapture also would require approval by the Court overseeing SRUS's rehabilitation (provided terms can be reached that also are agreeable to SRD and the Central Bank).

On 9 December 2021, SRD received correspondence from SRUS (through respective legal counsel) with a counter proposal on proposed commercial terms upon which it would be prepared to recapture the Treaties (the "SRUS Counter Proposal"). The SRUS Counter Proposal stated that the Receiver, after review of the information presented to him, considers the only agreeable path forward is one in which the recapture transfers the liabilities associated with the Treaties and all assets of SRD to SRUS. The Receiver understands that this transfer of assets and liabilities will also facilitate an effective wind-up of SRD and, therefore, the Receiver is agreeable to a holdback amount of up to US\$750,000 for wind-up purposes of SRD, subject to expense documentation in support thereof. The SRUS Counter Proposal is presented with a view toward the impact of recapture on the SRUS estate, its creditors aside from SRD, the potential for Court approval, and the development of the Rehabilitation Plan.

The Board and Management, after exhaustive investigation, believe that there are no viable options to restore its MCR. All other possible options that could have been available to the Company have been explored and exhausted without success. The threat of mortality risk to the Company is too large for the Board and Management to ignore, and an opportunity to recapture the Treaties is now available to the Company. Following the review of the SRUS Counter Proposal, on 15 December 2021, the Board, following consultation with Management, agreed with the Receiver and SRUS on a consensual recapture of the SRD Treaties under the terms and conditions of the SRUS Counter Proposal, subject to the approval of the Court. SRD received Central Bank notice of no objection to the recapture on 16 December 2021. This would facilitate the Board's primary objective being a solvent liquidation through a consensual recapture of the Treaties.

On 24 February 2022, the Company received an update from SRUS which provided a high-level summary of a proposed timetable for the petition to approve the recapture of the Treaties to be submitted to the Court for filing by 4 May 2022. The eventual approval of the recapture of the Treaties will be determined by the Court once all the procedures for the hearing date, the deadline for objections, and the final order have been established. The Board has notified the Central Bank of this update from SRUS.

The Board and Management appreciates that this initial timetable provided by SRUS is longer than envisaged, given the financial position of the Company and the key risks that the Company is presented with at this time. Accordingly, the Board and Management will continue to engage with its legal advisors, both Cozen and the Company's Irish legal advisors, William Fry, to try and persuade SRUS to accelerate the filing of the petition with the aim of bringing this matter to a close at a more agreeable timeframe. Concerted efforts between the Company and SRUS are being made to ensure the recapture of the Treaties is completed at the earliest convenience.

Given the Court process, and the fact the timeline in place for the recapture of the Treaties is of a high-level nature, the Board and Management cannot be assured when the recapture of the Treaties will be completed, if at all, under either the Court approved recapture agreement under the Rehabilitation Order or the Rehabilitation Plan.

Company Law requires the Board to prepare financial statements for each financial year. Under that Company Law, the Board has elected to prepare the Company's financial statements in accordance with applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, including Financial Reporting Standards ("FRS") 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (Generally Accepted Accounting Practice in Ireland), FRS 103, Insurance Contracts ("relevant financial reporting framework") (together with FRS 102, "FRS's 102 and 103"), and Irish statute comprising the Companies Act 2014 (the "Act"), including the European Union (Insurance Undertakings: Financial Statements) Regulations 2015. The deterioration of the financial situation of SRD outlined above has also resulted in a deterioration of the Company's reported financial position under the relevant financial reporting framework.

However, under Company Law, the Company remains solvent and has the following balance sheet figures as of 31 December 2021:

Total Assets	US\$12.6 million
Shareholder Funds	US\$ 2.5 million
Technical Provisions	US\$10.0 million

The Rehabilitation Order has created a degree of uncertainty regarding the future of the Treaties with SRUS and poses certain difficulties in seeking to have the Treaties recaptured by SRUS. The Receiver is unlikely, at this stage of the SRUS Rehabilitation Order proceedings, to take any action or enter into any agreement that could be interpreted as treating SRD favourably, relative to SRUS's other counterparties.

Due to the financial deterioration of the Company and a lack of options to assist the Company in supporting it to ensure its finances are in compliance from a Solvency II perspective and above the MCR, the Board's agreed primary objective has been, and continues to be, an orderly wind-up of the Company's operations. However, this orderly wind-up plan requires cooperation from both SRUS, as the sole counterparty to the Treaties, and its sole shareholder, SALIC. To date, neither party have been forthcoming in making efforts to achieve the Board's primary objective prior to the observed breach of the Company's MCR.

As of 31 March 2022, the Company continues to receive 100% of premium due from SRUS and continues to pay 100% of claims outstanding, under the applicable terms of the treaty agreements, while SRUS is under the Rehabilitation Order. Furthermore, under the current circumstances and if there are no large claims incurred, the Company would still be solvent from a Company Law perspective.

b) Affiliated and Former Affiliated Business Matters

SRGL Developments

On 17 May 2017, SRGL commenced voluntary provisional winding up proceedings in Bermuda (where SRGL maintained its principal executive office) and filed for parallel winding up proceedings in the Cayman Islands (where SRGL is incorporated).

In connection with the Bermuda proceedings, on 18 May 2017, the Supreme Court of Bermuda granted an order appointing personnel from Finance & Risk Services Ltd. of Bermuda and Kalo (Cayman) Limited of the Cayman Islands as Joint Provisional Liquidators ("JPLs") of SRGL.

In connection with hearings on a winding up of SRGL in each of Bermuda and the Cayman Islands, orders were issued by the respective Bermuda and Cayman Islands courts on 30 January 2018 and 15 February 2018 for the winding up of SRGL and the appointment of the JPLs as Joint Official Liquidators (“JOLs”) to carry out the winding up proceedings. Following these hearings, the JOLs hold full executive responsibility of SRGL.

Subsequent to the entry of the Bermuda and Cayman Islands orders appointing the JOLs, the JOLs sought and received a stay in the Bermuda proceedings and now will carry out the winding up of SRGL through the Cayman Islands proceedings.

In relation to the Company, there were no major contractual relationships with SRGL, other than certain intercompany service fees that SRD owed SRGL prior to the winding up proceedings relating to staff formerly with SRGL. The amount outstanding for the intercompany services fees that is owed to SRGL is not material to the Company and there are no other contractual arrangements between the Company and SRGL. As a result, the winding up of SRGL does not have a material impact on the financial affairs of the Company.

SALIC Developments

On 29 January 2018, SRGL announced that it had commenced, on 28 January 2018, implementation of a sale and restructuring plan for the Company’s immediate parent, SALIC, and certain of its subsidiaries (the “Sale and Restructuring”).

The Sale and Restructuring plan, which was being implemented through U.S. Chapter 11 insolvency proceedings for SALIC and SALIC’s U.S. subsidiary, SHI, in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) (the “SALIC/SHI Chapter 11”). The Sale and Restructuring plan was ultimately unsuccessful. On 16 April 2019, the Bankruptcy Court signed an Order converting the SALIC/SHI Chapter 11 into liquidation proceedings under Chapter 7 of the US Bankruptcy Code. As a result of the conversion, and as a matter of US law, the full executive responsibility and authority of the SALIC and SHI Boards and SALIC and SHI management passes to a court appointed trustee, which appointment was made on 18 April 2019, for the liquidation estate of SALIC and SHI, including the ability to act as the Company’s sole shareholder.

Further information on SALIC/SHI Chapter 11 proceedings can be obtained from the Company’s Group website at www.scottishre.com.

The liquidation of SALIC resulted in the following consequences for SRD:

- The court appointed trustee of SALIC (the “SALIC Trustee”) assumes the SRD shareholder responsibilities; and
- At this time, and in the absence of more information on the Chapter 7 process on SALIC and SHI, the Board is compelled to reduce any reliance on the existence of certain options, such as the NWM Agreement with SALIC, to mitigate the adverse solvency scenarios. The Company is not able to rely on the benefit of the NWM Agreement, given the current circumstances.

SALIC, through the SALIC Trustee, was exploring options for the Company during 2020, which includes a possible sale. As of 31 December 2021, to the knowledge of the Company, no material progress has been made in this regard.

In all stages in these cases, the Company has kept key parties in interest, such as the Central Bank, apprised of the foregoing developments.

SRUS Developments

The failure as of 1 March 2019 for SALIC to close on or be bound to a transaction that would adequately recapitalize SALIC and its subsidiaries, including SRUS and the Company, on 6 March 2019, at the request of the Insurance Commissioner of the State of Delaware (the “Commissioner”), and with the consent of the board of directors of SRUS, the Court of Chancery of the State of Delaware (the “Court”) entered a Rehabilitation and Injunction Order (the “Rehabilitation Order”) placing SRUS into rehabilitation.

As a result, the Commissioner, in his capacity as a statutory receiver appointed by the Court (the “Receiver”), now controls SRUS’s operations. SRUS has been working with the receiver's team of rehabilitation specialists to facilitate the rehabilitation process.

The Rehabilitation Order and associated documents may be accessed on the Delaware Department of Insurance website at: https://insurance.delaware.gov/divisions/rehab_bureau/ under the link for ‘Scottish Re (U.S.), Inc.’ under the headings for ‘Companies in Receivership/Open Estates/Rehabilitation’.

On 30 June 2020, the Receiver filed with the Court a Petition for Approval of the Plan of Rehabilitation of SRUS (the “Petition”) seeking the Court’s approval of a Rehabilitation Plan. The stated primary goal of the Rehabilitation Plan is “...to take such steps to remove the causes of SRUS’s impairment, unsound condition, or hazardous condition pursuant to the provisions of 18 Del. C. ch. 59...”.

Notwithstanding the filing of the Petition and the development of the Plan, there can be no assurances at this time whether the Rehabilitation Plan will be approved by the Court in its current form, in a modified form, or not at all, and, if approved, when such approval would occur and the Rehabilitation Plan become effective. Accordingly, substantial doubt continues to exist at the date of these financial statements that SRUS will be able to continue as a going concern.

As of 31 March 2022, SRD has received 100% of premiums due from SRUS and has paid 100% of claims outstanding, under the applicable terms of the treaty agreements, during this Rehabilitation Order.

SRD does not have the ability to require the recapture of one or both of the Treaties ceded to it by SRUS, as the right solely rests with SRUS. The Company took legal advice both in Ireland and in the U.S. as to the extent to which it is bound by the Rehabilitation Order. It was noted that both the Treaties between SRD and SRUS are governed by the laws of the State of Delaware and that the modified coinsurance arrangement (in the case of Penn Mutual Life Treaty) and the reinsurance trust (in the case of the YRT Treaty) are held in accordance with the laws of the State of Delaware. Also, the reinsurance trust is situated in the United States. Accordingly, the Company legal advice provided is that the Rehabilitation Order will be effective in so far as those agreements and the connected assets are concerned.

To the extent SRUS, under the control of the Receiver, caused the recapture of one or both of the Treaties from SRD, SRUS generally would be entitled to receive from SRD an amount equal to the US statutory liability ceded to SRD. Also, following the conversion of SALIC’s restructuring proceedings to liquidation proceedings, there no longer is common control between SRUS and SRD through SALIC, and as such no broader Group considerations exist that would be likely to cause SRUS to be amenable to a recapture of the business ceded to SRD unless it made sense solely in respect of SRUS’s interests.

It is expected that the rehabilitation process of SRUS will either result in SRUS exiting rehabilitation successfully or SRUS entering liquidation. If SRUS enters liquidation, the Treaties may be terminated, and the amounts specified in the Treaties repaid to SRUS, noting that there is uncertainty in this regard. Given the potential timeframe in place, and due to the circumstances described above, there will be challenges for SRD to continue even if SRUS exited rehabilitation successfully, given its observed MCR breach and the lack of viable options available to restore its MCR.

Approval

This Solvency and Financial Condition Report (“SFCR”) was approved by the Company’s Board on 31 March 2022.

CONFIDENTIAL

Section A: Business & Performance

A1. Business

SRD is incorporated in the Republic of Ireland and is a company limited by shares.

The address of the registered office is:

2 Grand Canal Square
Dublin 2
Republic of Ireland

This SFCR covers SRD on a stand-alone basis.

Under Solvency II, the regulator of SRD is the Central Bank.

The external auditor of the Company is:

Grant Thornton Chartered Accountants and Statutory Audit Firm
13-18 City Quay
Dublin 2
Republic of Ireland

The signing audit partner of the Company at Grant Thornton (“Grant Thornton”) is Colin Feely.

The legal advisors of the Company are:

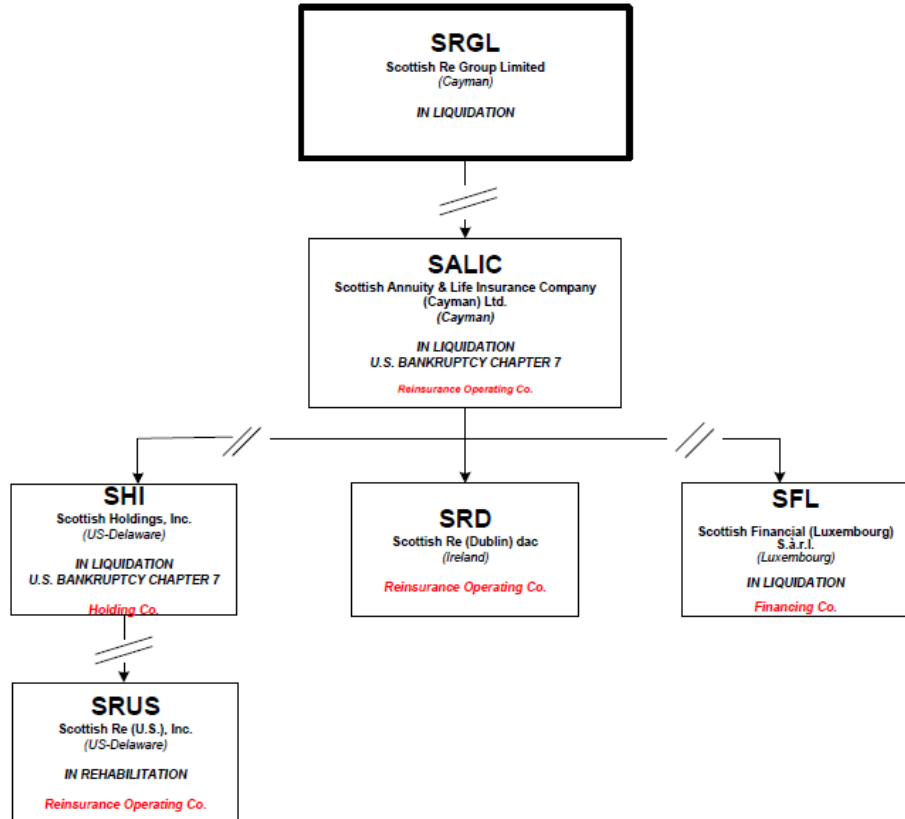
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William Fry Solicitors
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Cozen O’Connor
1201 North Market Street, Suite 1001
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USA

The Company’s immediate parent company is SALIC, a company incorporated in the Cayman Islands, which is not a European Economic Area (“EEA”) State. As stated under the Introduction and Background Information section, SALIC is in Chapter 7 (liquidation) proceedings.

The Company’s ultimate parent is SRGL, a company incorporated in the Cayman Islands, which is not an EEA State. As stated under the Introduction and Background Information section, SRGL is being wound up through Cayman Islands proceedings.

The chart below shows the structure of the Group:



A2. Underwriting performance

The table below shows the underwriting profit/loss under FRS's 102 and 103.

SRD FRS'S 102 AND 103 UNDERWRITING PROFIT/LOSS AS OF 31 DECEMBER 2021 AND 2020 (US\$ '000):			
	2021	2020	Movement
YRT Net premium written	3,264	2,476	788
Claims pending/paid	(3,083)	(3,190)	107
Change in provision for claims	401	231	170
Underwriting profit/(loss) for the year	582	(483)	1,065

The table below shows a breakout of the gross technical provisions under FRS's 102 and 103.

SRD IRISH RESERVES AS OF 31 DECEMBER 2021 AND 2020 (US\$ '000):			
	2021	2020	Movement
Account value	3,543	3,603	(60)
Additional guarantee	1,867	2,421	(554)
Total (Penn Mutual Life Treaty)	5,410	6,024	(614)
Unearned premium reserve	1,563	1,488	75
Incurred but not reported reserve	402	337	65
Paid/pending claims	2,598	1,250	1,348
Total (Guaranteed Level Premium Term Life Treaty)	4,563	3,074	1,489
Grand Total	9,973	9,099	874

A3. Investment performance

Investment income

Investment income is comprised of interest and realised gains. Realised losses are included in investment expenses and charges. Realised gains and losses on sale or maturity of investments are determined by specific identification as the difference between the proceeds and carrying value of the investment. Unrealised gains and losses are separately disclosed and included in the income statement, and are determined by specific identification as the difference between cost and market value.

Below is a summary of the investment income and expense for the years 2021 and 2020 (US\$'000):

	<u>2021 US\$</u>	<u>2020 US\$</u>
Interest on financial investments	297	396
Interest credited on deposits with cedent	(128)	(134)
Investment management charges	(15)	(29)
Unrealised (loss)/profit on investments	(20)	26
Profit on embedded derivative	28	138

Below is a summary of the Investment Portfolio (US\$'000):

Asset class	2021	% total	2020	% total
Cash and cash equivalents	328	3%	204	2%
Deposits to cedants	3,543	33%	3,603	27%
Deposits other than cash equivalents	1,291	12%	2,184	16%
Corporate bonds	3,782	36%	5,142	39%
Collateralised securities	1,739	16%	2,207	17%
Total	10,683	100%	13,340	100%

A4. Performance of other activities

Operating expenses for the year totalled US\$1,666,129 (2020: US\$1,544,669); the increase was the result of charges such as US and Irish legal fees for the issues occurring with the Scottish Re US rehabilitation.

A5. Any other information

The Company's key financial and other performance indicators during the years ended 31 December 2021 and 2020 were as follows (US\$'000):

	2021	2020	Movement
YRT Gross premium written	3,264	2,476	788
Loss on ordinary activities	(921)	(1,681)	760
Deposits with ceding undertaking	3,543	3,603	(60)
Financial investments at fair value	-	2,491	(2,491)
Available for sale financial assets	6,812	7,043	(231)
Net technical provisions	9,973	9,098	875

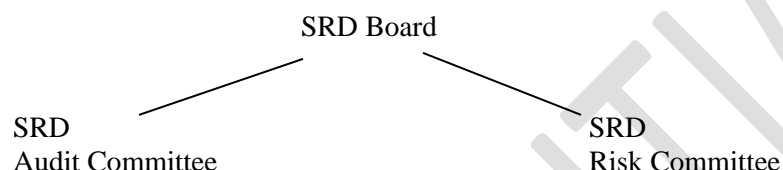
Section B: System of Governance

B1. General information on the system of governance

The Board has the responsibility to ensure that the principles of sound uncompromising good governance are observed.

The Company recognises the importance of strong corporate governance and has established a well-defined governance framework, system of control and committee structure.

Overview of the Board and sub-committees



The Corporate Governance Code Insurance Undertakings (2015) (the “Code”) requires the Company to provide evidence of fitness and probity of all directors (“Directors”) and key management. All Directors and key management of the Company have previously completed appropriate questionnaires regarding their qualifications for the positions to which they have been appointed and have been approved by the Central Bank. New Directors and senior managers will complete the Fit and Proper Individual Questionnaire for approval by the Central Bank as required by the Fit and Proper Requirements paper.

The Company must have sufficient resources within Ireland to set strategic direction, and have the ability for decision-making, control, and accountability. The Company currently has a strong and active Board, which include Jim Ruane and Alex Tully as independent non-executive directors, Gregg Klingenberg (Chief Executive Officer (“CEO”) of SRUS), and Karina Lynch (CEO of SRD). Karina Lynch also acts as Compliance Officer of the Company and is based in Ireland. TJ Keller (Executive Vice President, Chief Financial Officer of SRUS) resigned as a director of the Board on 12 February 2021. The Board Appointed Michael Baumstein, who was a former Board Member to the board on 31 May 2021.

The Company has appointed Mark Harris as its Chief Risk Officer, and Head of Internal Audit.

Jim Ruane and Alex Tully are considered Independent Non-Executive Directors (“INEDs”) and satisfy all defined requirements of INEDs in Ireland. The Company’s corporate governance guidelines require at least one INED to be present at any Board meeting in order to meet a quorum. Alex Tully was appointed as Chairman of the Board on 18 October 2017.

From time to time, the Directors consider the composition and size of the Board as it relates to the ability to adequately oversee Company operations. Each Board member has agreed to defined time commitments required to fulfill their responsibilities.

The objective of the Board in managing the capital of the Company is to ensure it has sufficient coverage from a solvency position to comply with regulatory requirements. The Board, with the assistance of Management, closely monitors the solvency position of the Company on a monthly basis, while reviewing the key risks to the Company. It has clearly defined what it considers to be an acceptable solvency position and uses specific ranges to classify the solvency position. The Board had agreed to a target solvency ratio of over and above 100%. This percentage represents the minimum solvency requirements under Pillar 1 of Solvency II of 100% for the Company. As stated earlier, the Company has an observed breach of its MCR, which commenced as of 31 August 2021 and is still in place. As a result of this observed breach of its MCR, and taking in account the Company's financial situation, the Board has revised its target for the Company, which is now to maintain sufficient own funds and sufficient solvency from a Company Law perspective to ensure the Company has sufficient capital to fund the treaty valuation amounts, at either the best estimate value or the termination value (the latter is based on the U.S. statutory valuation), should the Company be able to have the SRD Treaties recaptured by SRUS. The terms and conditions of the SRUS Counter Proposal, as discussed earlier, allows the Board to observe this target. Given the observed breach of the Company's MCR and the timeline imposed from the SRD Finance Scheme, the Board considers the time horizon for the Company to be short term only.

The retrocession strategy for the Company is also reviewed periodically and approved by the Directors. Human resource policies covering appointment, disciplinary procedures, and dismissal of senior management (including remuneration) have been adopted by the Board. The Company has defined contribution pension scheme in place with an annual contribution rate of 15% of eligible pensionable earnings.

The Company utilises support from SRUS, primarily in the form of information technology, actuarial, and accounting support services. With this support, management of the Company oversees the daily operations, provides the Board with recommendations for review and approval on objectives, strategy, business plans, and major policies, and provides the Board with comprehensive, relevant, and timely information to fulfill their responsibilities. All material contracts entered into by the Company are reviewed by local Irish counsel as necessary. Investment management is outsourced with oversight by the Board, who receive regular investment reports.

The Company has established effective internal controls and systems to communicate information between management and the Board.

The Board will continue to monitor the Company's corporate governance structures, particularly in the context of any new business underwritten by the Company, to ensure that it has levels of oversight in operation that are consistent with and proportionate to the size and complexity of its business and to ensure that it has internal governance mechanisms in place which are commensurate with the standards of the Central Bank's corporate governance guidelines and in compliance with the Code.

B2. Fitness and proper requirements

Requirements for skills, knowledge and expertise

The Company ensures that all persons who effectively run the Company or have other key functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

In order to ensure that Senior Managers / Company Directors of the Company are fit, they are recruited giving due regard to interview requirements, referencing, relevant skills, personal and professional background and other checks as required and relevant to the role to be undertaken.

In order to ensure that Senior Managers / Company Directors are proper, they are subjected to a variety of checks at the commencement of their assessment.

B3. Risk management system including the own risk and solvency assessment

The Company has developed a comprehensive set of risk policies, frameworks and guidelines to ensure that adequate processes and procedures are in place to manage all types of risk. These documents are aligned with the current regulatory requirements under the Solvency II regime and adopted by the Central Bank.

The Company adopts the ‘three lines of defense’ governance model:

The 1st Line of Defense – Business Management

Business management makes up the first line of defense. Overall, the first line of defense is responsible for the day to day management of risk and control within the business operations as well as delivering the strategy and optimising business performance within an agreed governance and risk framework.

The 2nd Line of Defense – Oversight

The second line of defense functions comprise of the risk management function and the compliance function. These are independent functions that provide limited assurance to the Board with regards to the adequacy and effectiveness of the overall risk management system. These functions have the authority to communicate with any employee and obtain timely access to any records required to carry out its responsibilities.

The 3rd Line of Defense – Assurance

The third line of defense comprises of the Company’s independent assurance functions, i.e. internal and external audit, that provide an independent and balanced view of the effectiveness of the first and second line functions as defined above.

Own Risk and Solvency Assessment (“ORSA”)

The ORSA is required under Article 45 of Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the “Solvency II Directive”). The Solvency II Directive requires that insurance and reinsurance undertakings shall perform the ORSA regularly, at least annually, and without any delay following any significant change in their risk profile.

The Company approved its annual ORSA on 7 December 2021.

The Board retains responsibility in respect of the ORSA process and has an active role steering the process and challenging the results.

B4. Internal control system

The Company maintains a financial control framework that governs financial and regulatory reporting in the company. This framework aims to ensure that:

- All the risks that pertain to the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework have been identified and documented;
- There are controls (manual and automated) in place to address these risks and they are adequately designed to prevent or detect material misstatements in the financial statements and disclosures; and
- The controls identified operate as they are supposed to and are appropriately evidenced.

The financial control framework is subject to annual review of the appropriateness and effectiveness of the controls. This review is conducted by the Internal Audit function and the results submitted to the Audit Committee.

The financial statements, under FRS's 102 and 103, are also subject to rigorous controls in the production and review leading up to publishing. The actuarial liabilities are produced using best practice actuarial practices that are subject to review by the Risk Committee. The financial statements are also subject to internal review and external audit review. They are presented to the Audit Committee and Board for sign-off prior to publishing.

B5. Internal audit system

The internal audit function is part of the third line of defense in the Company.

The internal audit function of the Company is managed by the Head of Internal Audit is Mark Harris who reports into the chair of the Audit Committee, which is a Non-Executive Director role. This reporting structure ensures independence of the internal audit function.

The internal audit in the Company is implemented through the following process:

- An audit plan is created on an annual basis and ensures sufficient evidence will be obtained to evaluate the effectiveness of the risk management and control processes across the business;
- The plan includes a review of the major risk management processes operating across the business and a selection of the key risks identified from those processes;
- The audit plan also gives special consideration to those operations most affected by recent or expected changes. The proposed plan is flexible so that adjustments can be made during the year as a result of changes in management strategies, external conditions, major risk areas, or revised expectations in respect of achieving the business' objectives;
- Any proposed changes or update in the plan are reported to the Audit Committee for their review and agreement before they are incorporated into ongoing work; and
- The Audit Committee review and approve the plan at least annually.

Based on the annual plan, the internal audit activity evaluates the adequacy and effectiveness of controls encompassing the business' governance, operations, and information systems. This includes:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, and contracts.

In determining the proposed audit plan, the Head of Internal Audit considers relevant work that will be performed by other areas, e.g., Compliance Assurance, External Audit. To minimise duplication of effort and inefficiencies the work planned, or recently completed, by management in its assessments of the risk management process, controls and quality improvement processes, as well as the work planned by the external auditors, are considered in determining the expected coverage of the audit plan for the coming year.

The Audit Committee and the Board requires that the Head of Internal Audit performs sufficient audit work and gathers other available information during the year so as to form a judgement regarding the adequacy and effectiveness of the risk management and control processes. The Head of Internal Audit communicates overall judgement regarding the Company's risk management process and system of controls to the Audit Committee Board of Directors.

B6. Actuarial function

The Company provides for an Actuarial Function as specified in the Central Bank Solvency II guidance.

The position of Head of the Actuarial Function is held by Michael Culligan of Milliman Limited ("Milliman"), who has a wealth of experience in the Irish reinsurance industry. Michael Culligan was appointed as Head of Actuarial Function on 16 August 2021, replacing Dermot Corry, who resigned on that same date.

Michael Culligan is a Fellow of the Society of Actuaries in Ireland and has complied continuously with the specific professional obligations this requires. He is an Approved Person under the regime.

The Head of the Actuarial Function is supported by staff from the Group and colleagues within Milliman.

B7. Outsourcing

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Company. The third party to whom an activity is outsourced is a 'service provider'.

The Board ensures that any outsourcing arrangement does not diminish the Company's ability to fulfill its obligations to customers or its regulator, nor impede effective supervision by its regulator.

Fundamental responsibilities such as the setting of strategies and policies, the oversight of the operation of the Company's processes, and the final responsibility for customers, shall not be outsourced.

The Board approves all outsourcing and considers outsourcing where they believe that there is an advantage to the Company and customer by using a service provider e.g. access to specialist resource, provision of services in the same jurisdiction as the customer, cost benefits.

SRD Outsourcing

Service Provider	Services Provided	Jurisdiction Located
Milliman	Actuarial Services	Republic of Ireland
PwC	Tax Consulting Services	Republic of Ireland
William Fry	Legal Services	Republic of Ireland
Cozen	Legal Services	USA
Wilton Secretarial	Company Secretary	Republic of Ireland
Brendan J McLoughlin	Payroll Services	Republic of Ireland
Marsh Management	Central Bank Reporting	Republic of Ireland
SRUS	Underwriting, Legal, Tax, HR	USA
Mark Harris	Risk, Internal Audit, Finance, Compliance	Bermuda

B8. Any other information

There is no other information on its general corporate governance of the Company which the Company believes needs to be disclosed at this time.

Section C: Risk Profile

The Company accepted reinsurance treaties from within the Group and was open to accepting further business from within the Group. However, having regard to developments outlined under the Introduction and Background Information section, “Overview of the Company” and “Affiliated and Former Affiliated Business Matters”, and the Central Bank direction letter submitted to the Company on 28 November 2019, renewed on 13 November 2020, and further renewed on 9 November 2021, which included certain restrictions such as to cease writing new contracts of reinsurance for a period of twelve months from the date of the direction unless revoked earlier by the Central Bank in writing, no further business may come to the Company.

There are two Treaties on the Company’s statement of financial position as at end of year 2021, of which both Treaties are from SRUS. Under the Penn Mutual Life Treaty, the Company shares in the risk associated with a block of single premium and flexible premium deferred annuities.

This Penn Mutual Life Treaty is written on a modified coinsurance basis (“modco”). Consequently approximately US\$3,542,592 of reserves as of 31 December 2021 (US\$3,602,918 as of 31 December 2020) are withheld by SRUS as the retrocedent such that SRUS holds and maintains all applicable U.S. statutory reserves on the underlying reinsured contracts. Assets equal to those U.S. statutory reserves are and remain the property of SRUS. At the end of each calendar quarter, SRD determines a modco reserve adjustment, which is calculated by subtracting the US statutory reserves for contracts in force at the end of the current calendar quarter from the US statutory reserves for contracts in force at the end of the previous calendar quarter (increased by one quarter interest). If the modco reserve adjustment is positive, the treaty requires that it will be paid by SRD to SRUS; if negative, the treaty requires that it will be paid by SRUS to SRD.

Under the second treaty the Company shares in the risk associated with a block of US term insurance business. The second treaty is written on a YRT basis and is referred to as the YRT Treaty.

SRD is obliged to provide security in an amount equal to the portion of the statutory reserves ceded to SRD under the YRT Treaty so as to allow SRUS to obtain full credit on its statutory annual and quarterly financial statements filed with the Commissioner (or if the Commissioner is acting in its capacity as the court appointed receiver of SRUS under the Rehabilitation Order, the Receiver). In connection with this Treaty, SRD has created a Trust Account with Bank of New York Mellon and SRUS as beneficiary (the “Trust Account”) in order to ensure that SRUS receives full statutory reserve credit in Delaware for the insurance risks ceded to SRUS under the YRT Treaty. As of 31 December 2021, under that arrangement, Bank of New York Mellon, as Trustee, holds US\$4,145,967 (US\$5,976,271 as of 31 December 2020) covering a reserve requirement of US\$4,563,165 (US\$4,136,677 as of 31 December 2020) less a reinsurance receivable of US\$1,433,978 (US\$nil as of 31 December 2020). The relevant Trust Agreement provides that to the extent that the market value of assets in the Trust Account exceeds 102% of the liabilities for which the Trust Account was created, SRD, with the prior written consent of SRUS, is entitled to request the Trustee to transfer the excess assets to SRD. SRD wrote to Bank of New York Mellon and SRUS requesting the withdrawal from the Trust Account of the excess above 102% of liabilities. However, given the fact that SRUS is under a Rehabilitation Order, the Receiver did not provide SRUS’s consent to the withdrawal in which case Bank of New York Mellon did not agree to release the excess amount to SRD.

Under the terms of the YRT Treaty, monies in the Trust Account can be used by SRUS, including by the Receiver, only for certain enumerated purposes including to pay or reimburse SRUS for SRD's share of benefits and other liabilities paid by SRUS under the terms of the underlying reinsurance agreements; other amounts necessary to secure the credit or reduction from liability for reinsurance taken by SRUS; and to fund premiums returned by SRUS in respect of an underlying policy in the event of its cancellation. Therefore, the Receiver can only use those sums for permitted purposes under the YRT Treaty.

The Company sets out its risk appetite in its risk appetite statement. With consideration of the Company's financial situation and observed MCR breach, as discussed earlier in this SFCR, the Board is to maintain sufficient own funds ("Own Funds") and sufficient solvency from a Company Law perspective to ensure the Company has sufficient capital to fund the treaty valuation amounts, at either the best estimate value or the termination value (the latter is based on the U.S. statutory valuation), should the Company be able to have the Treaties recaptured by SRUS. The terms and conditions of the SRUS Counter Proposal, as discussed earlier, allows the Board to observe this target. Given the observed breach of the Company's MCR and the timeline imposed from the SRD Finance Scheme, as discussed earlier in this SFCR, the Board considers the time horizon for the Company to be short term only.

As stated earlier, SRD has a number of service agreements in place with the Group. In reliance on these agreements, SRD receives primarily information technology, actuarial and accounting support services. With this support, management of SRD oversees the daily operations of SRD, provides the Board with recommendations for review and approval on objectives, strategy, business plan and major policies and provides the Board with comprehensive, relevant and timely information to fulfil their responsibilities. Satisfactory services continue to be provided to SRD by Scottish Re as service providers under these agreements.

C1. Underwriting risk

C1.1 Risk exposure

The Company is exposed to the following underwriting risks:

- Lapse risk
- Expense risk
- Mortality risk, including catastrophe risk
- Longevity risk

The following table summarises the capital requirements in respect of these risks, at year-end 2021 and year-end 2020. The figures are calculated on a standard formula basis.

Life Underwriting Risk (US\$'000)	2021	2020	Movement
Lapse Risk	380	803	(423)
Mortality Risk	981	1,049	(68)
Expense Risk	405	405	0
Catastrophe Risk	668	597	71
Longevity Risk	183	224	(41)
Diversification	(981)	(1,195)	214
Total Life Underwriting Risk	1,636	1,883	(247)

See S.05.01.01.02 Basic Capital Requirement in Appendix I for further information.

Underwriting risks are assessed using a number of different methodologies, including:

- Sensitivities
- Capital Requirements and own solvency needs assessments
- Scenario testing

Mortality Risk

There is significant mortality risk attaching to the YRT Treaty, as this is pure term insurance business and the development of future mortality rates will determine the profitability of the treaty. There is also risk arising from variability of claims experience given the number of lives covered and this risk is reflected through the catastrophe SCR.

There is limited mortality risk on the Penn Mutual Life Treaty as the death benefit is equal to the account value.

Persistency Risk

The Company has a significant exposure to lapse risk because the future profits embedded in the Best Estimate Liability (“BEL”) calculation are dependent upon the number of underlying policies that remain inforce.

Expense Risk

Expense risk represents the risk that expenses are higher than expected and that expense inflation increases more than projected. This is a relatively material risk for the Company given the scale of the inforce business.

Longevity Risk

The Company has a limited amount of longevity exposure associated with the Penn Mutual Life Treaty. The longevity risk arises because if the underlying policyholders live longer than expected then the cost of the guarantees will increase accordingly.

C1.2 Risk concentration

The Company has some exposure to mortality risk concentration given the number of lives covered under the YRT Treaty and the potential for large claims arising from a number of deaths. This has been evident in 2021 and 2020 with higher experienced mortality caused by a small number of large claims in those years. The Company has 2% of the policies in force as of 31 December 2021 that have a sum assured in excess of US\$1.5 million.

C1.3 Risk mitigation

Mortality risk is mitigated through the high profitability attaching to the YRT Treaty. However, this risk mitigation can be offset by claims experience in any one year being dominated by a small number of large claims, as seen in 2021 and 2020.

Furthermore, the Board cannot rely on the existence of certain options, such as the NWM Agreement with SALIC, to mitigate the adverse solvency scenarios.

As stated earlier, the SALIC Trustee, through his counsel, has informed SRD by email dated 23 September 2021, that due to the insolvent bankruptcy of SALIC, he is not in a position to provide additional capital to SRD whether under the NWM Agreement or otherwise. Therefore Company is no longer able to rely on the benefit of the NWM Agreement, given the current circumstances.

C1.4 Risk sensitivity

The sensitivity of the life underwriting risks can be seen in the results of the SCR shocks, the results of which are detailed above. Mortality risk is the most significant life underwriting risk and an increase in mortality rates (as per the standard formula shock) would result in the future profits embedded in the inforce business falling by US\$1.0 million.

The assumptions and methodology used for these risk sensitivities are consistent with those outlined in Section D2.

C2. Market risk

C2.1 Risk exposure

The Company is exposed to the following market risks:

- Spread risk
- Currency risk
- Interest rate risk
- Concentration risk

The following table summarises the capital requirements in respect of these risks, at year-end 2021 and year-end 2020. The figures are calculated on a standard formula basis.

Market Risk (US\$'000)	2021	2020	Movement
Spread Risk	1,842	1,763	79
Currency Risk	361	406	(45)
Interest Rate Risk	105	187	(82)
Concentration Risk	118	39	79
Diversification	(403)	(386)	(17)
Total Market Risk	2,023	2,009	14

Underwriting risks are assessed using a number of different methodologies, including:

- Sensitivities
- Capital Requirements and own solvency needs assessments
- Scenario testing

Interest Rate Risk

There is interest rate risk associated with the Penn Mutual Life Treaty because there is an investment guarantee associated with the underlying business. The underlying policies have a minimum guaranteed rate of 4% per annum.

There is a risk that the Company will not be able to cover the guarantee from the yields available in the market. The current low interest environment means that it is likely that the 4% guaranteed level will not be achieved in the short to medium term.

There is also market risk associated with the other investments of the Company. The Company invests in bonds and asset backed securities so that a movement in interest rates will result in the market value of assets moving accordingly.

Foreign Exchange Risk

The Company has some limited currency risk. Most of the Company's income, liabilities and assets are denominated in USD. Most of the Company's operating expenses are denominated in Euros, which leads to a small amount of currency risk.

Credit Spread Risk

The Company assumes a certain amount of credit spread exposure through investment in bonds and asset backed securities. Any increase in spreads would result in the market value of the assets held declining. The mortgage-backed securities held by the Company are particularly sensitive to this risk.

C2.2 Risk concentration

The Company does not have any material risk concentrations in relation to market risk, as assets are diversified across a wide range of issuers and asset-types.

C2.3 Risk mitigation

Market risks are mitigated through diversification and ongoing monitoring of the investments.

The Board is responsible for monitoring the investment performance and the Risk Committee is responsible for monitoring the associated risks arising from investments.

Assets are invested in accordance with the prudent person principle, based on the Company's Investment policy.

C2.4 Risk sensitivity

The sensitivity of the market risks can be seen in the results of the SCR shocks, the results of which are detailed above. Spread risk is the most significant of the risks and a significant movement in spreads would result in the Company's assets declining in value.

The assumptions and methodology used for these risk sensitivities are consistent with those outlined in Section D2.

C3. Credit risk

C3.1 Risk exposure

Counterparty risk primarily arises in relation to the deposits with banks and reinsurance receivables, noting that risks arising from credit spreads are covered under market risk. The Company has a significant amount of cash holdings. The Company had US\$327,570 cash as of 31 December 2021 (2020: US\$230,910) and a reinsurance receivable of US\$1,433,978 (2020 US\$nil). The Company is exposed to the risk of default on these holdings.

The following table summarises the capital requirements in respect of these risks, at year-end 2021 and 2020.

Counterparty Risk (US\$'000)	2021	2020	Movement
Type 1	719	58	661
Type 2	15	6	9
Diversification	(4)	(1)	(3)
Total Counterparty Risk	730	63	667

C3.2 Risk concentration

As stated earlier under “Affiliated and Former Affiliated Business Matters”, SRUS was placed under a Rehabilitation Order which provides SRUS with court protection during the rehabilitation period. During that period, all counterparties are restrained from taking action against SRUS for the recovery of sums due by SRUS to those counterparties. SRD, following Irish and U.S. legal advice, is obliged to continue to honour its contractual obligations to SRUS during the period. As a result, the Company does have a material risk concentration in relation to counterparty risk, which the Board and Risk Committee continue to evaluate. It should be noted, however, that while SRUS has under the Rehabilitation Order, as of the date of this document, SRD continues to receive 100% of premium due from SRUS and continues to pay 100% of claims outstanding, under the applicable terms of the treaty agreements, while SRUS is under the Rehabilitation Order.

C3.3 Risk mitigation

Counterparty risks are mitigated through diversification and ongoing monitoring of the investments.

C3.4 Risk sensitivity

The counterparty default SCR illustrates the level of risk arising from counterparty risk.

C4. Liquidity risk

C4.1 Risk exposure

Liquidity risk refers to the risk that undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due. The Company qualitatively assesses its exposure to liquidity risk as “Low” because of the high quality liquid assets held.

There has been no material change in the liquidity exposure of the company over the 2021 year.

Liquidity risks are assessed using a number of different methodologies, including:

- Sensitivities
- Key Risk Indicators
- Scenario testing

C4.2 Risk concentration

The Company does not have any material risk concentrations in relation to liquidity risk.

C4.3 Risk mitigation

Liquidity risks are mitigated through the nature and sufficiency of assets held to match the liabilities. The Expected Profits in Future Premiums (“EPIFP”) equals nil (2020:US\$60,637).

C4.4 Risk sensitivity

As part of the ORSA process, the Company considers scenarios that could potentially result in liquidity difficulties. These scenarios have never resulted in any funding difficulties for the Company in the past.

C5. Operational risk

C5.1 Risk exposure

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

The Company qualitatively assesses its exposure to operational risk as “Low” because of the limited number of transactions undertaken.

The Company is exposed to a range of operational risks, including:

- Key person risk
- Fraud
- IT risk
- Data security / cyber risk
- Regulatory and compliance risk
- Administration risk

Regulatory risk includes risks relating to the existing solvency position and the Company’s compliance with the existing legislation. It also includes potential changes to the regulatory framework, both in Ireland and in the U.S., which could impact upon the Company’s business model. The regulatory matters impacting SRUS during the Rehabilitation Order, and the Chapter 7 liquidation proceedings of the Company’s shareholder, SALIC, continue to have an adverse impact on operations of the Company.

The Board of SRD believe that there are no options available to SRD and any of them that might materially improve the Company's situation are outside of the control of the Board and depend on the outcome of the current processes at SRUS and SALIC. The Company does not have sufficient resources to continue a stand-alone basis indefinitely.

The Board has been, and remains, actively engaged either directly or through the Company's advisors in exploring all potential options available in the circumstances to achieve the primary objective to remove the two remaining Treaties (the Penn Mutual Life Treaty and the YRT Treaty) from the balance sheet of the Company as soon as possible. The consensual recapture of the SRD Treaties under the terms and conditions of the SRUS Counter Proposal, which has been agreed between the Receiver and the Board, and is subject to the approval of the Court, will facilitate the Board's primary objective. This would then allow the Company to seek revocation of its authorisation as a reinsurance undertaking from the Central Bank and ultimately wind-down the Company through a solvent liquidation.

In that regard, the Board and SRD are being advised by William Fry, its legal advisers in Ireland, on matters of relevant Irish law, and by Cozen (solicitors in Delaware) on US law matters arising from the rehabilitation of SRUS (including engaging with counsel for the Receiver) and arising from the SALIC liquidation in US Bankruptcy Court. The Board and SRD are also taking financial advice from Milliman and PwC as its actuarial and tax advisers, respectively, with respect to some of the options referred to herein (in addition to providing general and ongoing advice to SRD).

In addition to seeking a viable solution to achieve the desired aim of a solvent wind-down of the Company, the Board is also currently managing the risks faced by the Company through the following actions:

- Obtaining monthly reports from SRUS on the status of the pending/paid claims position on the YRT treaty to best position the Company to act in a timely and appropriate manner should material claims activity occur;
- Adhering to the Central Bank direction to the Company (set out at Appendix III) which instructed all out of scope expenditure and expenditure to other companies within the Scottish Re to be submitted to the Central Bank for review and approval prior to the processing of payment, along with a fifteen-day review period for claims payments;
- Obtaining regular updates from the Company's US legal counsel on court matters relevant to the rehabilitation of SRUS and to the liquidation of SALIC as they arise;
- Reviewing the mortality and lapse experience on a quarterly basis; and
- Monitoring the solvency position on a monthly basis.

These options and the managing of risks have been communicated to the Central Bank through continuous dialogue and correspondence from the Board.

It is expected that the Company will not be liable for Irish corporation tax in the medium term due to significant historical tax losses. Financial projections of the business assume that no tax will be payable during the projection time horizon.

The following table summarises the capital requirements in respect of these risks, at year-end 2021 and 2020.

Operational Risk (US\$'000)	2021	2020	movement
Total Operational Risk	142	99	43

C5.2 Risk concentration

The Company does have some risk concentration given the reliance on certain key persons. The Company has considered these exposures and how best to manage the risks.

C5.3 Risk mitigation

The Company has a number of mitigants in place in relation to operational risk, including control activities, internal and external audit and contingency plans.

C5.4 Risk sensitivity

Given the nature of operational risks, the Company does not calculate any quantitative risk sensitivities. However operational risk is considered qualitatively in both the ORSA and the regular Risk Updates provided to the Risk Committee.

C6. Other material risks

Given the scale of the Company, there are exposures to SRUS, which is relied upon for various support services. The two Treaties are also with SRUS, so that the exposure to Scottish Re is an important risk consideration. This has been magnified given the recent Group developments, which the Board and Management are continually evaluating.

C7. Any other information

Coronavirus Disease (COVID-19)

The emergence of the outbreak of COVID-19 in the first quarter of 2020, which has been classified as a pandemic by the World Health Organization, introduced further uncertainty to the Company. With regards to the Company's technical provisions, the unearned premium reserve on the YRT Treaty, under the Company's financial statements as prepared under FRS's 102 and 103, establishes sufficient reserves to avoid the Company setting up a specific COVID-19 provision, as compared to the Solvency II balance sheet requirements, which, under the latter requirements, has a specific COVID-19 provision of approximately US\$490,691 as of 31 December 2021 (US\$553,000 as of 31 December 2020). The YRT unearned premium reserve is greater than the Solvency II balance sheet best estimate liability and the COVID-19 provision combined, thereby providing the Company with a degree of prudence for any adverse deviation.

As of 31 December 2021, the Company has sufficient capital from Company Law perspective while it continues to regularly monitor updated information on COVID-19 developments and the continued emergence of COVID-19 variants of concern (such as the Delta and Omicron variants that have been spreading across the United States of America) to determine if any action is required.

The Company has experienced little impact from the pandemic on its investment portfolio directly. However, of particular concern to the Board and Management is the impact from the fall in interest rates, among other things, as a result of COVID-19, given the sensitivity to the guarantee on Penn Mutual Life Treaty and its sensitivity to movements in interest rates. The Board appreciates that COVID-19 is a rapidly evolving risk and will continue to monitor the outbreak and the development and administration of successfully tested vaccinations, and the associated repercussions on the global stage.

Section D: Valuation for Solvency Purposes

D1. Assets

The following table outlines the main categories of assets and their value as of year-end 2021 and year-end 2020 (in US\$'000):

Asset Category	2021	2020	Movement
Investments	6,812	9,533	(2,721)
Deposits with Cedants	3,543	3,603	(60)
Reinsurance Receivables	1,434	0	1,434
Cash and Cash Equivalents	327	204	123
Other Assets	503	474	29
Total Assets	12,619	13,814	(1,195)

Financial assets measured at fair value are valued based on market prices at the valuation date, where a market price is available. Where a market price is not available then these assets are valued using observable inputs. The Company does not have any financial assets in this category that are valued using significant unobservable inputs.

The Company considers whether a market can be considered active taking into consideration a number of factors including:

- quoted prices readily and regularly available;
- those prices represent actual and regularly occurring market transactions on an arm's length basis; and
- Whether it is possible to trade without affecting the price.

Receivables and Other assets are generally valued at face value. Deposits with banks are valued at face value.

Deposits with cedants represents funds held by SRUS in relation to the Penn Mutual Life Treaty.

As part of the retrocession agreement for SRUS, the Company established a reserve credit trust in connection with these transactions for the benefit of the transaction counterparty, SRUS. As a result of the restrictions imposed in accordance with the terms of the retrocession agreement for SRUS and other agreements to which they relate, these assets are not available for general corporate purposes and are considered "restricted". Out of the total amount of financial investments at fair value and available-for-sale, US\$4,145,967 and US\$5,976,271 were restricted assets in the reserve credit trust, as of 31 December 2021 and 2020, respectively.

There are no material differences between the valuation bases, methods or assumptions used to value assets on a Solvency II basis and those used for FRS's 102 and 103 purposes.

There is no retrocession in place, and hence no reinsurance asset.

There are no leasing arrangements or investments in related undertakings.

The Company does not account for a deferred tax assets.

No changes were made to the recognition and valuation bases or estimations used during the period.

See S.02.01.02 Balance Sheet in Appendix I for further information.

D2. Technical provision

The table below outlines the technical provisions as of year end 2021 and year end 2020 in US\$'000s:

Technical Provisions	2021	2020	Movement
Unit Liability	3,543	3,603	(60)
Best Estimate Liability	3,210	2,698	512
Risk Margin	472	608	(136)
Pending Claims	2,598	1,250	1,348
Gross Technical Provisions	9,823	8,159	1,664

In the valuation of technical provisions, unit-linked liabilities are unbundled and the unit liability is calculated as “technical provisions calculated as a whole”. The value of the unit-linked liability is set equal to the value of the matching assets. The technical provisions under Solvency II are equal to a BEL plus a Risk Margin.

The BEL is calculated by projecting forward the future income and outgo on the unit-linked policies and discounting the cashflows back to the valuation date. Article 77 of the Solvency II Directive states that the best estimate shall correspond to the probability-weighted average of future cash-flows and Recital 14 of the Delegated Regulations states that the projection should “take account of all uncertainties in the cashflows”. In 2021, the methodology used to calculate the Technical Provisions was reviewed to reflect the Rehabilitation Plan presented by the Receiver to the Court on 30 June 2020, and incorporates the probability of the insurers ceding business to SRUS recapturing their treaties, and the subsequent termination of the Treaties between SRUS and SRD.

There is a significant value of the guarantee on the Penn Mutual Life Treaty on a Solvency II basis which is likely to be higher than the termination value. Therefore, no allowance is made for recapture of this treaty. The BEL in respect of the Penn Mutual Life Treaty is calculated on a stochastic basis in which scenarios are generated for future interest rate paths, and the value of the guarantee is calculated as the average of the cost across those scenarios.

In response to the COVID-19 pandemic in 2020, the Company has established a specific provision in the Solvency II Technical Provisions. The provision is calculated using population data, with some allowance for the difference in mortality between the general population and insured lives. The provision was US\$490,691 as of year-end 2021 (US\$553,000 as of year-end 2020).

The risk margin is calculated using the cost of capital approach set out in the Directive. The steps involved in this calculation are set out below:

- Firstly, the Solvency II capital requirement relating to non-hedgeable risks is projected for each future year (until the expiry of all contracts);

- The SCR in each future year is then multiplied by the prescribed cost of capital rate (6% p.a.) to get the cost of holding the Solvency II capital requirement in each future year; and
- These cost-of-capital figures are then discounted to a single present value using the risk-free yield curve to determine the overall risk margin.

This projection involves the use of risk drivers to estimate the SCR for different risk sub-modules at each future time period rather than performing a full recalculation of the SCR for each sub-module at each point.

The main assumptions required to calculate the BEL are those relating to policyholder lapses and mortality. The mortality assumption is determined based on an investigation of the Company's experience over the past number of years. Lapse assumptions are determined based on Group investigations of surrender experience, and past experience within SRD.

There are no management actions that impact directly upon the calculation of the technical provisions but there is a management action in place which impacts upon the calculation of the lapse SCR calculation and thus has a second-order impact on the risk margin. The management action in question states that premiums would increase in the event of claims exceeding premiums by more than 20% in any year from 2024 onwards.

The Company does not apply the matching adjustment, volatility adjustment or any transitional provisions. There is no retrocession in place and hence no reinsurance asset or liability.

The Company has not used any significant simplified methods to calculate technical provisions other than it is noted that a full stochastic model isn't used to evaluate the investment guarantee, but instead a series of deterministic runs are used to quantify the value of the liability.

Uncertainty of Technical Provisions

Uncertainty arises primarily in relation to the key assumptions specified above and the development of experience against these assumptions and probabilities. This uncertainty can be seen in the SCR amounts required in respect of lapse and mortality risk. The small number of lives insured under the Treaties mean that there is a particular exposure to volatility of mortality results. The death of a small number of policyholders with large sums assured would significantly increase the expected payments under the Treaties.

Given the events outlined under "Affiliated and Former Affiliated Business Matters", there is a material uncertainty that could affect the Company. The BEL makes allowance for one possible scenario which might arise. However, there are a range of other possible scenarios that could arise from the rehabilitation of SRUS.

Material Differences with the Financial Statements

The table below outlines the technical provisions included in the Solvency II balance sheet relative to those included in the financial statements as of 31 December 2021 and 31 December 2020 in US\$'000's:

	2021 Solvency II		2021 Financial Statements
Unit Liability	3,543	Life Assurance Provision	4,563
BEL	3,211	Technical Provisions	5,410
Risk Margin	472		
Pending Claims	2,598		
Total Technical Provisions	9,823	Total Technical Provisions	9,973

	2020 Solvency II		2020 Financial Statements
Unit Liability	3,603	Life Assurance Provision	3,074
BEL	2,698	Technical Provisions	6,024
Risk Margin	608		
Pending Claims	1,250		
Total Technical Provisions	8,158	Total Technical Provisions	9,098

There are significant differences in the technical provisions held. In the financial statements an Unearned Premium Reserve ("UPR") is held in respect of the YRT Treaty, whereas under Solvency II, the BEL for this treaty reflects the projected future cashflows on a prospective best-estimate basis.

The aggregate Solvency BEL is positive when other elements including the guarantee reserve on the Penn Mutual Life Treaty and other provisions are included. No risk margin is held within the financial statements.

The assumptions are generally consistent between financial statements and Solvency II, with the financial statement assumptions containing some additional margins for prudence that are not included in the Solvency II best estimate assumptions.

See S.05.01.02, S.12.01.02 Life Forms in Appendix I for further information.

D3. Other liabilities

The other liabilities of the Company, excluding technical provisions, are shown in the following table as of 31 December 2021 and 31 December 2020, in US\$'000s. The table also shows the value of other liabilities shown in the financial statements.

	2021 Solvency II		2021 Financial Statements
Reinsurance Payables	0	Reinsurance Payables	0
Trade Payables	193	Trade Payables	193
Total Other Liabilities	193	Total Other Liabilities	193

	2020 Solvency II		2020 Financial Statements
Reinsurance Payables	1,104	Reinsurance Payables	1,104
Trade Payables	110	Trade Payables	110
Total Other Liabilities	1,214	Total Other Liabilities	1,214

Reinsurance and trade payables represent the face value of the amount owed to creditors and there are no differences compared to the values in the financial statements.

No Deferred Tax Liability is recognised given the historic tax losses available to offset any taxes arising on future profits.

There are no liabilities in respect of leasing arrangements or employee benefits.

There were no changes to the recognition and valuation bases used or on estimations during the reporting period. There are not any material assumptions or judgements made in relation to the recognition or valuation of the "Other Liabilities".

D4. Alternate methods for valuation

The Company does not use any alternative methods for valuation of its assets.

D5. Any other information

The Company does not have any other material information on the valuation of assets or liabilities.

Section E: Capital Management

E1. Own funds

The following table outlines the Company's Own Funds as of 31 December 2021 and 31 December 2020 in US\$'000:

Own Fund Item	2021	2020	Movement
Ordinary Share Capital	1,250	1,250	0
Reconciliation Reserve	1,352	3,192	(1,840)
Total Own Funds	2,602	4,442	(1,840)

The Company only holds Tier 1 basic Own Funds. Therefore, the eligible amount of Own Funds to cover the SCR and MCR is US\$2.60 million. There are no own fund items subject to transitional arrangements and no deductions from Own Funds or restrictions affecting the availability of Own Funds.

The objective of Own Funds management is to maintain, at all times, sufficient Own Funds to cover the SCR and MCR with an appropriate buffer. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company holds regular meetings of senior management, which are at least quarterly, in which the ratio of eligible Own Funds over SCR and MCR are reviewed.

However, as stated earlier, as a result of a large claim payment falling due and accrued for on its YRT Treaty, the MCR coverage level fell below 100% as of 31 August 2021 (which was observed on 10 September 2021) and caused SRD to be in non-compliance with its Solvency II MCR. The Company wrote to the Central Bank on 10 September 2021 under Regulation 148 (1) and Regulation 148 (2) to notify the Central Bank that the Company believed that it was in breach of its requirement to cover the MCR and no longer met the requirements as set out under Regulation 148 (1) and 148 (2) as of 31 August 2021. As of 31 December 2021, MCR coverage level remains below 100%, at 63.8%.

The following table reconciles the Solvency II Own Funds to the shareholder equity shown in the financial statements for year-end December 2021 and December 2020 in US\$'000:

Reconciliation	2021	2020
Share Capital	1,250	1,250
Retained Earnings	1,202	2,252
Shareholder Equity Financial Statements	2,452	3,502
Add back FS technical provisions	9,973	9,098
Deduct SII Technical provisions	9,823	8,158
Solvency II Own Funds	2,602	4,442

The reconciliation reserve is effectively equal to the retained earnings in the financial statements plus all of the adjustments outlined above in moving from financial statements to Own Funds under Solvency II.

See S.23.01.01 Own Funds in Appendix I for further information.

E2. Solvency Capital Requirement and Minimum Capital Requirements

Solvency Capital Requirement

The SCR and MCR figures at year-end 2021 and year-end 2020 (in US\$'000's) are as follows:

Capital requirements	2021	2020	Movement
SCR	3,350	3,197	153
MCR	4,077	4,418	(341)

The SCR is calculated using the standard formula and the split of the SCR by risk module is as follows:

Capital requirements (US\$'000's)	2021	2020	Movement
Market Risk	2,023	2,009	14
Underwriting risk	1,636	1,883	(14)
Counterparty risk	730	63	667
Operational	142	99	43
Diversification	(1,181)	(856)	(325)
SCR	3,350	3,197	153

The Company does not use any simplified calculations or any Company specific parameters in the calculation of the SCR. There are currently no capital add-ons applied by the regulator.

No loss absorbing capacity of deferred tax is recognised when calculating the capital requirements.

See S.25.01.21 & S.25.02.21 Basic Capital & SCR Requirement's in Appendix I for further information.

MCR Inputs

The inputs used in the calculation of the MCR are as follows:

- The technical provisions on the unit linked business (excluding the risk margin) is US\$5.4 million;
- The total capital at risk US\$516 million;
- SCR amount as calculated for the Company. Details of the SCR amounts are set out above. The MCR is capped and floored at 25% and 45% of the SCR; and
- The absolute floor of €3.6 million.

The absolute floor of €3.6 million, or US\$4.1 million, applies as of year-end 2021. This was also the case as of year-end 2020 (US\$4.4 million).

See S.28.01.01 Overall MCR Calculation in Appendix I for further information.

Material Movements in MCR and SCR over the year

Market risk increased by US\$14 thousand during 2021. The spread risk has increased from 2020 by US\$79 thousand. This is due to an increase in holdings in corporate bonds. The interest rate down shock is the biting shock for SRD. This has decreased by US\$82 thousand since last year. The interest rate shock impacts both the assets and the liabilities on the balance sheet. Interest rates have increased over the course of 2021, which has led to an increase in the downward movement applied in the interest rate shock. The increase in the downward shock has impacted the assets (i.e. an increase in asset values) more than the liabilities (i.e. an increase liabilities), resulting in a net reduction in the risk compared to 2020. Concentration risk has increased by US\$79 thousand during 2021.

Underwriting risk reduced over the year by US\$247 thousand. This is largely driven by a reduction in the lapse risk, but all life underwriting risks have reduced. The Mass Lapse risk is the biting Lapse shock for SRD. The lapse risk has decreased as a result of the lower future profits in the Term Treaty BEL at year-end 2021 compared to 2020.

The MCR has not changed over the year as the absolute floor applied at both points, but currency movements resulted in an increase in the amount in US dollars.

E3. Use of the duration based equity risk sub-module in the calculation of the Solvency Capital Requirements

The Company does not use duration based equity risk sub-module in the calculation of the SCR.

E4. Difference between the standard formula and any internal model used

The Company does not use an internal model for its Solvency II calculations.

E5. Non-compliance with MRC and significant non-compliance with the SCR

There has been no non-compliance with the MCR or SCR during the year ending 31 December 2020.

E6. Any other information

There are no other material disclosures under capital management.

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APPENDIX I

Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	
TP calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	4,328,323
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	4,328,323
TP calculated as a whole	R0660	
Best Estimate	R0670	3,941,460
Risk margin	R0680	386,863
Technical provisions – index-linked and unit-linked	R0690	5,495,105
TP calculated as a whole	R0700	3,542,592
Best Estimate	R0710	1,867,390
Risk margin	R0720	85,123
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
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	
Payables (trade, not insurance)	R0840	193,158
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	-
Total liabilities	R0900	10,016,586
Excess of assets over liabilities	R1000	2,602,306

Annex I
S.12.01.02
Life and Health SLT Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best Estimate

Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
	C0100	C0150
R0010	3,542,592	3,542,592
R0020		
		
		
R0030	5,808,849	808,849
R0080		
R0090	5,808,849	5,808,849
R0100	471,986	471,986
		
R0110	-	-
R0120		
R0130		
R0200	9,823,428	9,823,428

Annex I
S.23.01.01
Own funds

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

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

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

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

- Unpaid and uncalled ordinary share capital callable on demand
- Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
- Unpaid and uncalled preference shares callable on demand
- A legally binding commitment to subscribe and pay for subordinated liabilities on demand
- Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
- Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
- Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Other ancillary own funds

Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
R0010	1,250,000			
R0030				
R0040				
R0050				
R0070				
R0090				
R0110				
R0130	1,352,306	1,352,306		
R0140				
R0160				
R0180				
R0220				
R0230				
R0290	2,602,306	2,602,306		
R0300				
R0310				
R0320				
R0330				
R0340				
R0350				
R0360				
R0370				
R0390				

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

R0400				
R0500	2,602,306	2,602,306		
R0510	2,602,306	2,602,306		
R0540	2,602,306	2,602,306		
R0550	2,602,306	2,602,306		
R0580	3,350,103			
R0600	4,077,360			
R0620	78%			
R0640	64%			

Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

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

Reconciliation reserve

Expected profits

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

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

Total Expected profits included in future premiums (EPIFP)

C0060	
R0700	2,602,306
R0710	
R0720	
R0730	1,250,000
R0740	
R0760	1,352,306
R0770	-
R0780	
R0790	-

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Market risk
 Counterparty default risk
 Life underwriting risk
 Health underwriting risk
 Non-life underwriting risk
 Diversification
 Intangible asset risk
Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Operational risk
 Loss-absorbing capacity of technical provisions
 Loss-absorbing capacity of deferred taxes
 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module
 Total amount of Notional Solvency Capital Requirement for remaining part
 Total amount of Notional Solvency Capital Requirements for ring fenced funds
 Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
 Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	2,022,925		
R0020	729,757		
R0030	1,635,785		
R0040			
R0050			
R0060	-	1,180,651	
R0070			
R0100	3,207,815		

	C0100
R0130	142,288
R0140	
R0150	
R0160	
R0200	3,350,103
R0210	
R0220	3,350,103
R0400	
R0410	
R0420	
R0430	
R0440	

Linear formula component for non-life insurance and reinsurance obligations

		MCR components	
		C0010	
MCR _{NL} Result	R0010		

S.28.01.01.02

Z Axis:

VG/Solvency II

Background information

				Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole		Net (of reinsurance) written premiums in the last 12 months	
		C0020		C0030	
Medical expense insurance and proportional reinsurance	R0020				
Income protection insurance and proportional reinsurance	R0030				
Workers' compensation insurance and proportional reinsurance	R0040				
Motor vehicle liability insurance and proportional reinsurance	R0050				
Other motor insurance and proportional reinsurance	R0060				
Marine, aviation and transport insurance and proportional reinsurance	R0070				
Fire and other damage to property insurance and proportional reinsurance	R0080				
General liability insurance and proportional reinsurance	R0090				
Credit and suretyship insurance and proportional reinsurance	R0100				

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		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

S.28.01.01.03

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR _L Result	R0200	482,072

S.28.01.01.04

Z Axis:

VG/Solvency II

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	5,409,982	
Other life (re)insurance and health (re)insurance obligations	R0240	3,941,460	
Total capital at risk for all life (re)insurance obligations	R0250		516,330,261

S.28.01.01.05

Z Axis:
VG/Solvency II

Overall MCR calculation

		C0070
Linear MCR	R0300	482,072
SCR	R0310	3,350,103
MCR cap	R0320	1,507,546
MCR floor	R0330	837,526
Combined MCR	R0340	837,526
Absolute floor of the MCR	R0350	4,077,360
Minimum Capital Requirement	R0400	4,077,360