SCOTTISH RE (DUBLIN) DAC

SOLVENCY AND FINANCIAL CONDITION REPORT

As at 31 December 2018

	Page
Summary	**4**
Section A: Business & Performance	**12**
A1. Business	12
A2. Underwriting performance	14
A3. Investment performance	14
A4. Performance of other activities	15
A5. Any other disclosures	15
Section B: System of Governance	**16**
B1. General information on the system of governance	16
B2. Fitness and proper requirements	17
B3. Risk management system including the own risk and solvency assessment	18
B4. Internal control system	19
B5. Internal audit system	19
B6. Actuarial function	20
B7. Outsourcing	20
B8. Any other information	21
Section C: Risk Profile	**22**
C1. Underwriting risk	23
C2. Market risk	25
C3. Credit risk	27
C4. Liquidity risk	27
C5. Operational risk	28
C6. Other material risks	30
C7. Any other information	30
Section D: Valuation for Solvency Purposes	**30**
D1. Assets	30
D2. Technical provision	31
D3. Other liabilities	33
D4. Alternate methods for valuation	34
D5. Any other information	34

Section E: Capital Management **34**

E1. Own funds 34
E2. Solvency Capital Requirement and Minimum Capital Requirements 35
E3. Use of the duration based equity risk sub-module in the calculation of the Solvency Capital Requirements 36
E4. Differences between the standard formula and any internal model used 36
E5. Non- compliance with Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement 36
E6. Any other information 36

Appendix I **37**

Summary

Overview of 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, and has principal activity of reinsurance of life assurance business.

Effective 1 October 2009, SRD entered into a modified coinsurance reinsurance agreement with Scottish Re (U.S.), Inc. ("SRUS") for the reinsurance of business originally ceded to SRUS by Penn Mutual Life Insurance Company (Harbourton) ("Penn Mutual Life"). Under this agreement certain individual single premium deferred annuities, as well as individual flexible premium deferred annuities are coinsured by SRUS. SRUS cedes 90% of the above Penn Mutual Life treaty on a modified coinsurance basis to SRD.

In 2012, SRUS began the recapture of certain excess retrocession business up to a new per-life retention of $3 million associated with underlying policies assumed SRUS and retroceded (up to a maximum cession limit of $0.5 million) to Orkney Re II plc ("Orkney Re II"), an Irish Special Purpose Reinsurance Vehicle. The business consists of fifty-seven (57) underlying treaties written by SRUS with third party ceding companies covering policies issued by such ceding companies between 1 January 2004 and 31 December 2004. The policies are primarily comprised of guaranteed level premium term life insurance which is subject to the statutory reserve requirements of Regulation XXX. The defined block of business is a closed block of business.

In 2014, SRUS and SRD created an affiliated excess retrocession agreement for SRUS to cede to SRD this recaptured excess retrocession business for individual exposures up to per-life retention limit of $3 million. The 2004 excess retrocession pool was originally ceded to six retrocessionaires. The affiliated excess retrocession is on consistent terms as the recaptured external excess retrocession business.

The recaptured external excess retrocession business was recaptured on the policy anniversary dates and immediately ceded to SRD.

SRD also has in place the following intra-group agreements:

- Net Worth Maintenance ("NWM") Agreement dated 1 January 2002 between Scottish Annuity & Life Insurance Company (Cayman) Ltd. ("SALIC") and SRD (as amended);
- Support Service Agreement dated 1 January 2002 between SRUS and SRD;
- Support Service Agreement dated 1 January 2003 between Scottish Holdings, Inc. ("SHI") and SRD; and
- Support Service Agreement dated 1 June 2017 between Scottish Re Life (Bermuda) Limited ("SRLB") and SRD.

Pursuant to a 2008 agreement, SALIC agreed to limit any fees payable to it in respect of the NWM Agreement.

The Company reports under Financial Reporting Standards 101 ("FRS 101") and Solvency II.

SRD is required by the Central Bank of Ireland (the "Central Bank", or "CBI") 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 Act.

As is allowed under FRS 101, the Company reclassified its capital contributions to the retained loss account, creating a revenue reserve account. Effective 13 December 2016, following approval from the Central Bank, SRD transferred all of the capital contributions made to date at the time, US$533,699,585.18, to the retained earnings account, which created a positive revenue reserve account of US$9,987,408. This reclassification process enabled SRD to declare a distribution by way of return on capital to its parent company and sole shareholder (as the above meets the criteria for distributable profits under the Act), SALIC, of US$7 million. The distribution to owner of US$7 million was approved by the Central Bank on 13 December 2016, and the distribution was completed on 20 January 2017.

Affiliated Business Matters

Going Concern of Ultimate Parent

On 17 May 2017, SRD's ultimate parent company, Scottish Re Group Limited ("SRGL"), commenced voluntary provisional winding up proceedings in Bermuda (where SRGL maintains 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. Following their appointment, the JPLs worked with the SRGL Board of Directors (the "SRGL Board") and the Scottish Re Group of companies (the "Group") management to effect a restructuring plan for SRGL, which involves the sale of SRGL's immediate subsidiary, SALIC. SRGL pro-actively filed these winding up petitions in an effort to facilitate the restructuring process and to maximize value to SRGL's stakeholders.

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, and replaced the SRGL Board (which effectively has been dissolved) and SRGL management.

Subsequent to the entry of the Bermuda and Cayman Islands orders appointing the JOLs, the JOLs sought and received a permanent 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 some intercompany service fees that SRD owes SRGL prior to the winding up proceedings (when SRGL had staff before they were reassigned to different entities within the Group). The amount outstanding for the intercompany services fees that is owed to SRGL is not material to the Company.

There are no other contractual arrangements between the Company and SRGL that had an impact on the operations of the Company. As a result, the winding up of SRGL does not have a material impact on the financial affairs of the Company.

Sale and Restructuring Plan and the Commencement of Chapter 11 Proceedings

On 29 January 2018, SRGL announced that it had commenced, on 28 January 2018, implementation of a sale and restructuring plan for SALIC and certain of its subsidiaries (the "Sale and Restructuring"). The Sale and Restructuring plan is 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").

In connection with the SALIC/SHI Chapter 11, SRGL announced that a stock purchase agreement (the "Stalking Horse SPA") had been executed between SALIC and SHI, on the one hand, and HSCM Bermuda Fund Ltd., a Bermuda-domiciled investment fund ("Hudson") managed by Hudson Structured Capital Management ("Hudson Structured"), on the other.

Hudson Structured caused Hudson to execute certain documents associated with the SALIC/SHI Chapter 11 in order for Hudson to act as plan sponsor of the SALIC/SHI Chapter 11. In conjunction with the SALIC/SHI Chapter 11, SALIC filed a number of first day motions on 30 January 2018, intended to allow it to operate in the ordinary course of business during the restructuring process. Upon closing of the Stalking Horse SPA, the Buyer was to own 100% of the stock of the reorganized SALIC including ownership of SHI, SRUS, SRLB, and the Company.

Certain of the SALIC's subsidiaries, such as the Company, SRUS, and SRLB (together, the "Non-Debtors"), are not debtors in the SALIC/SHI Chapter 11 and as such, contracts and relationships between the Non-Debtors and their reinsurance and other counterparties, vendors, and employees are largely unaffected by the SALIC/SHI Chapter 11 filing. In March 2018, SALIC's wholly-owned subsidiary, Scottish Financial (Luxembourg) S.a r.l. ("SFL"), which was not expected to be acquired as part of the Sale and Restructuring, filed an application with the Luxembourg District Court, sitting in commercial matters ("Luxembourg Court"), to commence a voluntary bankruptcy proceeding. Thereafter, on 16 April 2018, the Luxembourg Court opened a bankruptcy proceeding over SFL and appointed an independent bankruptcy receiver for SFL.

SALIC faced acute liquidity issues in the first quarter of 2018 as a result of the historically adverse performance of the Group's legacy book of yearly renewable term ("YRT") reinsurance business, and the growing strain created by payments coming due in the first quarter of 2018 on twenty (20) consecutive quarters of accrued and deferred interest on certain trust preferred securities guaranteed by SALIC.

With the liquidity constraint facing SALIC, the SALIC/SHI Chapter 11 process is designed to:

- Permit SALIC to continue as a going concern during the reorganization process, and to continue to provide uninterrupted performance of its obligations to its third-party and affiliated reinsurance counterparties and business partners;
- Permit the SALIC businesses, post-reorganization and under new ownership, to continue to actively participate in the U.S. life reinsurance and annuity industries; and
- Preserve the existing jobs of the employees of SALIC and its subsidiaries.

As contemplated by the Stalking Horse SPA, on 28 February 2018, the Bankruptcy Court entered an Order Approving Bidding Procedures In Connection With An Auction For Plan Sponsorship or Other Alternative Transaction that essentially establishes a framework for an auction process during the pendency of the SALIC/SHI Chapter 11 proceedings in which alternative restructuring transactions from other parties may be offered to and considered by SALIC/SHI in consultation with the Official Committee of Unsecured Creditors appointed in SALIC/SHI Chapter 11 cases (the "Creditors Committee"). The designation of the winning bidder was subject to Bankruptcy Court approval.

On 25 May 2018, SALIC/SHI received bids for alternative restructuring transactions from two other parties, one of which was considered by SALIC/SHI, in consultation with the Creditors Committee, to be a qualified bid in accordance with the bidding procedures approved by the Bankruptcy Court, for onward submission to the auction process to compete with Hudson. The qualified bid was from a newly formed Cayman Islands company controlled by or affiliated with Connecticut-based asset management firm, Hildene Capital Management LLC ("Hildene"). The auction took place on 30 May 2018, between Hildene and Hudson, in which Hildene emerged as the winning bidder following the auction process. Hildene was confirmed as the winning bidder by the Bankruptcy Court, through a winning bidder order, on 12 June 2018, following an uncontested Bankruptcy Court hearing on 4 June 2018. As part of the same order, Hudson was confirmed as the backup bidder. Also on 12 June 2018, the Bankruptcy Court entered an order approving the stock purchase agreement (the "SPA") between SALIC and Hildene. Following the emergence of Hildene as the confirmed winning bidder, the Bankruptcy Court approved an accompanying disclosure statement following a hearing on 28 June 2018.

The disclosure statement was then distributed by SALIC/SHI to eligible creditors on 3 July 2018, to solicit votes on a Chapter 11 plan of reorganization incorporating the terms of the new restructuring transaction from Hildene (the "Plan"), and request the Bankruptcy Court to confirm the Plan. The Plan was unanimously accepted by all voting classes, and was confirmed by the Bankruptcy Court on 22 August 2018.

The SPA was subject to certain closing conditions related to the SALIC/SHI Chapter 11, as well as the receipt by Hildene of all required regulatory approvals necessary to effectuate a change of control of the affected entities. Recognizing that regulatory approval can take time, SALIC, SHI, and Hildene had always understood and expected that there would be a longer-than-usual period between confirmation and the Plan effective date. Thus, the SPA with Hildene provided for an outside closing date of 9 December 2018.

As at 31 December 2018, the Plan had not gone effective. There were two primary reasons that the SPA had not yet closed and the Plan had not yet gone effective before year-end. First, certain of the necessary regulatory approvals remained pending. Second, and not entirely unrelated, the Company's U.S. affiliate, SRUS, has continued to experience significant deterioration in its financial condition due to unprecedented levels of current and projected adverse mortality experience, predominantly in respect of the business ceded to SRUS by one particular ceding company ("Cedent One"). None of this YRT business is ceded to the Company.

Adverse mortality experience on Cedent One's business increased dramatically during 2018 to even higher levels, rendering the preliminary solution unworkable and requiring a new solution. Without such a solution, the funding need at the Group is expected to be even greater at a closing and into the foreseeable future.

Therefore, SALIC, with Hildene's cooperation and assistance, were actively pursuing such a solution through negotiations with Cedent One.

During December 2018 and January 2019, Hildene had indicated a willingness to extend the outside closing date pursuant to an amendment to the SPA to attempt to reach a satisfactory resolution of the issues described earlier. Hildene and SALIC were continually in discussions concerning, and were close to memorializing, such an extension to the SPA.

However, a new obstacle to the closing of the SPA had emerged which was that the fourth quarter 2018 financial results of SRUS and SALIC were far worse than originally expected, and, without renegotiating additional business negatively impacting SRUS and SALIC, the capital contributions required of Hildene at closing and in the future, would remain prohibitively high and be subject to an unacceptable level of risk of depletion. As a result, Hildene required as a further condition to proceeding with the extension and subsequent closing of the SPA, at a minimum, that SALIC and SHI favourably resolve the business with another third-party ceding company ("Cedent Two") adversely affecting SRUS's capital and surplus and SALIC's liquidity.

During January and February 2019, SALIC engaged in extensive negotiations with Cedent Two in an effort to reach a resolution acceptable to both Cedent Two and Hildene. Despite these efforts, a settlement proposal could not be agreed, and on 16 February 2019, Hildene informed SALIC that it would not pursue closing the SPA. Accordingly, the SALIC and SHI board of directors sent a notice of termination to Hildene on 16 February 2019, and, immediately afterward, contacted Hudson, the company that had entered into a stalking horse stock purchase agreement with SALIC and SHI on 28 January 2018 (and as stated earlier), on the possibility of reengaging on a new transaction.

During February and March 2019, SALIC and Hudson engaged in a more fulsome discussion regarding reengaging to pursue a new transaction. Hudson did provide an indicative bid on 9 March 2019, but following review, this was not deemed acceptable by SALIC and the Creditors Committee.

Following this development, SALIC and the Creditors Committee were in discussions regarding next steps in the SALIC/SHI Chapter 11, which included engaging again with Hildene, in an effort to find an alternative restructuring transaction.

On 27 March 2019, the Creditors Committee filed with the Bankruptcy Court a motion to convert the SALIC/SHI Chapter 11 restructuring process to Chapter 7 (liquidation) proceedings. A hearing on the conversion motion has been scheduled in the Bankruptcy Court for 17 April 2019.

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

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

SRUS Developments

On 14 December 2018, the Company's U.S. affiliate, SRUS, with the consent of the SRUS board of directors, became subject to an Order of Supervision issued by the Insurance Commissioner of the State of Delaware (the "Commissioner").

The Order of Supervision grants the Delaware Department of Insurance (the "Department") increased oversight over SRUS and requires the Department's prior consent to, among other things, any transaction by SRUS outside the ordinary course of business, to the payment of certain amounts to third parties and to any transaction with or any distribution or payment to its affiliates.

As a result of, among other things, the failure as of 1 March 2019 for SALIC to close on or be bound to a transaction that would adequately recapitalize SALIC such that SRUS properly could take credit for amounts owing from SALIC to SRUS as of year-end 2018 and file its year-end 2018 statutory financial statements on a solvent basis, on 6 March 2019, at the request of 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 "Order") placing SRUS into rehabilitation.

The Order and associated documents may be accessed online at https://insurance.delaware.gov/divisions/rehab_bureau/ under the link for "Scottish Re (U.S.), Inc.".

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

The Company understands that pursuant to and during the pendency of the Order, as originally entered, amounts due to SRUS from its counterparties (i.e., premiums due to SRUS from its ceding companies, and claims payments due to SRUS from its retrocessionaires, including claims payments that may be due from the Company) are required to be paid to SRUS, but amounts owing from SRUS to such counterparties (i.e., claims owed to SRUS's ceding companies and premiums owned to SRUS's retrocessionaires) will not be paid over to any such counterparties, which also includes premium payments that may become due from SRUS to the Company. While the stated duration of the rehabilitation is 120 days for the entry of the Order, there can be no assurances that this process will not be shorter or potentially continue for a longer period. The Board understands that the hold of premium payments from SRUS to SRD during the Order would have an adverse effect on the liquidity of the Company, as the premiums from SRUS are the Company's only source of new funds, albeit that claims due to SRUS would presumably be settled via either the Funds Withheld, in the case of the Penn Mutual Treaty, or the Reserve Credit Trust, in the case of the YRT Treaty.

Further, as a consequence of the Plan of Rehabilitation, or if not successful, the subsequent insolvency of SRUS, the Company may only receive a portion of the premiums due. Such an occurrence would have an adverse impact on the calculation of the Technical Provisions, especially the YRT treaty, which under Solvency II is a large negative liability, reflecting the discounted value of substantial future profits, which would not arise as projected if the expected future premium was only partially paid. As such the negative best estimate liability would reduce, increasing the Technical Provisions and potentially adversely impacting the ability of the Company to meet its SCR and MCR (both as defined herein).

Furthermore, the Company has taken legal advice both in Ireland and in the U.S. as to the extent to which it is bound by the Order. It is noted however that both the reinsurance 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 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 sitused in the United States. Accordingly, our advice is that the Order will be effective in so far as those agreements and the connected assets are concerned.

It is also worth noting that on 25 March 2019, a motion and related documents were filed by the Receiver with the Court relating to a proposed Offset Plan to be implemented during the rehabilitation process (which is based on Delaware law). As proposed, the Offset Plan creates a process for counterparties of SRUS seeking to offset amounts due by SRUS against amounts due to SRUS by such counterparties, and also contains provisions allowing a counterparty of SRUS to apply to the Court seeking relief from the injunctive provisions of the Order and/or the terms of the Offset Plan due to an Undue Hardship.

In brief, if a counterparty can show that compliance with the injunctive provisions of numbered paragraph 12 of the Order or any provisions of the Offset Plan would impose Undue Hardship on such counterparty as defined in the Offset Plan, that counterparty can apply to the Court for certain relief. "Undue Hardship" in this context refers to situations where, under the special circumstances unique to a particular counterparty, that counterparty cannot comply with certain parts of the Order that create financial difficulties for that counterparty. This is not an option that the Company needs to explore in the short term. However, it is an area that the Board will take advice on in case it needs to rely on it at some point in the future.

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

Approval

This Solvency and Financial Condition Report ("SFCR") was approved by the Company's Board of Directors (the "Board") on 15 April 2019.

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 group supervisor of SRD is the Central Bank.

The external auditor of the Company is:

EisnerAmper Audit Limited
Chartered Accountants & Statutory Auditors
6 The Courtyard Building
Carmanhall Hall
Sandyford
Dublin 18
Republic of Ireland

The signing audit partner of the Company at EisnerAmper Audit Limited ("EisnerAmper") is Ray Kelly.

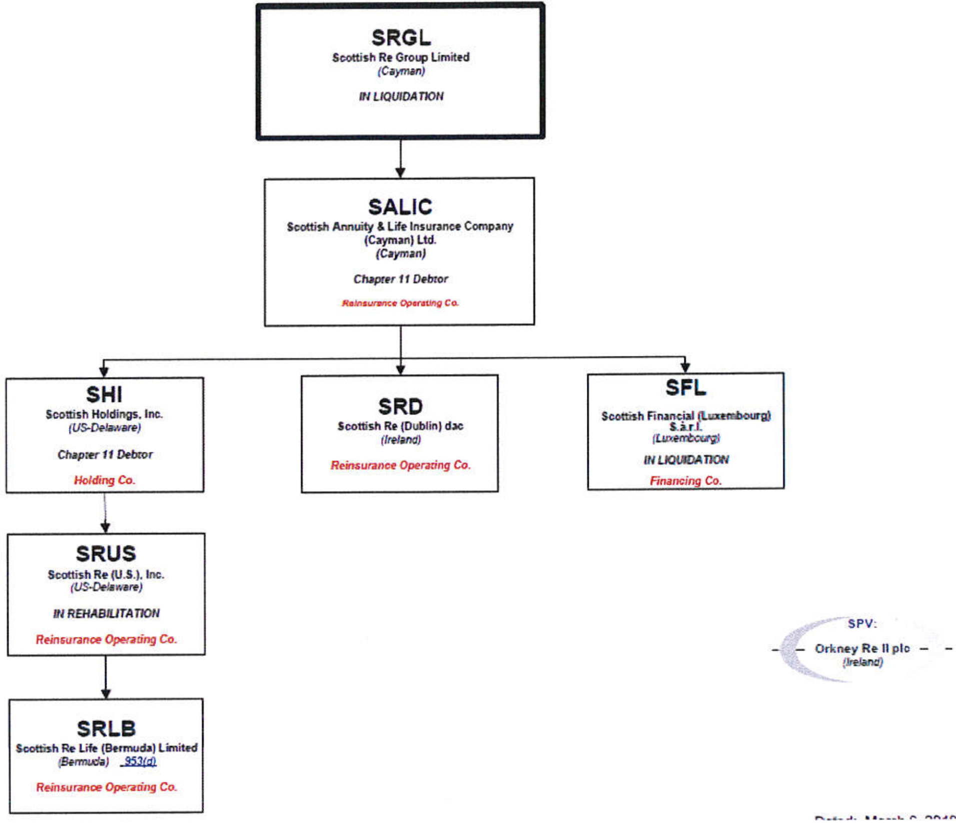
The legal advisor of the Company is:

William Fry Solicitors
2 Grand Canal Square
Dublin 2
Republic of Ireland

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 Summary section, SALIC has been going through a Sale and Restructuring plan through SALIC/SHI Chapter11 and is in the process of being put into liquidation Chapter 7.

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

The chart below shows the structure of the Group:



Orkney Re II plc is a special purpose vehicle (orphan company) which was consolidated into the SRGL Financial Statements prior to SRGL's winding up proceedings.

A2. Underwriting performance

The table below shows the underwriting profit/loss under FRS 101.

SRD FRS 101 UNDERWIRITNG PROFIT/LOSS AS OF 31 DECEMBER 2018 AND 2017 ($'000):			
	2018	**2017**	**Movement**
Net Premium written	3,469	3,272	197
Net Claims paid	(2,346)	(1,020)	(1,326)
Change in provision for claims	(372)	58	(430)
Underwriting Profit for the year	751	2,310	(1,559)

The table below shows a breakout of the Net Technical reserves under FRS 101.

SRD IRISH RESERVES AS OF 31 DECEMBER 2018 AND 2017 ($'000):			
SRUS Treaty	**2018**	**2017**	**Movement**
Account Value	3,570	3,612	(42)
Additional Guarantee	1,828	1,482	349
Total (Penn Mutual Life)	**5,3981**	**5,094**	**307**
Unearned Premium Reserve	1,712	1,629	83
Incurred But Not Reported Reserve	663	738	(75)
Pending Claims	800	750	50
Total (Guaranteed Level Premium Term Life Treaty)	**3,175**	**3,117**	**58**
Grand Total	**8,575**	**8,211**	**365**

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 2018 and 2017: (US$'000):

	2018 US$	2017 US$
Interest on financial investments	448	440
Interest credited on deposits with cedent	(137)	(141)
Investment management charges	(12)	(12)
Unrealised losses on investments	(21)	(9)
Loss/(profit) on embedded derivative	(143)	5

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

Asset class	2018	% total	2017	% total
Cash and cash equivalents	134	1%	101	1%
Deposits to cedants	3,570	27%	3,612	27%
Deposits other than cash equivalents	463	4%	816	6%
Government bonds	142	1%	144	1%
Corporate bonds	6,635	50%	6,511	49%
Collateralised securities	2,210	17%	2,118	16%
Total	**13,156**		**13,302**	

A4. Performance of other activities

Operating expenses for the year totalled US$1,183,178 (US$1,115,555); the increase was the result of charges such as legal fees for the implementation of European Union General Data Protection Regulation ("GDPR") legislation and payroll costs.

A5. Any other information

The Company's key financial and other performance indicators during the years ended 31 December 2018 and 2017 were as follows (US$'000):

	2018	2017	Movement
Gross premium written	3,469	3,272	197
Loss/profit on ordinary activities	(308)	1,466	1,774
Deposits with ceding undertaking	3,570	3,612	(42)
Financial investments at fair value	934	1,557	(623)
Available for sale financial assets	8,517	8,032	485
Net technical provisions	8,575	8,211	364

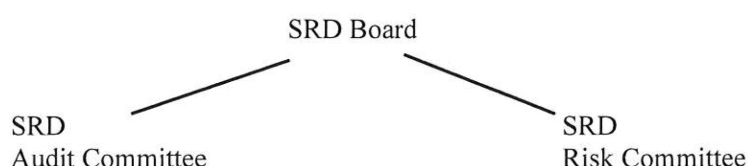
Section B: System of Governance

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 SALIC), TJ Keller (Executive Vice President, Chief Financial Officer of SALIC), and Karina Lynch (CEO of SRD). Karina Lynch also acts as Compliance Officer of the Company and is based in Ireland.

The Company has appointed Mark Harris (Senior Vice President, Finance Manager of SRLB) 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 Directors, with the assistance of management, continually monitor and approve the targeted minimum solvency level. The Company set a solvency target at 150% under Solvency II in 2018. 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 other SALIC affiliates in the U.S. and Bermuda, 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 the Group legal department pursuant to the support services agreement and 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 is aligned with the Group's risk management system. The Group's risk management system is articulated in a number of policies and frameworks, overarched by the Enterprise Risk Management Framework ("ERM Framework").

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 CBI.

The Group 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 12 July 2018. In addition, the Board has asked Milliman to assist it with the preparation of an ad-hoc updated ORSA having regard to developments outlined under "Affiliated Business Matters". This ad-hoc ORSA will be completed after the 2018 year-end regulatory filings.

The Board of the Company 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 FRS 101 financial statements 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 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 who is an employee of the group and 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.
- 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 CBI Solvency II guidance.

The position of Head of the Actuarial Function is held by Padraic O'Malley of Milliman Limited ("Milliman"), who has a wealth of experience in the Irish reinsurance industry.

Padraic O'Malley 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
Wilton Secretarial	Company Secretary	Republic of Ireland
Brendan J McLoughlin	Payroll Services	Republic of Ireland
Scottish Re	Underwriting, Legal, Tax, HR	USA/Bermuda/Grand Cayman

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 accepts reinsurance treaties from within the Group and is open to accepting further business from within the Group. However, having regard to developments outlined under "Affiliated Business Matters", there is the possibility that no business may come to the Company from affiliated entities within the Group.

There are two reinsurance treaties on the Company's balance sheet as at end of year 2018, of which both treaties are from within the Group. 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 treaty is written on a modified coinsurance basis ("modco"). Consequently approximately US$3,955,323 of reserves (as at 31 December 2018) 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. From the US statutory reserves for contracts in force at the end of the current calendar quarter will be subtracted 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. However, as noted above, while SRD will be obliged to allow SRUS to draw on the modco account to fund claims; it is expected that SRUS will not, for the duration of the rehabilitation period, be paying premiums.

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 and injunction 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. Currently, under that arrangement, Bank of New York Mellon as Trustee holds US$5,922,554 (as at 31 December 2018) covering a reserve requirement of US$3,264,870. 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 will be writing 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 in rehabilitation, it is possible the Receiver may not provide SRUS's consent to the withdrawal in which case Bank of New York Mellon will not agree to release the excess amount to SRD.

SRD is taking legal advice from U.S. lawyers in respect of its engagement with the Commissioner so as to assist it in recovering the excess in the Trust Account. However, 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, even if SRD fails to secure an immediate return of the excess monies in the Trust Account, 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. The Company has set a solvency ratio at 150% on a Solvency II basis.

As stated earlier, SRD has a number of intra group 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 the various Scottish Re Group service providers under these agreements, but SRD is undertaking a further review of the terms of the agreements to ensure it can plan for appropriate contingencies in the event that services are not provided (either to an adequate level of service delivery or at all) pursuant to those agreements.

In addition to the receipt of services by SRD from its affiliates within the Group, and as stated earlier, the Company is also the beneficiary of a NWM Agreement with SALIC which was put in place to ensure that SRD will meet its reinsurance obligations and maintain its target solvency ratio as detailed above. The amount of capital currently held by the Company is in excess of this level. As previously stated under "Affiliated Business Matters, SALIC is in chapter 11 proceedings in the US Bankruptcy Court and (since the termination of the discussions with Hildene Capital Management LLC and Hudson Structured Capital Management, who had both included in their respective purchase agreements (which have since been terminated) that the NWM Agreement was to continue if the transaction concluded) the likelihood of SRD being able to rely on the benefit of the NWM Agreement is now extremely low. This is a factor that the Board will take into account when undertaking future scenario testing as well as the preparation of an ad-hoc ORSA. However, as it stands, SRD has no immediate need to request the support of SALIC under the NWM Agreement.

The Risk Appetite will be reviewed prior to writing any new treaties to ensure that the Company is comfortable with the risks presented by the new treaty.

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 2018 and year-end 2017. The figures are calculated on a standard formula basis.

Life Underwriting Risk ($'000)	2018	2017	Movement
Lapse Risk	1,144	2,634	(1,490)
Mortality Risk	1,088	2,303	(1,215)
Expense Risk	433	912	(479)
Catastrophe Risk	750	1,152	(402)
Longevity Risk	142	92	50
Diversification	(1,315)	(2,479)	1,164
Total Life Underwriting Risk	**2,242**	**4,613**	**(2,371)**

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 solvency capital requirement ("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.

C1.3 Risk mitigation

Mortality risk is mitigated through the high profitability attaching to the YRT treaty and the parental guarantee that is in place, which ensures that the Company will hold sufficient capital to meet its target solvency ratio, although recent events attributable to the Company's affiliated entities may offset this risk mitigation.

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. Lapse risk is the most significant life underwriting risk and a decrease in lapses (as per the standard formula shock) would result in the future profits embedded in the inforce business falling by $1.1 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 2018 and year-end 2017. The figures are calculated on a standard formula basis.

Market Risk ($'000)	2018	2017	Movement
Spread Risk	1,160	1,279	(119)
Currency Risk	437	941	(504)
Interest Rate Risk	189	436	(247)
Concentration Risk	134	147	(13)
Diversification	(547)	(922)	375
Total Market Risk	**1,373**	**1,882**	**(509)**

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 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 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.

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$134,050 cash as at 31 December 2018 (2017: US$101,384) and a reinsurance receivable of US$697,214 (2017: US$651,441). 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 2018 and 2017.

Counterparty Risk ($'000)	2018	2017
Type 1	320	277
Type 2	-	-
Diversification	-	-
Total Counterparty Risk	**320**	**277**

C3.2 Risk concentration

On 6 March 2019 SRUS was placed in rehabilitation by order of the Court of Chancery of the State of Delaware. Rehabilitation provides SRUS with court protection for a 120 day 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 is obliged to continue to honour its contractual obligations to SRUS during the 120 day period. Effectively, SRD will not receive the premium income due from SRUS during the 120 day period but it will have to continue paying claims. As a result, the Company does have a material risk concentration in relation to counterparty risk, which the Board and Risk Committee will need to evaluate.

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 2018 year. However, the Board has become aware that the hold of premium payments from SRUS to SRD during the term of the Order would have an adverse effect on the liquidity of SRD, as the premiums from SRUS are SRD's only source of new funds (albeit that claims due to SRUS would presumably be settled via modified coinsurance and reinsurance trust arrangement) and this could potentially have an adverse effect on the ability of SRD to meet its SCR and minimum capital requirement ("MCR"). As a result, the Board are reviewing possible scenarios to assess the potential impact this may have on SRD in the future.

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

- Sensitivities
- Key Risk Indicators
- Scenario testing

The Company has a negative BEL in respect of the YRT treaty but does not rely upon this negative liability to offset any positive liability, so does not consider that any liquidity risk arises from this source.

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 $4.4 million.

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. However, an ad-hoc ORSA will be prepared following the 2018 year-end filings to review scenarios in light of recent events attributable to SALIC and SRUS, as discussed under "Affiliated Business Matters".

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 Order may have an impact on the Company. The retrocession strategy and the plan for the Company as a whole will need to be reviewed in conjunction with the Group developments, noting that the Company's strategic solvency target would not provide sufficient cover to protect against the death of two large lives. The Company does not have sufficient resources to continue on a stand-alone basis indefinitely.

The Board is aware of this and is exploring options available as possible following any Group developments that would allow the opportunity to negotiate recapture or alternative support.

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 2018 and 2017.

Operational Risk ($'000)	2018	2017	movement
Total Operational Risk	**139**	**126**	**13**

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 the Group, which is relied upon for various support services. The two treaties are also within the Group, so that the exposure to the group is an important risk consideration. This has been magnified given the recent Group developments, which the Board are evaluating.

C7. Any other information

There is no other information on the Companies Risk Profile to disclosure at this time.

Section D: Valuation for Solvency Purposes

D1. Assets

The following table outlines the main categories of assets and their value as at 31 December 2018 in $'000:

Asset Category	2018	2017	movement
Investments	9,451	9,589	(138)
Deposits with cedants	3,570	3,612	(42)
Reinsurance Receivables	697	651	46
Cash and Cash Equivalents	134	101	33
Other Assets	120	230	(110)
Total Assets	**13,972**	**14,183**	**(211)**

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 affiliated excess 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 affiliated excess 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$5,876,787 and US$5,519,216 were restricted assets in the reserve credit trust, as at 31 December 2018 and 2017, 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 101 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.02.01.16.01 Balance Sheet in Appendix I for further information.

D2. Technical provision

The table below outlines the technical provisions as at 31 December 2018 in $'000s:

Technical Provisions	2018	2017	Movement
Unit Liability	3,570	3,612	(42)
Best Estimate Liability	1,179	(3,395)	4,574
Risk Margin	766	1,578	(812)
Pending Claims	800	749	51
Gross Technical Provisions	**6,315**	**2,544**	**3771**

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. A deterministic projection is used for the YRT treaty and the BEL for the Penn Mutual Life treaty is evaluated through the use of a number of deterministic scenarios to which probabilities are attached to reflect the possibility of varying market conditions. The BEL must correspond to the probability-weighted average of future cash-flows, with the probabilities reflecting the uncertainties in the cashflows. Given the SRUS developments, as detailed having regard to developments outlined under "Affiliated Business Matters", the BEL in respect of the YRT treaty has been amended at year-end 2018 to incorporate a scenario in which the treaty is recaptured by SRUS following the rehabilitation period. This change has led to a significant increase in the liability.

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.

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. Given the events outlined under "Affiliated Business Matters, there is a material uncertainty that could affect the Company.

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 at 31 December 2018 in $'000's:

	Solvency II		Financial Statements
Unit Liability	3,570	Unit Liability	3,175
BEL	1,179	Technical Provisions	5,400
Risk Margin	766		
Pending Claims	800		
Total Technical Provisions	**6,315**	**Total Technical Provisions**	**8,575**

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 profits expected to emerge in the future and a negative liability is held in respect of this treaty.

The technical provisions have been amended to incorporate reflection of the possibility that the treaties with SRUS might not continue indefinitely. The BEL in respect of the YRT treaty[1] has been amended to reflect two scenarios:

- The first scenario envisages SRUS exiting rehabilitation successfully and future premiums and claims being paid as per the treaty.
- The second scenario envisages SRUS being liquidated following the rehabilitation period and the termination amounts specified in the treaty being paid over to SRUS.

It's considered that it's not possible to say which of these scenarios is more likely than the other and therefore equal probability has been assigned to the two scenarios.

The aggregate Solvency BEL is positive when other elements including the guarantee reserve on the Penn Mutual 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.05.01.01.02, S.12.01.01.01 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 at 31 December 2018 in $'000s. The table also shows the value of other liabilities shown in the financial statements.

	Solvency II		Financial Statements
Other Liabilities	40	Other Liabilities	40
Reinsurance Payables	103	Reinsurance Payables	103
Trade Payables	44	Trade Payables	44
Total Other Liabilities	**187**	**Total Other Liabilities**	**187**

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.

[1] No change has been made to the BEL for the Penn Mutual treaty and the BEL effectively assumes that this treaty continues with SRD. This is done because the Penn Mutual treaty generates losses and is potentially less likely to be recaptured.

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 at 31 December 2018 in $'000:

Own Fund Item	2018	2017	movement
Ordinary Share Capital	1,250	1,250	0
Reconciliation Reserve	6,221	10,225	4,004
Other items approved by Supervisor	0	0	0
Total Own Funds	**7,471**	**11,475**	**4,004**

The Company only holds Tier 1 basic own funds. Therefore, the eligible amount of own funds to cover the SCR and MCR is $7.47 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.

The following table reconciles the Solvency II own funds to the shareholder equity shown in the financial statements:

Reconciliation	$'000's
Share Capital	1,250
Retained Earnings	3,961
Shareholder Equity Financial Statements	**5,211**
Remove FS technical provisions	8,575
Add SII Technical provisions	6,315
Solvency II Own Funds	**7,471**

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.23.01.01.01 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 2018 in $'000's are as follows:

Capital requirements	2018	2017	movmeent
SCR	3,161	5,616	(2,455)
MCR	4,122	4,317	(195)

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

Capital requirements ($'000's)	2018	2017	movement
Market Risk	1,373	1,882	(509)
Underwriting risk	2,242	4,613	(2,371)
Counterparty risk	320	277	43
Operational	139	126	13
Diversification	(913)	(1,282)	369
Loss Adjusting Capacity Deferred Tax	0	0	0
SCR	**3,161**	**5,616**	**(2,455)**

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.25.01.01.01 & S.25.01.01.02 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$740 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.
- The absolute floor of €3.6 million.

The absolute floor of €3.6 million, or $4.1 million, applies as at year-end 2018.

See S.28.01.05 Overall MCR Calculation in Appendix I for further information.

Material Movements in MCR and SCR over the year

Market risk reduced by $509k during 2018. There was a significant reduction in currency and interest rate risk given a change in the technical provisions which reduced the expected duration of the inforce exposures. Currency risk reduced by $0.5 million and interest rate risk reduced by $0.2 million. These were the most significant movements in the market risk modules.

Underwriting risk reduced significantly in the year, falling from $4.6 million to $2.2 million. This reduction was driven by a change to the technical provisions, which reduced the expected duration of the inforce exposures. Lapse risk reduced from $2.6 million to $1.1 million, mortality risk reduced from $2.3 million to $1.1 million, expense risk reduced from $0.9 million to $0.4 million and catastrophe risk reduced from $1.2 million to $0.8 million. All of these changes primarily reflected the change to the technical provisions.

The MCR didn't change over the year as the absolute floor applied at both points, but currency movements resulted in a reduction 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 2018.

E6. Any other information

There are no other material disclosures under capital management.

APPENDIX I

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	9,451,243
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	8,987,888
Government Bonds	**R0140**	142,944
Corporate Bonds	**R0150**	6,635,153
Structured notes	**R0160**	
Collateralised securities	**R0170**	2,209,791
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	463,355
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	3,569,631
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	697,214
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	134,050
Any other assets, not elsewhere shown	**R0420**	120,319
Total assets	**R0500**	13,972,457

Annex I
S.02.01.02
Balance sheet

Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	**R0530**	
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**	914,609
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**	914,609
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	148,250
Risk margin	**R0680**	766,359
Technical provisions – index-linked and unit-linked	**R0690**	5,400,510
TP calculated as a whole	**R0700**	3,569,631
Best Estimate	**R0710**	1,830,879
Risk margin	**R0720**	
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**	102,994
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	83,402
Total liabilities	**R0900**	6,501,516
Excess of assets over liabilities	**R1000**	7,470,941

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	1,250,000				
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	6,220,941	6,220,941			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	7,470,941	7,470,941			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	7,470,941	7,470,941			
Total available own funds to meet the MCR	R0510	7,470,941	7,470,941			
Total eligible own funds to meet the SCR	R0540	7,470,941	7,470,941			
Total eligible own funds to meet the MCR	R0550	7,470,941	7,470,941			
SCR	R0580	3,160,946				
MCR	R0600	4,122,000				
Ratio of Eligible own funds to SCR	R0620	236%				
Ratio of Eligible own funds to MCR	R0640	181%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	
Own shares (held directly and indirectly)	R0710	7,470,941
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	1,250,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	6,220,941
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	1,314,884
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	1,314,884

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	1,373,140		
Counterparty default risk	R0020	320,436		
Life underwriting risk	R0030	2,242,070		
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	- 913,456		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	3,022,190		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	138,757
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	3,160,946
Capital add-on already set	R0210	
Solvency capital requirement	R0220	3,160,946
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCR_{NL} Result	R0010	558663

S.28.01.01.03

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	558,663

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	5,400,510	
Other life (re)insurance and health (re)insurance obligations	R0240	148,250	
Total capital at risk for all life (re)insurance obligations	R0250		739,636,860

S.28.01.01.05

Z Axis:

VG/Solvency II

Overall MCR calculation

		C0070
Linear MCR	R0300	558,663
SCR	R0310	3,160,946
MCR cap	R0320	1,422,426
MCR floor	R0330	790,237
Combined MCR	R0340	790,237
Absolute floor of the MCR	R0350	4,122,000
Minimum Capital Requirement	R0400	4,122,000

S.05.01.01.02 Life

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**								3,577,487	3,577,487
Reinsurers' share	**R1420**									
Net	**R1500**								3,577,487	3,577,487
Premiums earned										
Gross	**R1510**								3,577,487	3,577,487
Reinsurers' share	**R1520**									
Net	**R1600**								3,577,487	3,577,487
Claims incurred										
Gross	**R1610**								2,444,019	2,444,019
Reinsurers' share	**R1620**									
Net	**R1700**								2,444,019	2,444,019
Changes in other technical provisions										
Gross	**R1710**								273,879	273,879
Reinsurers' share	**R1720**									
Net	**R1800**								273,879	273,879
Expenses incurred	**R1900**									1,192,925
Other expenses	**R2500**									149,529
Total expenses	**R2600**									1,342,454

Annex I
S.12.01.02
Life and Health SLT Technical Provisions

		Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
		C0100	**C0150**
Technical provisions calculated as a whole	**R0010**	3,569,631	3,569,631
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**		
Technical provisions calculated as a sum of BE and RM			
Best Estimate			
Gross Best Estimate	**R0030**	3,569,631	3,569,631
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	1,979,129	1,979,129
Risk Margin	**R0100**	766,359	766,359
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	**R0110**	-	-
Best estimate	**R0120**		
Risk margin	**R0130**		
Technical provisions - total	**R0200**	6,315,119	6,315,119