MONUMENT
Assurance Belgium

Monument Assurance Belgium ("MAB")

Solvency and Financial Condition Report at 31 December 2018

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Samenvatting

Dit is het Solvency and Financial Condition Report (“**SFCR**”) (Rapport over de solvabiliteit en financiële positie) voor Monument Assurance Belgium (“**MAB**” of de “**Onderneming**”) voor het jaar eindigend op 31 december 2018. Het doel van het SFCR is om te voldoen aan de openbaarmakingsvereisten van de artikelen 290 tot en met 303 van de Gedelegeerde Verordening (EU) nr. 2015/35 en artikelen 95 en 96 van de Belgische Solvabiliteit II-wet.

In dit rapport worden nominale bedragen vermeld in duizenden euro (€ '000), tenzij anders vermeld, conform artikel 2 van Uitvoeringsverordening (EU) nr. 2015/2452.

Bedrijfsinformatie

Monument Re Ltd ("**Monument Re**") rondde de acquisitie van ABN AMRO Life Capital Belgium NV ("**AALCB**") af op 28 maart 2018, toen de naam van de onderneming werd gewijzigd in Monument Assurance Belgium NV ("**MAB**").

MAB is een Belgische levensverzekeringsmaatschappij, opgericht in België onder het nummer 0478.291.162, met vergunning van de Nationale Bank van België ("**NBB**") om levenspolissen van Tak 21, Tak 23 en Tak 26 aan te bieden. MAB heeft sinds 2012 geen nieuwe bedrijfsactiviteiten onderschreven.

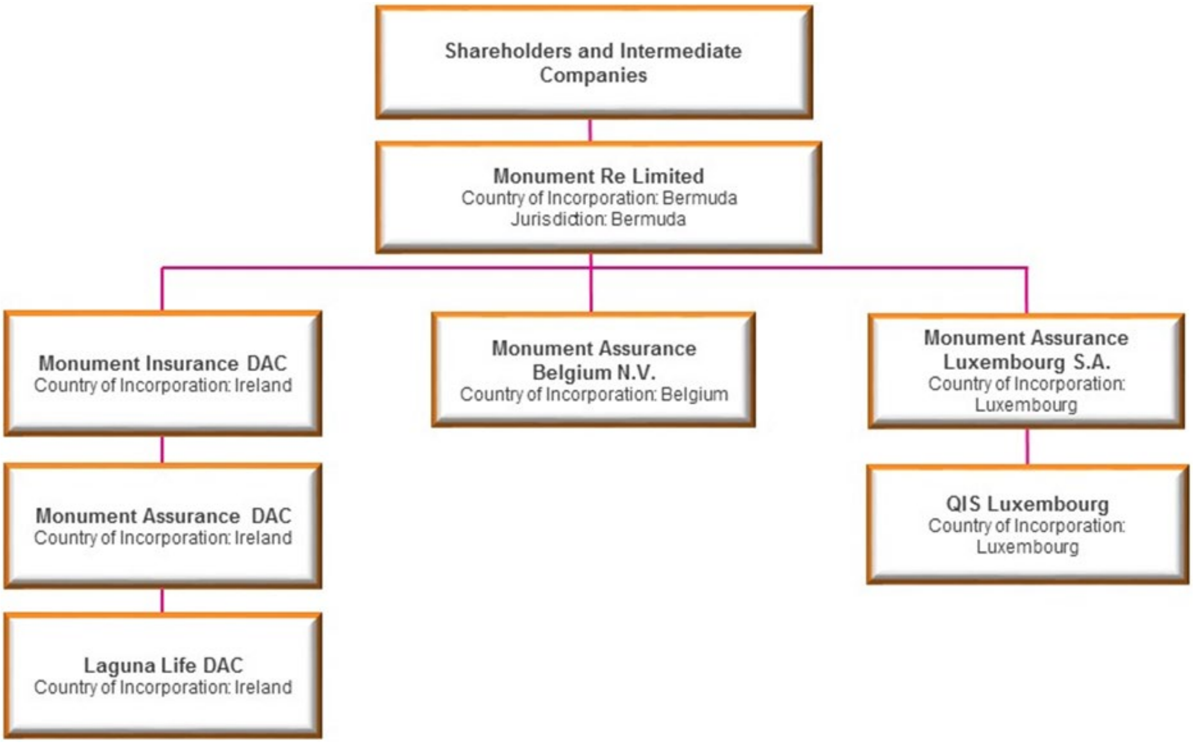
De Onderneming werd oorspronkelijk in 2002 gemachtigd om de levensverzekeringsactiviteit uit te voeren, met uitzondering van uitzet- en geboorteverzekeringen (Tak 21). Daarnaast werd toestemming verleend voor het uitvoeren van de volgende activiteiten: levens-, uitzet- en geboorteverzekering in samenhang met beleggingsfondsen (Tak 23) en kapitalisatietransacties (Tak 26). De producten werden verkocht aan klanten in België via de private banking-tak van ABN Amro Bank België of via externe makelaars en vermogensbeheerders die de producten op onafhankelijke basis verkochten.

Op 28 maart 2018 werd ook Monument Insurance Belgium Services Sprl ("**MIBS**") opgericht om de administratie van het Belgische bedrijf te ondersteunen. Het belangrijkste doel voor de oprichting van het servicebedrijf was om het personeel te kunnen inzetten bij alle activiteiten en entiteiten binnen de Monument Group, terwijl schaalvoordelen binnen de Belgische activiteiten worden gerealiseerd. Door de outsourcing kan de Onderneming optimaal gebruik maken van middelen en operationele efficiëntie maximaliseren.

De bedrijfsstrategie van de Onderneming is om:

- te focussen op de afvloeiing van de bestaande gesloten polissenportefeuilles (c. 2.181) per 31 december 2018 (c. 2.202 per 31 december 2017), er tegelijkertijd voor zorgend dat acties en klantenservice van hoogwaardige kwaliteit een prioriteit blijven,
- te blijven zoeken naar mogelijkheden om de Onderneming te laten groeien door portefeuilles van directe verzekeraars te verwerven, voornamelijk deze in afvloeiing en te richten op lijfrente, gegarandeerd sparen of beschermingsproductlijnen, en
- risicodiversificatie te stimuleren en kapitaalsynergieën te creëren in overeenstemming met de Monument Group-strategie.

De positie van MAB binnen de Monument Group wordt uiteengezet in de onderstaande grafiek.



Door middel van een strategie van herverzekering en/of verwerving, richt de Monument Group zich binnen zijn risicobereidheid op het aannemen van risico's op basis van activa en op het efficiënte beheer van deze activiteiten of portefeuilles. De twee belangrijkste gebieden waarop gericht wordt, zijn:

- verwerving van gekoppelde spaar- en beschermingsportefeuilles voornamelijk gebaseerd op de belangrijkste distributiecentra, namelijk Ierland, de Benelux-regio en het eiland Man;
- herverzekering van lijfrenteproducten.

Prestaties

De einddatum van het huidige boekjaar van de Onderneming is 31 december en dit rapport is voor het jaar eindigend op 31 december 2018 met vergelijkingen ten opzichte van het voorgaande jaar voor de statutaire periode van 12 maanden die eindigt op 31 december 2017. Afschriften van de financiële overzichten van de Onderneming zijn verkrijgbaar via de website van de Nationale Bank van België.

De resultaten van de Onderneming voor de periode worden hieronder weergegeven in deel **A. Activiteiten en prestaties.** Hoewel de operationele prestaties en afvloeiing van de portefeuille bleven presteren in lijn met de vooruitzichten, rapporteerde de onderneming een verzekeringstechnisch verlies voor de verslagperiode van € 5,413 miljoen (2017: € 5,729 miljoen).

Governancesysteem

Het bedrijf heeft een governancesysteem ingevoerd dat past bij de bedrijfsstrategie en -activiteiten van de Onderneming. Er is een duidelijke delegatie van verantwoordelijkheden, rapportagelijnen en toewijzing van functies door middel van gedocumenteerde taakomschrijvingen van het comité en onafhankelijke controlemanifesten. Het governancesysteem omvat vereisten met betrekking tot geschiktheid en betrouwbaarheid van personen die verantwoordelijk zijn voor onafhankelijke controlefuncties, beloningspraktijken en uitbestedingsactiviteiten. Een belangrijk deel van de bedrijfsactiviteiten en de governanceregelingen van de Onderneming is uitbesteed aan het dienstenbedrijf, Monument Insurance Belgium Services ("**MIBS**"), een (indirecte) dochteronderneming van Monument Re.

Op basis van het proportionaliteitsbeginsel en rekening houdend met de omvang van MAB (kleine entiteit), de activiteiten (gesloten boeken) en het type producten (Tak 21), is de rapportering enigszins aangepast; de Onderneming handhaaft echter de naleving van alle lokale wettelijke en reglementaire rapportagevereisten.

Er waren geen materiële wijzigingen in het governancesysteem gedurende het jaar eindigend op 31 december 2018, waarbij het dagelijks beheer van het bedrijf werd gedelegeerd aan het directiecomité. Verdere details van het governancesysteem van de Onderneming worden hieronder weergegeven in deel **B. Governancesysteem.**

Risicoprofiel

Het risicobeheersysteem van de Onderneming staat in verhouding tot de aard, schaal en complexiteit van de risico's waaraan de Onderneming is blootgesteld. Het systeem omvat processen voor het identificeren, beoordelen en rapporteren van alle risicocategorieën. Het risicobeheersysteem omvat de eigen risico- en solvabiliteitsbeoordeling (Own Risk and Solvency Assessment "**ORSA**"), die de raad van bestuur van MAB (de “**Raad**") helpt bij het bepalen of er voldoende Eigen Vermogen is om de risico's van de Onderneming gedurende haar bedrijfsplanningshorizon te dekken.

De bedrijfsactiviteiten van de Onderneming geven voornamelijk aanleiding tot krediet-, markt-, verzekerings- en operationeel risico. Nadere details over het risicoprofiel van de Onderneming worden weergegeven in deel **C. Risicoprofiel**.

Waardering voor solvabiliteitsdoeleinden

De balans van de Onderneming laat zien dat de meerderheid van de activa voornamelijk bestaat uit bedrijfs- en overheidsobligaties, hypotheekfondseffecten en kasdeposito's van korte duur, wat consistent is met de aard en de looptijd van de onderliggende verplichtingen. Alle activa en passiva zijn gewaardeerd in overeenstemming met de waarderingsbeginselen van Solvency II. Verdere details van de waardering van de Onderneming voor Solvabiliteitsdoeleinden worden hieronder weergegeven in deel **D. Waardering voor solvabiliteitsdoeleinden.**

Kapitaalbeheer

De structuur van het Eigen Vermogen van de Onderneming bestaat uit aandelenkapitaal en investeringen in dochterondernemingen. Het kapitaalmanagementbeleid is gericht op het te allen tijde voorzien van voldoende kapitaal om aan de wettelijke solvabiliteitsvereisten te voldoen. De Solvabiliteitskapitaalvereiste van de Onderneming (Solvency Capital Requirement - SCR) wordt berekend volgens de standaardformule die is vastgesteld door de European Insurance and Occupational Pension Authority (EIOPA - Europese Autoriteit voor verzekeringen en bedrijfspensioenen).

De volgende tabel geeft een samenvatting van het Eigen Vermogen en de solvabiliteitspositie van de Onderneming op 31 december 2018 , met vergelijkende cijfers van vorig jaar (in € '000, behalve voor percentages):

	31 december 2018	31 december 2017
In aanmerking komend Eigen Vermogen ter dekking van de Wettelijke Solvabiliteitsvereiste	7,548	6,820
Solvabiliteitskapitaalvereiste	1,132	5,805
Minimum kapitaalvereiste	3,700	3,700
Verhouding van Eigen Vermogen tot SCR	667%	117%
Verhouding van Eigen Vermogen tot MCR	204%	184%

Het in aanmerking komend Eigen Vermogen is tijdens de verslagperiode gestegen van € 6,8 miljoen naar € 7,5 miljoen. Deze stijging was voornamelijk te wijten aan het aangaan van een herverzekeringsovereenkomst tussen de Onderneming en Monument Re.

De SCR daalt van € 5,8 miljoen naar € 1,1 miljoen tijdens de verslagperiode. Deze verandering is ook voornamelijk te wijten aan de hiervoor genoemde herverzekering. De absolute Minimumkapitaalvereiste (MCR) van € 3,7 miljoen is tijdens de verslagperiode niet gewijzigd. Aangezien MCR de SCR overschrijdt, is de solvabiliteitsratio van de Onderneming in de verslagperiode toegenomen van 184% tot 204%.

Verdere details van het Eigen Vermogen en de SCR van de Onderneming zijn te vinden in deel **E. Kapitaalbeheer.**

Executive Summary

This is the Solvency and Financial Condition Report ("**SFCR**") for Monument Assurance Belgium ("**MAB**" or the "**Company**") for the year ended 31 December 2018. The purpose of the SFCR is to meet the public disclosure requirements of Articles 290 to 303 of the Commission Delegated Regulation (EU) 2015/35 and Articles 95 and 96 of the Belgian Solvency II Act.

This report quotes all nominal amounts in thousands of euro (€'000), unless otherwise stated, as per Article 2 of ITS 2015/2452.

Business Information

Monument Re Ltd ("**Monument Re**") completed the acquisition of ABN AMRO Life Capital Belgium NV ("**AALCB**") on 28 March 2018, at which time the Company was renamed Monument Assurance Belgium NV ("**MAB**").

MAB is a Belgian life assurance company company incorporated in Belgium under registered number 0478.291.162 and is licended by the National Bank of Belgium ("**NBB**") to offer Branch 21, Branch 23 and Branch 26 life policies. MAB has not underwritten new business since 2012.

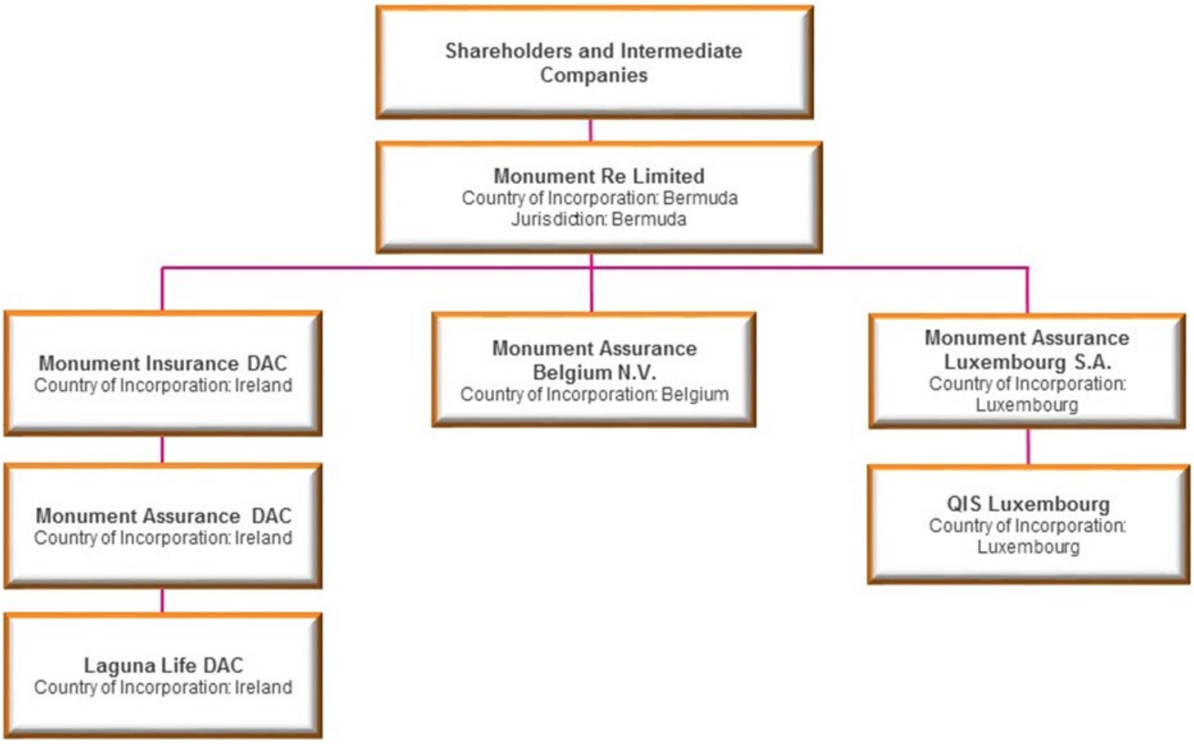
The Company was originally authorised in 2002 to carry out the life insurance activity, with the exception of dowry and birth insurance (Branch 21). In addition, permission was also granted to carry out the following activities: life, dowry and birth insurance in connection with investment funds (Branch 23) and capitalization transactions (Branch 26). The products were sold to customers in Belgium via the Private Banking branch of ABN Amro Bank Belgium or via external brokers and asset managers who sold the products on an independent basis.

On 28 March 2018, Monument Insurance Belgium Services Sprl ("**MIBS**") was also established to support the administration of the Belgian business. The main objective for establishing the service company is to enable staff to be deployed across all activities and entities within the Monument Group whilst achieving economies of scale within the Belgian operations. The outsourcing enables the Company to make the best use of resources and maximise operational efficiencies.

The business strategy of the Company is to:

- Focus on running off the existing closed book of policies (c. 2,181) as at the 31 December 2018 (c. 2,202 as at 31 December 2017), whilst ensuring that high quality operations and customer service remain a priority,
- Continue to seek opportunities to grow the Company through acquiring portfolios of direct insurers, primarily those in run-off and targeting annuity, guaranteed savings or protection product lines, and
- Drive risk diversification and create capital synergies in line with the Monument Group strategy.

The position of MAB within the Monument Group is set out in the chart below.



Through a strategy of reinsurance and/or acquisition, the Monument Group looks to assume asset based risks within its risk appetite, and efficiently operate these businesses or portfolios. The focus includes two principal areas, namely:

- Acquisition of linked savings and protection portfolios based mainly out of the key distribution centres, namely, Ireland, the BeNeLux region and Isle of Man; and
- Reinsurance of annuity business.

Performance

The current accounting year end date of the Company is 31 December and this report is for the year ended 31 December 2018 with prior year comparatives for the 12 month statutory period ending 31 December 2017. Copies of the Company's financial statements may be obtained from the website of the National Bank of Belgium.

The Company's results for the period are shown below in section **A. Business and Performance**. Whilst the operational performance and run-off of the portfolio continued to perform in line with projection the business did report an underwriting loss for the reporting period of €5.413m (2017: €5.729m).

System of Governance

The Company has established a system of governance which is appropriate to the Company's business strategy and operations. There is clear delegation of responsibilities, reporting lines and allocation of functions through documented committee terms of reference and independent control function charters. The system of governance includes requirements relating to fitness and probity of persons responsible for independent control functions, remuneration practices and outsourcing activities. A significant portion of the Company's operations and governance arrangements is outsourced to the services company, Monument Insurance Belgium Services ("**MIBS**"), an (indirect) subsidiary of Monument Re.

Based on the proportionality principle and taking into consideration the size of MAB (small entity), activities (closed books) and type of products (Branch 21), the reporting has been somwhat re-aligned; however, the Company maintains adherence to all local statutory and regulatory reporting requirements.

There were no material changes in the system of governance during the year ended 31 December 2018, with the day to day management of the business delegated to the Management Committee. Further details of the Company's system of governance are provided below in section **B. System of Governance**.

Risk Profile

The Company's risk management system is proportionate to the nature, scale and complexity of the risks to which the Company is exposed. The system includes processes for the identification, assessment and reporting of all categories of risk. The risk management system includes the Own Risk and Solvency Assessment ("**ORSA**") which assists the MAB's board of directors (the "**Board**") in determining whether there are adequate Own Funds to cover the Company's risks over its business planning horizon.

The Company's business activities give rise primarily to credit, market, insurance and operational risk. Further details of the Company's risk profile are provided below in section **C. Risk Profile.**

Valuation for Solvency Purposes

The Company's balance sheet shows the majority of assets comprise mainly of corporate and government bonds, mortgage fund securities and cash deposits of short duration, which is consistent with the nature and term of the underlying liabilities. All assets and liabilities have been valued in accordance with Solvency II valuation principles. Further details of the Company's valuation for Solvency Pruposes are provided below in section **D. Valuation for Solvency Purposes**.

Capital Management

The structure of the Company's Own Funds comprises of share capital and investments in subsidiaries. The capital management policy focuses on ensuring that there is sufficient capital at all times to meet the regulatory solvency requirements. The Company's Solvency Capital Requirement (SCR) is calculated using the standard formula set by the European Insurance and Occupational Pension Authority (EIOPA).

The following table summarises the Company's Own Funds and solvency position at 31 December 2018, with prior year comparatives (in €'000, except for percentages):

	31 December 2018	31 December 2017
Eligible Own Funds to cover Regulatory Solvency Requirement	7.548	6.820
Solvency Capital Requirement	1.132	5.805
Minimum Capital Requirement	3.700	3.700
Ratio of Own Funds to SCR	667%	117%
Ratio of Own Funds to MCR	204%	184%

Eligble own funds increased over the reporting period from €6.8m to €7.5m. This increase was principally due to the inception of a reinsurance agreement between the Company and Monument Re.

The SCR decreases from €5.8m to €1.1m over the reporting period. This change is also principally due to the aforementioned reinsurance. The absolute Minimum Capital Requirement (MCR) of €3.7m is unchanged over the reporting period. Since MCR exceeds SCR, the solvency ratio of the Company increased from 184% to 204% over the reporting period.

Further details of the Company's Own Funds and SCR are provided in **Section E. Capital Management**.

A. Business and Performance

A.1 Business

A.1 (a) Name and legal form

Monument Assurance Belgium NV (“**MAB**”) formerly known as ABN AMRO Life Capital Belgium NV (“**AALCB**”) is a life insurance company that was originally established on 5 September 2002 as a public limited company governed by Belgian law, under the company number 0478.291.162 and with administrative code 1644.

The Company was previously part of the Belgian branch of ABN AMRO Bank N.V and belonged thus to the Dutch group ABN AMRO. The company was acquired by Monument Re Limited (“**Monument Re**”) a company domiciled in Bermuda on 28 March 2018.

Name and registered office of the Company is:

Monument Assurance Belgium NV|SA
Koloniënstraat|rue des Colonies 11 (1° verdieping|étage|floor)
1000 Brussel|Bruxelles

The shareholders’ meeting of the Company is set at the 15th day of the month May. The articles of association were last coordinated on 16 May 2018 as published in the Annexes to the Belgian Official Gazette on 30 May 2018 under number 0315583.

A.1 (b) Name and contact details of supervisory authority

Local Supervisors:

Nationale Bank van België NV
de Berlaimontlaan 14
BE -1000 Brussel

Autoritieit voor Financiële Diensten en Markten (FSMA)
Congresstraat 12-14
BE-1000 Brussel

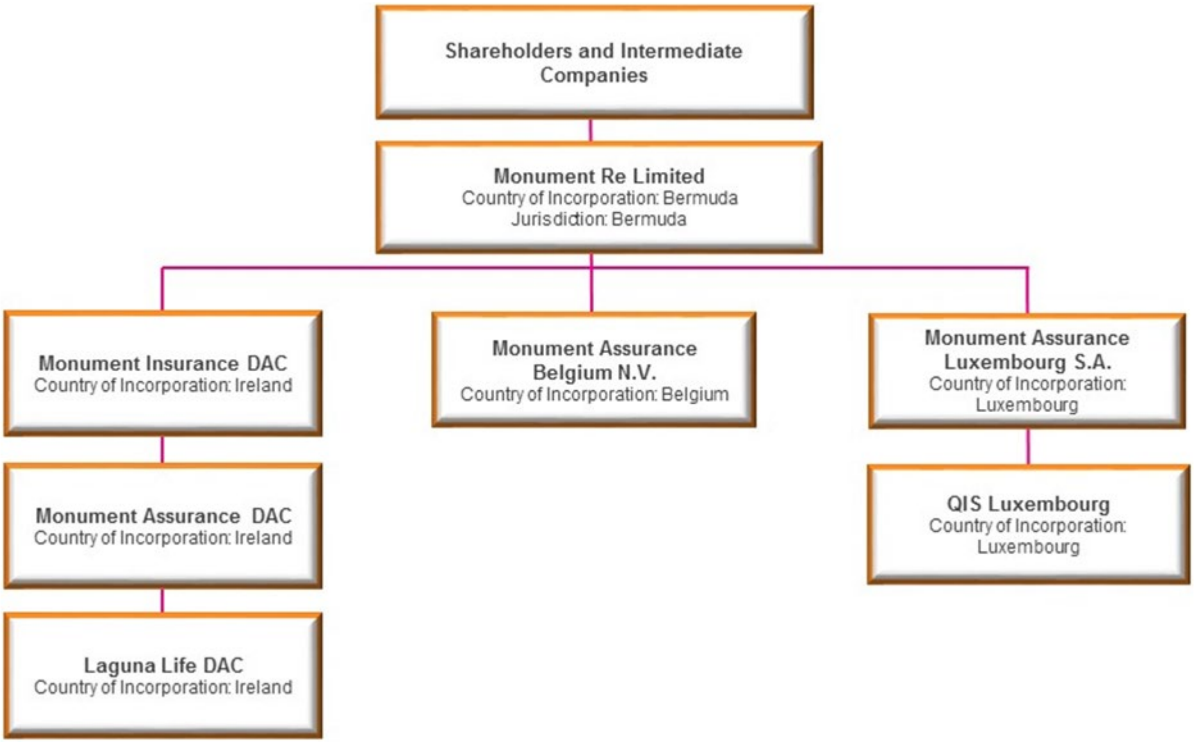
Group supervisor of the group to which the Company belongs:
Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
Bermuda

A.1 (c) Name and contact details of the external auditors

PricewaterhouseCoopers Bedrijfsrevisoren
Mr. Tom Meuleman
Woluwedal 18,
1932 Sint-Stevens-Woluwe

Belgium

A.1 (d) Holders of qualifying holdings in the group[1]



Through a strategy of reinsurance and/or acquisition, the Monument Group looks to assume asset based risks within their risk appetite, and efficiently operate these businesses or portfolios. The focus includes two principal areas, namely:

- Acquisition of linked savings and protection portfolios based mainly out of the key distribution centres, namely, Ireland, Benelux region and Isle of Man; and
- Reinsurance of annuity business.

Monument Re has completed the transfer and/or acquisition of the following companies in the last 24 months.

- 01 March 2017 Monument Re completed the acquisition of the Irish insurance subsidiaries of Barclays. The current portfolio is a closed book comprising life and non-life protection risks and provided the ideal entry vehicle in Ireland for the Monument Group; and
- On 29 August 2017 MADAC a subsidiary of Monument Re acquired Laguna Life dac ("**Laguna**"), a subsidiary of the Enstar Group.

[1] Please note that for the ease of reference the chart only includes the regulated entities of the Monument Group.

In 2018, Monument Re built upon the success of 2017 with the completion of four transactions and signing a further three transactions as follows:

- On 28th March 2018, the Company completed the acquisition of ABN AMRO Life Capital Belgium S.A. ("AALCB"), a Belgian Life insurance company in run-off, following receipt of regulatory approval by the National Bank of Belgium. AALCB was subsequently renamed to Monument Assurance Belgium N.V. ("MAB"). On that same date, the Company established a Group service company, Monument Insurance Belgium Services Sprl in Belgium, to provide services to the Group's regulated entities in the Benelux region and to also provide services to other Monument Group entities.
- On 19th June 2018, the Company also acquired a run-off portfolio of linked and traditional business from MetLife Europe Designated Activity Company ("MetLife"), an Irish incorporated entity. This transaction was initially done through reinsurance to Monument Re. In accordance with the approval of the Irish High Court, the portfolio has transferred, as of the 1st April 2019, into Laguna in Ireland with the terms and conditions unchanged.
- On 28th September 2018, following receipt of regulatory approval, the Company completed the acquisition of a run-off portfolio of flexible premium retail life insurance contracts from Ethias S.A. ("Ethias"), known as the FIRST A Portfolio. In accordance with the authorisation by the National Bank of Belgium, the FIRST A portfolio has transferred into Laguna in Ireland with the terms and conditions unchanged except for the loss of Belgian state guarantee. Ireland does not maintain an equivalent system of guarantee.
- On 2nd October 2018, following receipt of regulatory approval by the Commissariat aux Assurances ("CAA"), the Company completed the acquisition of Aspecta Assurance International Luxembourg S.A. ("Aspecta"), a life insurance undertaking based in Luxembourg with branches in Germany, Italy and Spain. Aspecta specialised in unit-linked single premium products targeted towards high net-worth individuals as well as in unit-linked regular premium products for the retail market and it ceased writing new business at the end of 2010. After completion, Aspecta was renamed as Monument Assurance Luxembourg S.A. ("MAL").

In addition to the above completed transactions, Monument Re has also signed agreements in respect of the following transactions below. The financial results of these transactions are not included in this report because they either remained subject to regulatory approval at the reporting date or completed after the reporting date.

- On 29th June, 2018, the Company signed the acquisition of Robein Leven N.V. and its subsidiaries from Amerborgh Financial Services B.V. Robein Leven is a closed life insurer domiciled in the Netherlands with traditional and unit-linked products. This transaction received regulatory approval on 18th March 2019.
- On 10th October 2018, the Company signed the acquisition of a run-off portfolio of traditional life and credit life business from Alpha Insurance S.A., a Belgian composite insurance company and a wholly-owned subsidiary of Enstar Group Limited. Upon receipt of regulatory approvals, the portfolio will transfer to Monument Assurance Belgium NV, the Belgian carrier of the Monument Re Group.
- On 21st December 2018, the Company signed the acquisition of Nordben Life and Pension Insurance Co Limited ("Nordben") from BenCo Insurance Holding B.V., which is owned 89.96% by Storebrand Livsforsikring AS. This transaction establishes the Company's presence in Guernsey and remains subject to customary closing conditions, including receipt of regulatory approval.

All of the above listed transactions support Monument Group's strategy to build and grow the Ireland and the BeNeLux region as well as demonstrating the capacity to develop and transact on opportunities in other territories e.g. in Guernsey.

A.1 (e) Position within the legal structure of the Group

Monument Assurance Belgium N.V. is 100% (minus one share) owned by Bridge Strategic Holdings Limited. Monument Re Limited holds one share. All shares issued by Bridge Strategic Holdings Limited are held by Monument Re Limited; and

Monument Insurance Belgium Services Sprl is owned 90% by Monument Insurance Services Limited and 10% by the Company. All shares issued by Monument Insurance Services Limited are held by Monument Re Limited.

Please see chart in **Section A.1 (d)** for the position of the Company within the Monument Group.

A.1 (f) Material lines of business and material geographical areas

All premiums are received from contracts underwritten from Belgium and cover risks located in Belgium.

The following table provides the details of gross premiums earned for the years ended 31 December 2018, with prior year comparatives:

Premium (gross of reinsurance)	2018 €'000	2017 €'000
Belgium – Life Insurance	359.9	403.6
Total	359.9	403.6

The following table summarises how the benefits provided under policies issued by the Company are classified under Solvency II Lines of Business.

SII Line of Business	Benefits Provided
D: Life Insurance Obligations 32: Other Life Insurance	Life

A.1 (g) Significant business or other events which have occurred over the reporting period

On 28 March 2018, the Company was acquired by the Monument Group as the first acquisition by the Monument Group in the Belgium. On 28 March 2018 MIBS was also established to support the administration of the Belgian business. The main objective for establishing the service company is to enable staff to be deployed across all activities and entities within the Monument Group whilst achieving economies of scale within the Belgian operations. The outsourcing enables the Company to to make the best use of resources and maximise operational efficiencies.

The Company outsourced in accordance with regulation 274 of the Commissions Delegated Regulation 2015/35, the EIOPA Guidelines on the System of Governance, and the NBB Governance Circular its insurance administration activities to MIBS and contractually agreed to pay a fee on a per policy basis ("*per policy fee*").

The Company's operating expenses comprise of fixed expenses incurred directly by the Company and a per policy fee payable to MIBS. This is a change from the previous arrangements that were largely based on a fixed level of expenses.

On 31 December 2018, the Company entered into a reinsurance agreement with Monument Re. In return for a net payment to the reinsurer, the Company benefited from a reduction in retained risks, particularly insurance and market risks, which is reflected in a significant reduction in SCR.

A.2 Underwriting Performance in the reporting period against the prior year

The Company's financial statements are prepared in accordance with Generally Accepted Accounting Practice in Belgium (BGAAP).

The following tables present the balance on the technical account (underwriting performance) as reported in the Company's financial statements for the year ended 31 December 2018. Prior year comparatives are for the current 12 month reporting period ending 31 December 2017, both on an aggregate level and by Solvency ll line of business.

The following tables highlight the underwriting results for the years ended 31 December 2018, with prior year comparatives:

	2018 €'000	2017 €'000
Premium (net of reinsurance)	-52.677	375
Net Claims incurred	-2.024	-9.977
Changes in technical provisions	48.948	4.713
Net underwriting performance	-5.754	-4.889

The key trends noted are:

- Net written premiums as expected have continued to decrease due to the book being in run-off while, in parallel, the outgoing reinsurance to Monument Re was booked in December 2018.
- The reinsurance posting had significant effect on the net premium.
- Claims incurred have mainly decreased due to lower redemption benefits paid in 2018 than in 2017.

A.3 Investment Performance

A.3 (a) Income & expenses

The Company's investment income excluding expenses as reported in the Financial Statements for the year 2018 was €1.243k (2017: €1.859.3k) which is analysed in the following table

	2018 €'000	2017 €'000

Bonds	1.048	1.518
Advances on policies	163	174
Cash Deposits	22	146
Others	10	21
Total	1.243	1.859

The Company's investment expenses reported in the Financial Statements for the year 2018 was €349k (2017: €213k).

Counterparty exposure is concentrated in European Supranationals and Sovereign positions. The weighted average credit quality of the fixed income portfolio (excluding the Mortgage Funds) is A2.

Portfolio yields have increased as the Company invested in Mortgage Funds during the year 2018. A participation of 10% in Monument Insurance Belgium Services Sprl was also made, during 2018.

Portfolio credit quality remained strong at A2 and allocation to BBB securities remains moderate.

A.3 (b) Gains and losses recognised directly in equity

Not applicable.

A.3 (c) Investments in securitisation

Not applicable.

A.4 Performance of other activities

A.4 (a) Performance of other activities

Operating expenses during the year were €1.349m (2017: €1.231m) and comprise mainly management fees for outsourcing arrangements, actuarial, audit and other professional fees.

These fees will decrease as a result of the termination of the transitional services agreement with ABN AMRO Bank N.V. and the implementation of the outsourcing agreement with MIBS (per policy fee).

A.5 Any other information

The Company benefits from the reinsurance agreement entered into between MAB and Monument Re (with effective date of 31 December 2018). This means that Monument Re reinsures all reinsured liabilities arising out of the Company's portfolio, on a quota share basis covering market, insurance and operational (expense) risks.

The term 'reinsured liabilities' captures the reinsured payments due in the Company's Portfolio (i.e. any payment in respect of a liability of MAB under the policy terms of any reinsured policy and expense charges paid to its principal outsourcer, MIBS, in relation to the reinsured policies)

The risks covered are mainly demographic risks and investment risk. Demographic risk generally includes increasing life expectancy as far as the “life” component is concerned and risk of premature death as far as the “death” component is concerned. Investment risk on the other hand includes risk of greater than expected expenses, risk of interest rates (interest rates on cover assets drop below the return guaranteed to the policy holders), and investment performance more generally not performing as expected. The risk transfer is substantial.

The reinsurance thus also includes coverage of expenses, which means that Monument Re bears the expense risk. Expense risk is important in all run-off portfolios, as decreases of scale with general expenses remaining at the same level can impact insurers negatively. Monument Re covers this risk in respect of 90% of the expenses incurred on the MAB life business portfolio. MAB covers this risk in respect of the 10% of the portfolio.

There is no other material information regarding the business and performance of MAB other than what has been reported in this section.

B. System of Governance

B.1 General information on the system of governance

B.1 (a) Structure of administrative, management or supervisory body

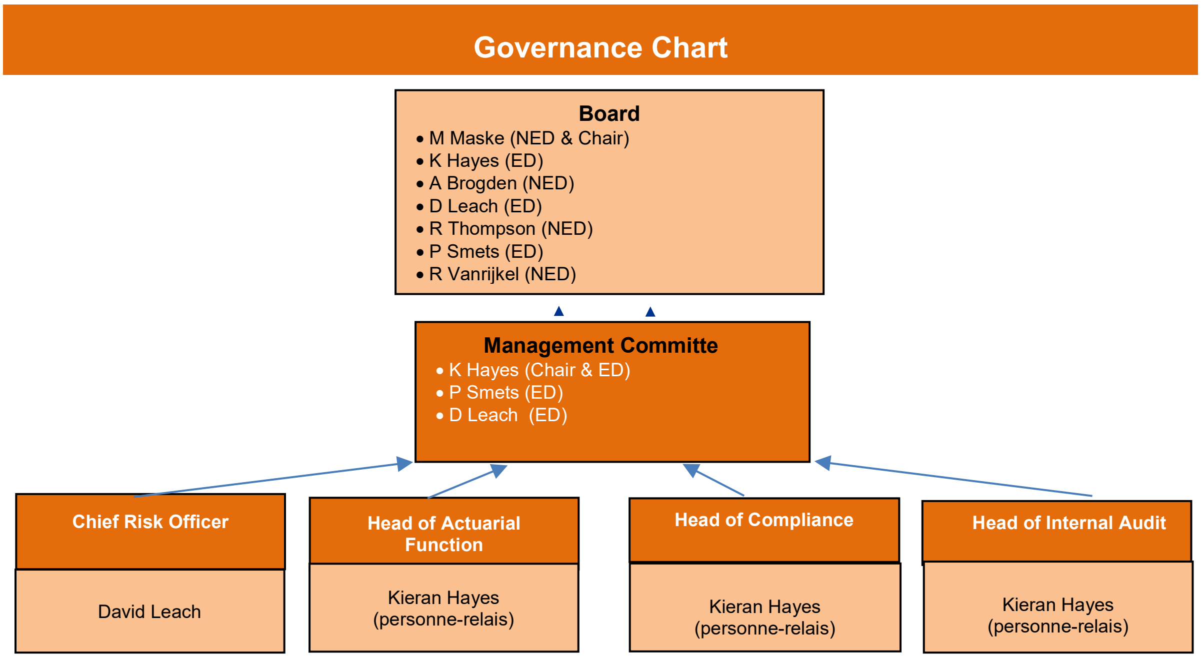
The Board represents the administrative, management and supervisory body of the Company.

Board

The Board is comprised of the Chairman (a Non-Executive Director (NED), three additional Non-Executive Directors and three Executive Directors). The Board retains primary responsibility for corporate governance within the insurance undertaking at all times, plays an important part in ensuring effective governance and is therefore responsible for operating effective oversight consistent with board policy. The Board's responsibilities include establishing and overseeing:

- the business strategy;
- the supervision of the activities;
- the amount and type of capital that is adequate to cover the risks of the business; and
- the strategy for the on-going management of material risks.

The Board has established and delegated responsibilities to its Management Committee ("MC") to set the approach to internal controls and assist in its oversight of risk management and has delegated matters for review or approval as set out in their terms of reference. The Governance Chart below outlines the composition of the Board Committees and the reporting lines of key functions.



Management Committee

The MC assumes all powers which are necessary or useful for the management of the Company and is responsible for the oversight and management across the Company. The MC is recognised as a collegial body and can allocate its tasks among its members; however this division of tasks does not deprive the MC from its collegial responsibility.

The responsibilities of the MC are set out in its Terms of Reference but in summary the MC is responsible for:

- Key Business Priorities – Determine and agree key business priorities and monitor overall performance against agreed plans, strategies and targets.
- Financial performance – Ensure the Company's financial business is managed correctly and appropriate influence is exerted in respect of financial risks and opportunities.
- Operational performance – Oversee and manage aggregate operational performance issues including suppliers.
- Outsourcing policy & strategy, including internal Monument Group suppliers.
- IT – Oversee and deliver the strategic agenda to ensure that the change portfolio is appropriately managed.
- Risk management – Oversee and manage aggregate financial, operational, conduct, market and reputational risk issues.
- Leadership and people development – Manage the development of key talent within the Company.
- Investment Management Performance – Implement, monitor and ensure adherence to the investment policy agreed by the Board.
- Compliance – monitor and manage regulatory developments and any compliance issues.

The MC meets at least once a month (with the exception of July and August), it being understood that the MC evaluates on a regular basis the periodicity of its meetings. The MC may ask other members of the Company or Group to attend the committee meeting's from time to time.

Specialised committees

Pursuant to Article 52, par 1 of the Belgian Solvency II Act, a company is not obliged to set up an audit committee, a remuneration committee, or risk committee if it meets on a consolidated basis, at least two of the following three criteria: (i) fewer than an average of 250 employees over the financial year concerned, (ii) a balance sheet total less than or equal to €43m , and (iii) an annual net turnover less than or equal to €50m.

Considering that MAB is thus not legally required to set-up such committees, the Board agreed during the Board meeting of 28 March 2018 not to set up an audit committee, remuneration committee, or risk committee and to perform itself the tasks normally entrusted to these committees.

Key functions roles and responsibilities (operational structure / independent control functions)

The Company has established the Solvency II independent control functions of risk management, compliance, internal audit and actuarial function, in addition to other functions required to robustly operate the business. The risk management function, actuarial function, compliance function and internal audit function together form a coherent whole of transversal control functions between which there is coordination.

The Company has outsourced the complete administration services to include policy administration, finance, records management to Monument's Belgian services company, Monument Insurance Belgium Services Sprl. It also sub-outsourced the Information Technology services to Monument Insurance Services Limited ("MISL") in Ireland.

It is noted that the responsibility for the internal audit function, compliance function and actuarial function is not outsourced and remains with Mr. Hayes.

The implementation tasks falling under the responsibility of the following independent control functions have been outsourced as follows:

- The internal audit activities are outsourced to MISL as of Q2 2019. During 2018 this was outsourced to Deloitte. The MISL Head of Internal Audit, is responsible for developing and delivering an agreed internal audit plan and monitoring the control environment.
- The compliance activities are outsourced to Pideeco (Piet De Vreese); however the Company expects to inhouse the compliance function during Q3 2019. The compliance function, led by the Head of Compliance (Pideeco), is responsible for identifying, assessing, monitoring and reporting compliance risk exposure, focusing on compliance with applicable laws and regulatory requirements.
- The actuarial activities are outsourced to Milliman (Kurt Lambrechts). He is responsible for performing the specified tasks set out in Article 48 of the Solvency II Directive. In summary, the key responsibilities of the actuarial function are to review and validate the calculation of the technical provisions, provide opinions on the underwriting and reinsurance policies and assist the risk management function with certain tasks. Further details are included in section B.7.

The risk management function, led by the CRO (Mr. Leach), is responsible for supporting the Board and MC in discharging their risk management related responsibilities. The risk management function also provides challenge to the business consistent with the Three Lines of Defence risk governance model outlined in section B.5 below.

B.1 (b) Material changes in the system of governance

There were no material changes in the system of governance during the year ended 31 December 2018.

B.1 (c) Remuneration policy and practices

Principles of the remuneration policy

The remuneration policy and practices have been developed to ensure that the Company is able to attract, develop and retain high performing employees. The policy focuses on ensuring sound and effective risk management and recognises the long-term interests of the Company.

The remuneration policy has been designed to meet the Company's regulatory requirements. The Company has identified and assessed the applicable regulatory principles with respect to remuneration.

In principle, members of the Board and the Management Committee are not remunerated for their services.

The Monument Group Board Remuneration Committee ("Rem Comm") assists the Board in fulfilling its remuneration-related roles and responsibilities. The Rem Comm is responsible for ensuring the Monument Group complies with its commitments within the remuneration policy and that appropriate methods are adopted within the Group's reward practices to safeguard policyholders.

Performance criteria on variable components of remuneration

Employees are eligible to participate in the Company's discretionary performance related bonus scheme. The reward is based on completion of individual objectives as well as Company performance. The discretionary performance bonus is based on performance against employee objectives and Monument values. The bonus schemes for the Group entities are approved annually by the Rem Comm.

Pension scheme

Employees are entitled to join the Pension Plan underwritten by MIBS. There is no supplementary pension or early retirement scheme for members of the Board and the MC.

B.1 (d) Shareholding

Monument Assurance Belgium NV is 100% (minus one share) owned by Bridge Strategic Holdings Limited. Monument Re Limited holds one share. Bridge Strategic Holdings Limited is 100% held by Monument Re Ltd. The shareholding of the Company is steady and no change in the shareholding of the Company is expected.

B.1 (e) Material transactions

No other material transactions (such as loans, credit, guarantees or insurance contracts) were executed during this period with the Board members, Senior Executives, or other individuals who exert significant influence over the Monument Group.

B.2 Fit and proper requirements

B.2 (a) Specific requirements concerning skills, knowledge and expertise

The Belgian Solvency II Act lays down a series of requirements on fitness and propriety for managers of insurance and reinsurance undertakings and responsible persons of independent control functions.
Additional requirements are also included in Delegated Regulation 2015/35, EIOPA Guidelines and the NBB Governance Circular.

The Company requires a person who carries out a management or independent control role to be able to demonstrate on a permanent basis that they, among other items:

- have shown competence and proficiency to undertake the relevant function;
- devote necessary time to the exercise of their function in the company;
- have a sound knowledge of the business, and the specific responsibilities; and
- have a clear and comprehensive understanding of the regulatory and legal environment.

B.2 (b) Process for assessing fitness and propriety

The fit and proper policy describes the level of due diligence required at recruitment stage. In addition, the Company completes an annual review of the fitness and propriety of each member of the Board, MC and persons responsible for independent control functions.

B.3 Risk Management System including the own risk and solvency assessment

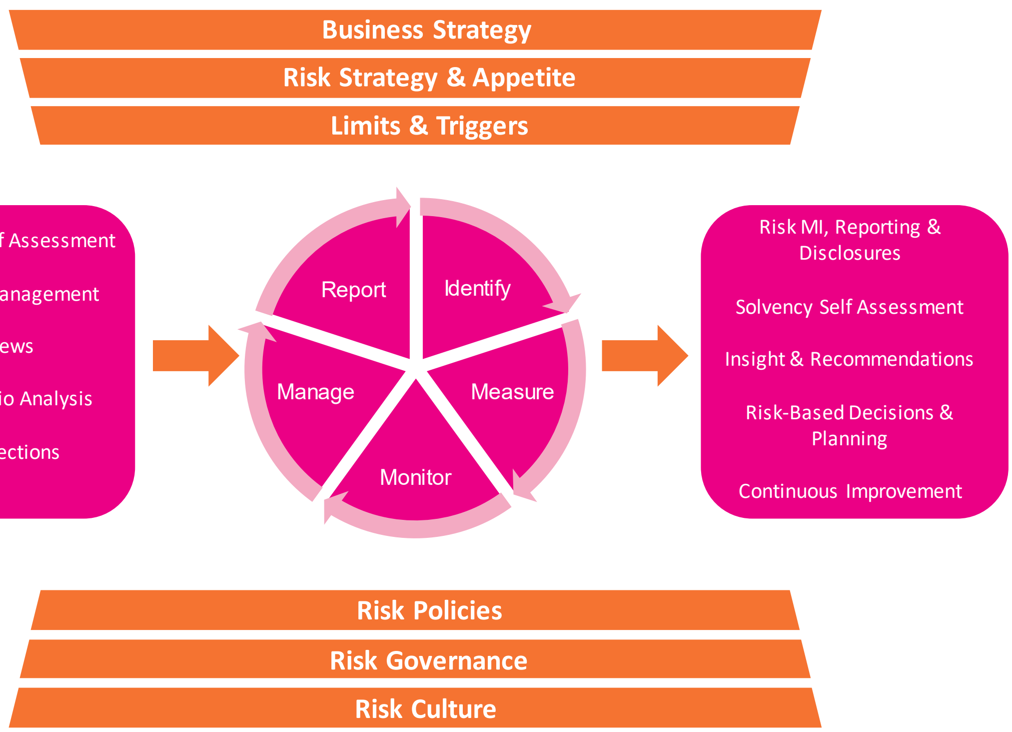
B.3 (a) Risk management system (strategies, processes and reporting procedures)

Strategy

The Board considers the business strategy of the Company in determining the risk appetite of the Company. The Board has a risk appetite statement document that outlines the Company's appetite for each type of key risk and its strategy for accepting, managing and mitigating these risks. Risk appetite is articulated in qualitative terms and/or quantitative metrics across the key risk categories and written policies have been established to address these risks.

Risk Management Framework

In accordance with international best practices, the Company has established and maintains a Risk Management Framework ("**RMF**"), which is depicted below:



The RMF is founded on a sound risk culture, an effective system of governance including committee structures and clear accountabilities, and a suite of supporting risk policies.

The RMF includes the following overarching components:

- risk strategy and appetite, aligned to the Company's business strategy;
- risk tolerances, limits and triggers; and
- risk management policies and ongoing processes to identify, measure, monitor, manage and report risk.

The risk strategy of the Monument Group is aligned to the business strategy. Risk appetite statements express the Board's appetite across all categories of risk facing the business. Quantitative risk limits are set for key risks, along with early warning thresholds, which support proactive risk management. Exposures relative to limits and triggers are regularly monitored and reported to the Board.

The material risks addressed by the framework include:

- Insurance/underwriting risk;
- Market risk;
- Credit risk;
- Liquidity risk;
- Operational risk;
- Group risk; and
- Strategic risk.

The key objectives of the risk management function, under the leadership of the Company's CRO, are to:

- Maintain a sound risk management framework that supports effective risk-based decision-making, including risk appetite statements and risk limits, and oversee the implementation of the framework via appropriate policies, processes and controls;
- Maintain a robust risk reporting framework, including processes and systems for commenting on the overall risk environment, addressing mitigating actions for risks identified, identifying any emerging risks, discussing relevant current issues as well as reporting on risk metrics that monitor risk exposures relative to agreed limits;
- Deliver all external reports as required to meet regulatory and other stakeholder expectations, Own Risk and Solvency ("ORSA"), Activity Report of the Risk Management Function, Assessment of the Most Material Risks, risk content for Capital and Solvency Returns, Financial Condition Reports, Financial Statements and Regular Supervisory Reports;
- Actively review and challenge in a second line capacity in relation to all transactions and material activities of the Company, seeking to deliver a better overall outcome for the Company by either reducing the level of risk overall or improving the reward for certain assumed risks; and
- Ensuring that the RMF remains effective and appropriately positioned, with the requisite skills, knowledge and capacity, to support the planned growth of the Company.

Risk management process

The Company achieves its risk strategy goals by embedding a risk awareness culture across all business activities, and being prudent when taking and managing risks. The following key risk management tools within the RMF are used to realise this:

- Risk and Control Self-Assessment ("RCSA");
- event and issue management;
- risk reviews;
- stress and scenario testing; and
- capital projections.

All key risks are recorded in the Company's Risk Register and ownership is assigned to each risk. On an annual basis the risk owners carry out an RCSA. This involves identifying material inherent risks, identifying key controls to mitigate these risks, assessing the design and operating effectiveness of key controls and measuring the inherent and residual risk. A decision is taken as to whether to accept the level of residual risk or mitigate this further (e.g. through risk transfer or increasing controls). The risks are regularly monitored and periodically reported to the MC and the Board.

Risk Tolerances, Limits, Triggers and Early Warning Thresholds are established which set measurable thresholds for certain key risks in accordance with risk appetite. These are used to alert management when risk levels exceed acceptable ranges and drive timely decision making and action.

The RMF is implemented through adherence to the risk management policy. The policy sets out the roles and responsibilities, policy principles and requirements and reporting and escalation procedures regarding risk management at Board and business levels. The risk management function, led by the CRO, supports the Board and business areas in discharging their risk management-related responsibilities. The risk management function provides challenge to the business consistent with the Three Lines of Defence model.

The ORSA process is a key element of the Company's risk management framework and is wholly embedded in the decision making process and business planning for the Company. The ORSA evaluates the Company's risk profile and solvency position in relation to business operations, strategy and plan. The ORSA is a year-round collection of processes, integrating our RMF with capital management and business planning. It is the main link between our risk management system and capital management activities.

A Risk and Control Self-Assessment process is carried out twice a year. This process requires business functions to review and self-assess the effectiveness of controls mitigating the key risks identified. This process is facilitated and overseen by the risk management function, and the results are summarized and presented to Risk Committee, including actions to address themes and issues identified.

Reporting procedures

Key Risk Indicators are established which set measurable thresholds for each key risk in accordance with risk appetite. These are used to alert management when risk levels exceed acceptable ranges and drive timely decision making and action. These are reviewed regularly by the Risk team and the Company and a summary is reported to the MC and the Board.

B.3 (b) Implementation and integration of the risk management system into the organisation structure and decision-making processes

The risk management system is implemented through adherence to the risk management policy. The policy sets out the roles and responsibilities, policy principles & requirements and reporting and escalation processes and procedures , and reporting requirements regarding risk management at Board and business levels. The risk management function, led by the CRO, supports the Board and business areas in discharging their risk management-related responsibilities. The risk management function provides challenge to the business consistent with the Three Lines of Defence model as outlined in section B.5.

The Company has a Business Continuity Plan and Business Continuity Policy in place. The risk management function conducts a yearly review of this plan and policy and proposes, if necessary, changes to these.

B.4 Own Risk and Solvency Assessment

B.4 (a) ORSA Process

The Own Risk and Solvency Assessment ("**ORSA**") process is a key element of the Company's RMF and is wholly embedded in the decision-making process and business planning for the Company. The ORSA evaluates the Company's risk profile and solvency position in relation to business operations, strategy and plan. The ORSA is a year-round collection of processes, integrating the Company's RMF with capital management and business planning. It is the main link between the Company's risk management system and capital management activities.

The Board has established an ORSA policy that sets out the roles and responsibilities for completing the ORSA. The Board takes an active part through steering how the assessment is performed and challenging the results. The Board reviews and approves the ORSA policy annually. The Board approves the internal ORSA report annually and considers the insights from the ORSA in its decision-making processes.

The CRO co-ordinates the ORSA process and prepares the ORSA report with support from relevant areas. The actuarial team assists the risk function in producing various aspects of the ORSA, in particular the capital projections and stress testing. The Risk Committee or Board reviews the ORSA report and the Board approves the report.

As regards the assessments conducted as part of the ORSA process, the Actuarial Function has the following tasks:

a. acquiring input on the question of whether the company permanently complies with the requirements for the calculation of the technical provisions;
b. establishing the potential risks arising from uncertainties relating to this calculation; and
c. provide an opinion on the range of risks and adequacy of stress scenarios considered.

The RMF provides for the continuous and forward-looking identification and assessment of the short- and long-term risks of the Company. On an annual basis, the Company performs an ORSA to assess whether it has sufficient capital to meet solvency capital requirements over the business planning period under specific risk scenarios or stressed business conditions. The risk scenarios are based on the Company's risk profile. The conclusions drawn from the assessment are reviewed by the Board and potential management actions are agreed. The results of the ORSA are made available to the National Bank of Belgium. There are instances where an additional ORSA may be required and that it is the responsibility of the CRO to determine under which such situations this might apply.

The MC and the Board is actively involved in the process through its review of the approach, the choice of risks and scenarios to be included, and the review and challenge of the results of the assessment.

Decision-making is evident through the MC and Board's review of the insights gained from the ORSA in approving the Company's risk appetite and limits, the Company's capital policy and capital requirements.

B.4 (b) Frequency of ORSA

The regular ORSA is performed annually and is reviewed by the MC and approved by the Board. A non-routine ORSA is performed following any significant change in the Company's risk profile.

B4 (c) Determination of own solvency needs

The ORSA includes an assessment of the Company's view of the capital required for the business, the own solvency needs, as distinct from the capital which is required under regulation.

The Company examines the appropriateness of the standard formula. It considers whether there are any significant risks that are not captured within the standard formula and whether there are any stressed scenarios by which the standard formula may not adequately capture the Company's own solvency needs.

B.5 Internal Control System

B.5 (a) Description of Internal Control System

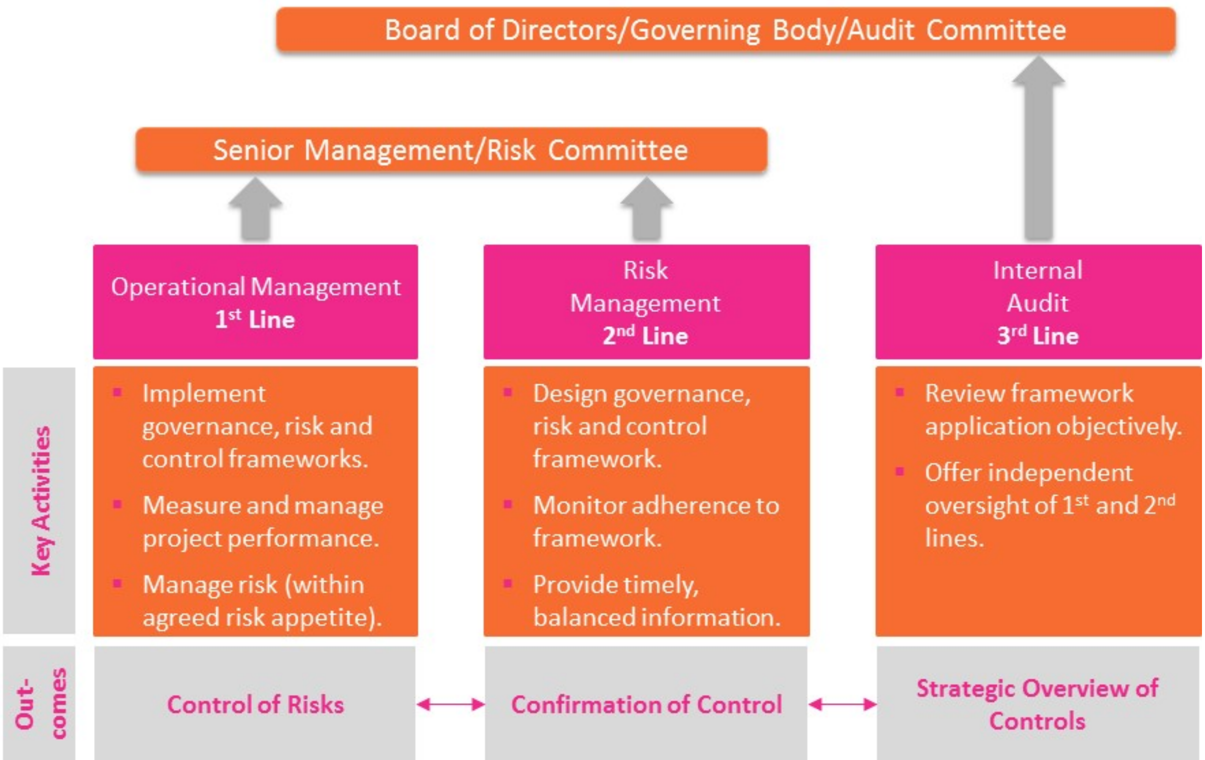
The internal control system encompasses the policies, processes and activities that contribute to the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with laws and regulations.

The MC and Board, including senior executives, are responsible for adopting an effective internal controls framework.

The internal control system combines the following components:

- Internal control environment;
- Risk assessment;
- Internal control activities;
- Information and Communication; and
- Monitoring.

The Company applies a "Three Lines of Defence" model for Enterprise Risk Management:



Such a model is widely adopted across the financial services industry and allows for appropriate segregation of risk ownership, oversight and assurance responsibilities. In particular:

- **1st line of defence**: Individuals and committees with direct responsibility for the management, control and reporting of risk;
- **2nd line of defence**: Individuals and committees with responsibility for the design, coordination, oversight of the effectiveness and integrity of the Company's risk management and internal control framework; and
- **3rd line of defence**: Individuals and committees providing independent assurance and challenge in respect of the effectiveness and integrity of the RMF.

The Company has defined high-level principles and standards to ensure that situations, which could lead to potential conflicts of interest, are appropriately managed. These are formally described in the Company's Conflicts of Interest policy.

The risk register records owners for each risk, who are responsible for ensuring that the risks are identified and that controls remain appropriate on an ongoing basis. The risk register is periodically reviewed by the CRO and is subject to formal review across the business at least annually. This process requires business functions to update the risk register, including the mapping of controls to risks and implementation of new controls.

The Risk and Control Self Assessment process requires business functions to review and self-assess the effectiveness of controls mitigating the key risks identified. The control owner is encouraged to make any relevant comments about the control and may record its operation as 'effective', 'partially effective' or 'ineffective'. Any record of the control not being effective requires a narrative explanation as well as the assessment. This process is facilitated and overseen by the risk management function, and the results are summarized and presented to Risk Committee, including actions to address themes and issues identified.

The Internal Audit Function assesses the operating effectiveness of controls on a periodic basis.

B.5 (b) Implementation of the compliance function

The Board retains ultimate responsibility for compliance within the Company, and has delegated the day-to-day responsibility to the compliance function to ensure that the operations are carried out in accordance with all legal and regulatory requirements, especially the rules pertaining to integrity and conduct that apply to that activity. The compliance function has been established in proportion to the nature, scale and complexity of the business carried on by the Company, and to assist with the monitoring and evaluation of compliance with laws, regulations, internal controls, policies and procedures. The Compliance Function is responsible for testing the soudness of the measures the Company has taken to prevent non-compliance.

The compliance function is not outsourced and remains with a member of the management committee (*personne-relais*). The implementation tasks falling under the responsibilitay of the compliance function have been outsourced to Pideeco in its role as Head of Compliance. Responsibilities of the function are described in the "Compliance Charter" and summarised in B.1. above. The compliance function reports to the MC to provide assurance in regard to the Company's adherence to laws, regulations, guidelines and specifications relevant to its business. This is provided through an annual compliance plan which is approved by the MC and the Board and through the on-going reporting against that plan. At all times, the compliance function acts within the second line of defence and independently to the business. It provides the framework to allow the business to operate in a compliant manner with regards to all relevant regulatory, statutory and corporate governance obligations.

B.6 Internal Audit Function

B.6 (a) Implementation of the internal audit function

The internal audit function is not outsourced and remains with a member of the management committee (*personne-relais*). The implementation tasks falling under the responsibilitay of the internal audit function have been outsourced to Monument Insurance Services Limited ("MISL") with Mr. Brennan as Head of Internal Audit. Responsibilities of the internal audit function are described in the "Internal Audit Charter". The internal audit function maintains a dynamic risk-based audit plan. The Head of Internal Audit ("**HoIA**") is invited to attend each MC meeting and report on the status of the audit plan and results of individual audit reviews. The internal audit function is also required to attend all Board meetings.

B.6 (b) Independence and objectivity

The internal audit function is independent of the Company's business management activities. It is not involved directly in revenue generation, nor in the management and financial performance of the Company. The internal audit function does not have direct responsibility for, or authority over, any of the activities they review. Nor does their review and appraisal relieve others of their responsibilities.

B.7 Actuarial Function

B.7 (a) Implementation of the actuarial function

The actuarial function is not outsourced and remains with a member of the management committee (*personne-relais*). The implementation tasks falling under the responsibilitay of the actuarial function have been outsourced to Milliman with Mr. Lambrechts as Head of Actuarial. The Head of Actuarial is responsible for providing an Actuarial Opinion on Technical Provisions to the National Bank of Belgium in respect of the technical provisions reported as part of the Annual QRTs. The role and responsibilities are described in an actuarial function charter and are summarised in section B.1.

The key roles and responsibilities of the actuarial function include:

- Delivery of actuarial reporting, bases, valuation models and corresponding processes for Solvency II and BGAAP reporting;
- Implementation of processes to deliver robust monitoring of capital, liquidity and solvency positions on an ongoing basis;
- Completion of actuarial regulatory requirements;
- Review of reinsurance transactions, acquisitions and retrocession from a capital, solvency and actuarial perspective to ensure transactions meet hurdle requirements and capital implications are well understood;
- Ensuring a robust asset liability matching framework that effectively manages investment risks within the risk appetites and tolerances of the Company in conjunction with the Chief Investment Officer; and
- Contribution to the effective implementation of the RMF.

The Board receives an annual report from the actuarial function which includes the results of the tasks undertaken, clearly identifying any deficiencies and giving any recommendations as to how such deficiencies could be remedied. The actuarial function operates under the ultimate responsibility of, and reports to the Board and, where appropriate, cooperates with the other key functions in carrying out its role. It is objective and free from the influence of other functions or the Board. It provides its opinions in an independent fashion and can communicate on its own initiative with any staff member, or Board member, and obtains access to any records necessary to carry out its responsibilities.

B.8 Outsourcing

B.8 (a) Description of outsourcing policy

On the 28th March 2018 Monument Insurance Belgium Services ("**MIBS**") was also established to support the administration of the Belgian business. The main objective for establishing the service company is to enable staff to be deployed across all activities and entities within the Monument Group whilst achieving economies of scale within the Belgian operations. The outsourcing enables the company to to make the best use of resources and maximise expense-related and other operational efficiencies.

The Compnay ensues strict adherence to all applicable rules and regulations (including the NBB Governance Circular). Where deemed appropriate the Company will outsources specific business functions to reduce or control costs, to free internal resources and capital, and to harness skills, expertise and resources not otherwise available to us. However, the Company's outsourcing of critical or important operational functions or activities shall not be undertaken in such a way as to unduly increase the Company's exposure to Operational Risk. An appropriate level of due diligence shall be conducted prior to completing the selection process. The Company must notify the relevant regulatory authority in writing of any outsourcing of a critical or important function.

All outsourcing agreements shall be monitored by the MC and reviewed to ensure that outsourced activities are conducted in adherence with the outsourcing service provider framework, the outsourcing policy, the terms set out in outsourcing agreements and with applicable regulatory requirements. Reporting processes shall be in place to ensure outsourcing performance is managed in line with the outsourcing policy, outsourcing agreements and the Company's strategy.

B.8 (b) Outsourcing and jurisdiction of critical or important operational functions or activities

The table below provides details of the outsourced critical or important operational functions or activities and the jurisdiction in which the service providers of such functions or activities are located.

Service provider	Activity	Jurisdiction
Monument Insurance Ireland Limited ("MISL")	Sub-outsourcing of IT services	Ireland
Monument Insurance Belgium Services ("MIBS")	Policy Servicing & Claims Administration	Belgium
Milliman Ltd.	Actuarial Function for MAB	Belgium
Pideeco	Compliance Function for MAB	Belgium
Deloitte*	Internal Audit Function for MAB	Belgium
ABN AMRO Asset Management	Investment & Asset Management	Belgium
ABN AMRO Bank N.V. **	Financial & Statistical Reporting	Belgium
Blackrock Financial Limited	Investment Accounting Services	UK

* Deloitte's mandate was terminated effective 28 March 2019 and the responsibily has been assumed by a Monument Insurance Services Ltd.

** The outsourcing of this function was terminated effective 31 January 2019 and the responsibility has been assumed by a designated individual within Monument Assurance Luxembourg (“MAL”).

B.9 Assessment of governance and any other disclosures

The system of governance is considered appropriate for the Company. There is no other material information regarding the system of governance of the Company other than what has been reported in this section.

C. Risk Profile

The risk profile reflects the Company's key business activities. The Company controls the way it accepts risk and uses risk management expertise to support the creation of sustainable shareholder value.

The Company uses a series of techniques to assess risks, as summarised below.

Annual Risk and Control Self Assessment

On an annual basis, the risk owners carry out an RCSA to identify material inherent risks. The controls identified to mitigate these risks are assessed for design and operating effectiveness and a decision is taken by the risk owner on the appropriate treatment for the residual risk (e.g. 'accept' 'transfer' or 'increase controls').

Risk Limits

The Company has established a series of key indicators and limits that are used to measure and monitor risk exposure against acceptable thresholds. These are reported on at least a quarterly basis to the Board.

Over the reporting period, the Company implemented new risk limits, in accordance with the policies implemented following acquisition by Monument Re.

Own Risk and Solvency Assessment (ORSA)

All material risks are assessed quantitatively and/or qualitatively as part of the annual ORSA process. Stress testing is used as part of the ORSA process to assess risk exposures and is useful in deciding how to mitigate the Company's exposure to risk. This process is discussed further in B.4 (a).

Solvency Capital Requirement (SCR)

The Company applies the standard formula SCR to determine regulatory risk capital. The ORSA considers the appropriateness of standard formula SCR taking into account the risk profile of the Company.

C.1 Underwriting Risk

Underwriting risk (insurance risk) is the risk of loss or other adverse impact on the Company arising from unexpected fluctuations in the timing, frequency or severity of insured events, or timing and amount of claim settlements and expenses.

The Company's portfolio comprises of Group and Individual pension and long-terms savings products previously sold on the Belgian market. The insurance risks involved with administering this run-off business include mortality risks, morbidity risks, lapse risks and expense risks.

Mitigating Actions and Controls

The Company monitors and controls insurance risk using the following methods:

- Regular monitoring of actual versus expected claims and expenses.
- Regular review of actuarial assumptions.
- Management of persistency through high quality customer service.
- Intra-group reinsurance.
- External reinsurance to mitigate mortality and morbidity risks.
- Risk is measured principally in terms of SCR, supplemented by sensitivity tests to key assumptions, and stress and scenario testing.

Material risk concentrations

The following table shows the analysis of insurance contracts on a gross and net of reinsurance basis as of 31 December 2018, with prior year comparatives:

	31 December 2018		31 December 2017	
Country	Gross policy reserves €'000	Net policy reserves €'000	Gross policy reserves €'000	Net policy reserves €'000
Belgium	57.057	6.036	59.659	59.958

In 2018 an intragroup reinsurance agreement with Monument Re based on a 90% quota share basis was implemented, reducing the net policy reserves as at 31 December 2018.

Risk sensitivity

Underwriting risk consists (gross and net of reinsurance) of the following risks:

Risk	Gross SCR €'000	Net SCR €'000
Mortality	-	-
Longevity	29	3
Disability-morbidity	-	-
Lapse	1.164	116
Life expense	2.047	205
Revision	-	-
Life catastrophe	-	-
Diversification	-416	-42
SCR Underwriting risk	**2.824**	**282**

Expense and lapse risks remain the most significant. Implementation of the intragroup reinsurance agreement with Monument Re in 2018 has substantially mitigated the sensitivity of the Company's own funds to insurance risks.

C.2 Market Risk

The risk of loss or other adverse impact on the Company arising from movements in markets (e.g. exchange rates, interest rates and inflation rates).

The Company has low appetite for market risk. The Company is willing to take on some risk, through an allocation to non-government credit investments with a view to generating additional returns, subject to specific limits in its Investment Policy as set by the Board. These limits are designed to keep the Company's market risk within the risk tolerances set out in the RMF.

The Company's objective in managing its market risk, is to ensure risk is managed in a sound and prudent manner in line with the Company's risk profile and risk appetite. The Company does not hold any complex financial instruments such as derivatives or swaps and has no off-balance sheet positions.

Mitigating Actions and Controls

The Company monitors and controls financial market risks using the following methods:

- Investment Policy imposing close matching of assets to insurance liabilities, by currency, interest rate and inflation sensitivity.
- Regular monitoring of exposures relative to market risk limits, supplemented by stress and scenario testing.
- Risk is measured using standard metrics such as "DV01", the sensitivity of asset and liability values to small changes in market variables.

Material risk concentrations

Market risk concentrations are limited, as illustrated by concentration risk risk capital in the table below.

Sensitivity

The assets in the portfolio consists of government bonds, corporate bonds, an investment in a mortgage fund, bank deposits, advances on pensions and cash. The Solvency Capital Requirement (SCR) for market risk (gross and net of reinsurance) retained by the Company consist of the following components:

Risk	Gross SCR €'000	Net SCR €'000
Interest rate	567	502
Equity	-	-
Property	-	-
Spread	346	35
Concentration	627	63
Currency	-	-
Diversification	-627	-92
SCR Market risk	**914**	**507**

Implementation of the intragroup reinsurance agreement with Monument Re in 2018 has substantially mitigated the sensitivity of the Company's own funds to insurance risks.

C.3 Credit Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations. The Company's exposure to credit risk is derived from assets such as debt securities and cash instruments, as well as with respect to reinsurance counterparties. The Company has limited credit exposure with respect to receivables due from other counterparties.

Mitigating Actions and Controls

The Company monitors and controls credit risk using the following methods:

- Credit Risk Policy imposing principles and requirements for credit risk management, and Investment Policy imposing credit ratings limits for investment counterparties and concentration limits to avoid overexposure to any investment counterparty.
- Regular monitoring of exposures relative to credit risk limits.
- Key risk measures include exposure by credit rating, risk concentration and sensitivity of asset values to movements in credit spreads.
- Collateral arrangements are put in place in respect of reinsurance exposures where appropriate.

Investment of assets in accordance with the "prudent person principle"

The Company adheres to the prudent person principle in the implementation of its investment strategy. This is accomplished through an investment framework focused on governance, risk assessment and portfolio diversification. A key part of the implementation is the use of third party investment service providers who can provide expertise for their appointed mandates.

The Company governance structure is outlined in section B.1 of this report. The Company continually assesses the risks associated with its business objectives, particularly those related to the investment portfolio, and determines which risks to accept and which to mitigate. This is encompassed within the RMF, as outlined in section B.3, and is manifested in the Company's risk policies. This risk assessment has led the Company to structure the investment portfolios primarily in investment grade, fixed income assets with a closely matched duration and cash flow profile to the liabilities that they support.

One of the key risk mitigants is to diversify the investment portfolios. This is achieved through documentation of guideline limits in the investment policies and ensuring that third party investment service providers adhere to these limits. Specific exposure limits are established for investment sector, issuer and credit ratings. For each mandate, the Company oversees compliance of the service providers against the limits through a regular review of each portfolio. As noted above, the governance framework establishes reporting protocols for policy compliance.

Counterparty credit risk is principally controlled through the investment policy that imposes minimum credit ratings for investment counterparties and concentration limits to avoid overexposure to any investment counterparty. Investments are placed with large international financial institutions subject to credit rating and other limits.

Material risk concentrations

The Company maintains a diversified investment portfolio and adheres to concentration limits set out in the Company's Investment Policy.

The residential mortgage fund in which the Company has invested maintains a diversified portfolio of mortgage loans.

Risk concentrations with respect to credit risk are not material.

Sensitivity

As measured using the Standard Formula SCR, counterparty default risk capital is €430k. This amount is sensitive to the credit rating of the Company's counterparties. The level of collateralization on the reinsurance arrangement with Monument Re is sufficient to fully mitigate counterparty default risk on this basis.

C.4 Liquidity Risk

The risk of loss or other adverse impact on the Company arising from insufficient liquidity resources being available to meet obligations as they fall due. Sources of liquidity risk include:

- Higher than expected claims or expenses.
- Future acquisitions.

Expected profit in future premiums (EPIFP) is potentially an illiquid asset. Due to the nature of the Company's products, EPIFP is limited to €43k.

Mitigating Actions and Controls

The Company monitors and operational risks using the following methods:

- Liquidity Policy imposing close matching of asset and liability cash flows and prudent restrictions on investment in illiquid assets.
- Liquidity Framework requiring forward-looking assessment of liquidity requirements, including those arising from derivatives and reinsurance collateral mechanisms, and maintenance of a liquidity buffer to cover severe market and demographic stress.

Material risk concentrations

The Company has a €12m investment in a mortgage fund, which has monthly liquidity subject to discretion on the part of the asset manager.

Sensitivity

The Company projects its liquidity position over short, medium and long time horizons and considers a range of stress scenarios to determine an appropriate liquidity buffer. This liquidity planning process takes into account expected future acquisitions, which can be a key driver of future liquidity needs.

C.5 Operational Risk

The risk of loss or other adverse impact on the Monument Group arising from inadequate or failed internal processes, personnel or systems or external events.

Mitigating Actions and Controls

The Company monitors and operational risks using the following methods:

- Regular Risk and Control Self-Assessment process.
- Event and issue management process, root cause analysis and learning from adverse experience.
- Oversight exercised by Internal Audit, Risk and Compliance functions.
- Key person risk mitigated by succession planning.
- Risk is measured principally through the Risk and Control Self-Assessment process, event data and deep dives.

Material risk concentrations

Key person risk owing to the relatively small size of the Company is mitigated as described above.

Sensitivity
Size and complexity of the business are drivers of risk. As a run-off business, sensitivity is somewhat limited. Operational risk capital on the Solvency II Standard Formula basis is €258k.

C.6 Other Material Risks

Group Risk

The risk of loss or other adverse impact on the Company arising from financial or non-financial relationships between entities within the Monument Group. This includes reputational, contagion, accumulation, concentration and intra-group transactions risk.

Mitigating Actions and Controls

- Group Risk Policy imposing requirements for group risk management.
- Significant commonality of Board composition across the Group and its subsidiaries.
- Close scrutiny of intra-group transactions including external specialist input where appropriate.
- Reputational Risk policy and escalation process.
- Risk is measured qualitatively and quantitatively e.g. via stress and scenario testing of adverse scenarios across the Monument Group and Company as part of the solvency self-assessment process.

Material risk concentrations

In 2018, a reinsurance arrangement was implemented with Monument Re. This substantially mitigates market and insurance risks, whilst increasing dependencies within the Monument Group.

Strategic Risk

The risk of loss or other adverse impact on the Company arising from failing to identify and react appropriately to opportunities and/or threats arising from changes in the market, some of which may emerge over a number of years.

The Monument Group's strategy is to acquire and consolidate books of life assurance operations in the European market and the Company plays an active role in this. Risks associated with acquisitions are mitigated by due diligence, capitalisation and change management.

Mitigating Actions and Controls

- Strategic Risk Policy imposing requirements for strategic risk management.
- Board members and MC members with broad experience and deep industry knowledge.
- Rigorous due diligence process led by internal experts with support from external specialists as required.
- Tried-and-tested integration approach and experienced, skilled integration team.
- Emerging risk analysis and reporting.
- Strategic risks are measured qualitatively.

Material risk concentrations

Emerging risk analysis highlights potential sensitivity to unexpected regulatory, legal or fiscal change. A reduction in opportunities for further market consolidation would also be detrimental from a strategic perspective.

C.7 Other Relevant Information

There is no other relevant information.

D. Valuation for Solvency Purposes

The following table summarises the valuation of the Company's assets for Solvency II purposes and the valuation used in the Company's financial statements ("Statutory Basis") at the reporting date. All amounts are presented in the reporting currency of the Company, which is euro (€) as at 31 December 2018.

	31 December 2018			
	BGAAP €'000	Reclassification Differences €'000	Valuation Differences €'000	Solvency II €'000
Assets				
Investments - Bonds	39.253	-	568	39.821
Other investments	22.408	-	939	63.975
Reinsurance recoverables	48.574	-	2.447	51.021
Reinsurance receivables	795	-	-	795
Cash and cash equivalents	2.674	-	-	2.674
Any other assets	500	-	-	500
Total	**114.204**	**-**	**3.954**	**118.158**
Liabilities				
Technical Provisions	53.971	-	3.418	57.389
Reinsurance payables	53.008	-	-	53.008
Insurance Payables	-	-	-	
Other payables	213	-	-	213
Total	107.193	-	3.418	**110.611**
Excess of assets over liabilities	**7.011**	**-**	**537**	**7.548**

D.1 Assets

D.1 (a) Bases, methods and main assumptions used for the valuation for solvency purposes

Investments and Cash and Cash Equivalents

The basis for determining the market value balance, is the Solvency II Directive and the Delegated Regulation. The Solvency II Directive (Article 75) and the Delegated Regulation (Articles 9 to 16) provide guidance for the valuation of the Solvency II balance sheet. Assets are valued at the amount for which they can be traded between knowledgeable, willing parties who are willing to trade and who are independent. Liabilities are valued at the amount for which they can be transferred or settled between knowledgeable, willing parties for a transaction that are independent.

Consistent with the principles of the Solvency II delegated regulation, the following valuation hierarchy is applied:

- Market prices quoted on the basis of active markets;
- Quoted market prices for comparable items, adjusted for any differences;

- Market approach based on comparable market transactions;
- Valuation method based on the present value of the cash flows; and
- Current replacement value.

Bonds: in the form of corporate and government bonds and investment funds, in the BGAAP balance sheet valued at amortized cost and the Solvency II balance sheet at market value (quoted clean price).

Cash and cash equivalents: cash and cash equivalents are valued at their nominal value in both the BGAAP and Solvency II balance sheet.

The other investments include:

- Advances: the advances on pension consist of loans to policyholders. Advances are only permitted to enable the transferee to acquire, renovate, or repair real estate. The market value is determined by discounting the cash flows against the risk-free swap interest rate without volatility adjustment. In the BGAAP balance sheet, the advances are valued at amortized cost.
- Mortgage Funds: in the form of investment funds, in the BGAAP balance sheet valued at amortized cost and the Solvency II balance sheet at market value.
- Deposits: are valued in the BGAAP balance sheet at amortized cost. There is no observed market price for the term deposits. The market value has been determined based on discounted cash flows at the risk-free swap interest rate without volatility adjustment.

Reinsurance recoverable

This includes the best estimate of the recoverable amount from reinsurance contracts minus the reinsurance premium to be paid. A reinsurance recoverable is held in respect of two reinsurance arrangements:

- A reinsurance treaty in place with SCOR, which reinsures 100% of the mortality and rider benefit risks. SCOR is AA- rated by Standard & Poor's with a stable outlook; and
- An intragroup reinsurance arrangement with Monument Re, on a quota share basis for market, insurance and operational (expense) risks. Monument Re is the ultimate parent company of MAB, based in Bermuda, operating in a Solvency II equivalent regime .

Reinsurance receivable

The reinsurance receivable includes amounts due from reinsurance contracts. Reinsurance receivables are valued at their nominal value in both the BGAAP and Solvency II balance sheet.

Other Assets

The other assets include accrued charges and deferred income. The accrued charges and deferred income consist mainly of accrued interest that is not yet due and which is equal to the nominal value of the interest on bonds and deposits since the last payment.

D.1 (b) Material differences between the bases, methods and assumptions used for the valuation for solvency purposes and those used in financial statements

Valuation differences between BGAAP and Solvency II are in section above.

D.2 Technical provisions

D.2 (a) Bases, methods and main assumptions used for the valuation for solvency purposes

The following table contains the technical provisions for the Company as of 31 December 2018:

	31 December 2018		
	Solvency II €'000	GAAP €'000	Difference €'000
Best Estimate Liabilities	57.057	53.971	3.086
Risk Margin	332	0	332
Total	**57.389**	**53.971**	**3.418**

The following table contains the technical provisions for the Company by material line of business as of 31 December 2018:

	31 December 2018		
	Material LOB 1 €'000	Material LOB 2 €'000	Total €'000
Best Estimate Liabilities	53.161	3.895	57.057
Risk Margin	309	23	332
Total	**53.471**	**3.918**	**57.389**

For the categorisation in business lines in the table a distinction is made between group ("Material LOB 1") and individual ("Material LOB 2") insurance policies.

D.2 (b) Uncertainty associated with the value of technical provisions

The Solvency II technical provisions are determined as the sum of the best estimate liabilities (BEL) and the risk margin.

The BEL is determined as the present value of future best estimate cash flows, including:

- Premiums;
- Death benefit;
- Payment upon surrender;
- Expiration benefit (maturity); and
- Expenses (maintenance expenses, commissions and taxes).

Assumptions required to determine the cash flows include mortality, surrender rates, expenses, inflation and interest rates.

Key assumptions are derived with reference to the Company's past experience, layering in expert judgement where applicable. This includes surrender rates and expenses. Mortality is not material since this risk is reinsured.

The interest rate curve used to discount the best estimate cash flows, is the interest rate term structure published by EIOPA. This curve is composed of the swap curve adjusted for credit risk (CRA), volatility adjustment (VA) and an Ultimate Forward Rate (UFR). Inflation rates are required to determine future expense levels and are aligned to market prevailing rates provided by Bloomberg.

The risk margin is such that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. The risk margin is calculated in accordance with the relevant Solvency II standards and is based on the cost of capital method.

The risk margin is determined by projecting the non-hedgeable SCR's using appropriate risk drivers. The use of risk drivers is an approximation method about the future development of the SCR over time. The future SCR's are then multiplied with the cost-of-capital percentage and discounted at the interest rate term structure provided by EIOPA. The cost-of-capital percentage is 6% and the interest rate term structure that must be discounted is the risk-free interest rate term structure excluding VA, but including CRA and UFR.

D.2 (c) Material differences between the bases, methods and main assumptions used for the valuation for solvency purposes and those used in financial statements

The technical provision, as determined in the BGAAP financial statements (including a "flashing light reserve") is equal to the accumulated savings value with a guaranteed return applicable. The assumptions used in this valuation are based on tariff actuarial parameters, which contain a level of prudence versus the best estimate assumptions used in the Solvency II BEL. A flashing light reserves is an extra provisions that the National Bank of Belgium requires life insurers in Belgium to set up in order to assure that sufficient funds are available at all times to fulfill guarantees given to clients within their contracts.

D.2 (d) Matching adjustment and volatility adjustment

The Company makes use of Volatility Adjustment ("VA"). Removal of the VA has the effect of increasing the Technical Provisions by €0.1m and reducing Own Funds by €0.1m, after an allowance for reinsurance. Given that the absolute minimum is the binding constraint on the Solvency II balance sheet, the SCR has not been revalued. The Solvency position of MAB would reduce from 204% to 201% as a result of removing the VA.

D.2 (e) Transitional risk-free rate and transitional deduction

Not applicable.

D.2 (f) Recoverables from reinsurance contracts and special purpose vehicles

See section D.1(a) for reinsurance recoverables.

D.2 (g) Material changes to assumptions made in calculating technical provisions compared to previous reporting period

No material changes were made in the assumptions calculating technical provisions compared to previous reporting period.

D.3 Other liabilities

D.3 (a) Bases, methods and main assumptions used for the valuation for solvency purposes

Other liabilities consist of short-term liabilities that are valued at nominal value in both the BGAAP and Solvecny II balance sheet.

D.3 (b) Material differences with the valuation bases, methods and main assumptions used for the valuation for solvency purposes and those used in financial statements

There are no diffeences between the GAAP and Solvency II valuation of other liabilities.

D.4 Alternative methods for valuation

In addition to the valuation methods described in the previous sections, no alternative valuation methods are applied .

D.5 Any other material information

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

E. Capital Management

Capital management and allocation is a key driver of the Company's success. Capital is a resource that supports the risk bearing capacity of the Company, forming a foundation for the Company's long-term viability and the trust of its customers.

E.1 Own funds

'Own Funds' refers to the excess of the value of the Company's assets over the value of its liabilities, where the value of its liabilities includes technical provisions and other liabilities. Own Funds are divided into three tiers based on their permanence, and how well they can absorb losses. Tier 1 are of the highest quality.

E.1 (a) Objectives, policies and processes for managing Own Funds

The primary objective of the Company is to ensure compliance with externally imposed capital requirements and to maintain appropriate capital ratios in order to protect the security of its stakeholders, including cedants and policyholders, while maintaining shareholder value. The capital management policy sets out the objectives of the Company. The key objective of this policy is to ensure that the regulatory requirement for the Solvency Coverage is met on an ongoing basis. Processes and reporting are in place to meet this objective. The capital management policy outlines the actions available to the management and the Board at different levels of the reporting solvency ratio.

The Company adopted Monument Re's key principles of capital management which are:

Monument Re Capital Management Principles

1) Target Setting

- Sufficient capital levels set by the Board, so that the Group is able to withstand appropriate stress scenarios, as approved by the Board
- The current Target Capital level for Monument Re is to maintain Available Capital equivalent to 150% of the ECR
- The Target Capital level for each subsidiary is approved by the relevant Board, taking into account local requirements

2) Monitoring

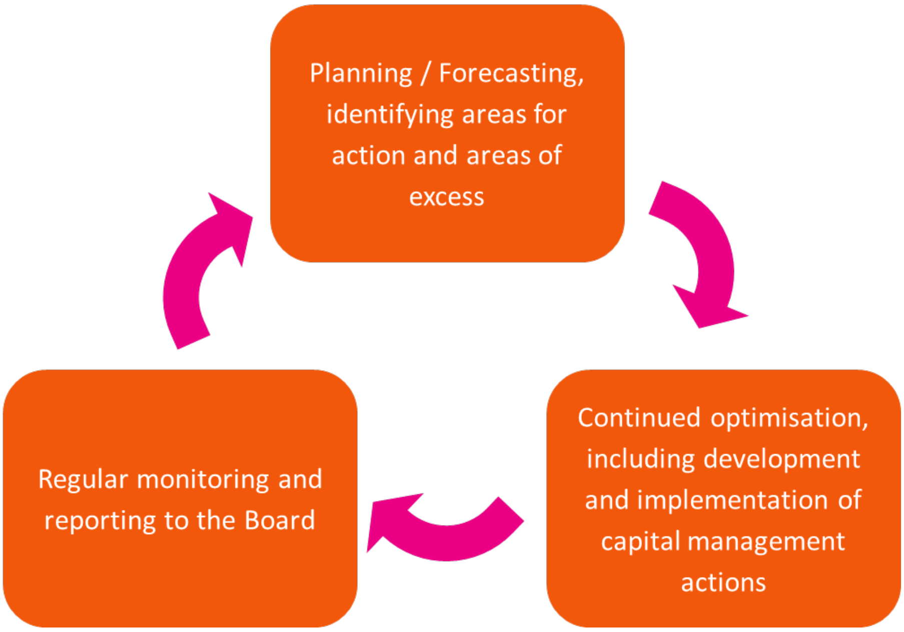
- Capital levels shall be assessed regularly to ensure that they remain appropriate to support the Group's operations
- Appropriate processes maintained to enable effective monitoring and reporting of capital positions across the Group including the impact of new transactions

3) Management Actions

- Activities undertaken to optimise the capital position of the company (and /or subsidiaries)
- Actions continuously identified and executed, in order to optimize capital and remedy breaches of capital levels should a breach occur

The process followed for capital management is depicted below:

Capital Management Process



A capital management plan is prepared annually with the business planning period covering five years. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management and the firm's risk profile. This plan is reviewed and updated on a regular basis to reflect the actual performance of the business. The policy is reviewed annually with the results of the annual ORSA process taken into consideration.

Own Funds for the Company are calculated quarterly through the production of the technical provisions and a valuation of the Company's balance sheet. The value of the Own Funds is approved by the Management Committee on a quarterly basis, whilst annually, it is approved by the Board.

There were no material changes over the reporting period with regards to objectives, policies and processes employed by the Company for managing its Own Funds.

Summary of the Own Funds and solvency position at 31 December 2018, with prior year comparatives (in €'000, except for percentages):

	31 December 2018	31 December 2017
Own Funds	7.548	6.820
Solvency Capital Requirement (SCR)	1.132	5.805
Minimum Capital Requirement (MCR)	3.700	3.700
Absolute Floor of Minimum Capital Requirement	3.700	3.700
Relevant Solvency Ratio	204%	117%

The Company has an internal target to maintain a Solvency Ratio above 150%.

E.1 (b) Information on Own Funds by Tier and the amount eligible to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

The Eligible Own Funds value to meet the SCR is obtained from Basic Own Funds, to which Ancillary Own Funds that are recognised and approved by the regulator and subject to eligibility constraints are added.

Solvency II defines Basic Own Funds as the sum of

- The excess of assets over liabilities as defined in section D;
- Less deduction for foreseeable dividends and distributions.

The following table shows the composition of the Solvency II Basic Owns Funds and what is eligible to cover the SCR and MCR:

	Total Own funds 31 December 2018 €'000	Total Own funds 31 December 2017 €'000	Eligible Own Funds to cover SCR 31 December 2018 €'000	Eligible Own Funds to cover SCR 31 December 2017 €'000	Eligible Own Funds to cover MCR 31 December 2018 €'000	Eligible Own Funds to cover MCR 31 December 2017 €'000
Ordinary Share Capital	7.011	12.424	7.011	12.424	7.011	12.424
Reconciliation reserve	537	-5.604	537	-5.604	537	-5.604
Other Own Funds	-	-	-	-	-	-
Total Basic Own Funds	**7.548**	**6.820**	**7.548**	**6.820**	**7.548**	**6.820**

In 2018 an intragroup reinsurance agreement with Monument Re based on a 90% quota share basis was implemented. As a consequence ordinary share capital has decreased significantly compared to 31 december 2017.

E.1 (c) Material differences between equity in the financial statements and the excess of assets over liabilities for solvency purposes

The following table summarises the differences between shareholders equity reported in the Company's financial statements and the excess of assets over liabilities for solvency purposes:

	31 December 2018 €'000	31 December 2017 €'000
Shareholder Equity per financial statements	**7.011**	**12.424**
Difference in the valuation of assets	3.954	1.565
Difference in the valuation of technical provisions	-3.418	-7.169
Solvency II Excess of Assets over Liabilities	**7.548**	**6.820**

E.1 (d) Basic own fund item subject to the transitional arrangements

Not applicable.

E.1 (e) Ancillary Own Funds

The Company did not have any ancillary own fund items at 31 December 2018 or 31 December 2017.

E.1 (f) Material items deducted from Own Funds

There are no material items deducted from Own Funds at 31 December 2018 or 31 December 2017.

E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

E.2 (a) Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

The following table shows the Company's SCR and MCR requirements as of 31 December 2018, with prior year comparatives:

	31 December 2018 €'000	31 December 2017 €'000
SCR	1.132	5.805
MCR	3.700	3.700

E.2 (b) The amount of the SCR split by risk module

The Basic Solvency Capital Requirement is calculated using a set of EIOPA defined stresses given by the standard formula approach. The SCR is calculated separately for each of the following risk modules:

- Market risk
- Counterparty default risk
- Life underwriting risk
- Non-life underwriting
- Health underwriting

These modules are then combined using correlation factors as defined by EIOPA, with an allowance for operational risk. The following table shows the split of the SCR as of 31 December 2018, with prior year comparatives:

	31 December 2018 €'000	31 December 2017 €'000
Market risk	507	1.985
Counterparty default risk	430	2.669
Life underwriting risk	282	3.112
Basic Solvency Capital Requirement	874	5.535
Operational Risk	258	270
Solvency Capital Requirement (before minimum)	**1.132**	**5.805**

The Non-life and Health modules do not apply to the Company, as its balance sheet is not exposed to these risks.

E.2 (c) Use of simplified calculations

The Company did not use any simplified calculations or undertaking-specific parameters to arrive at its SCR as of 31 December 2018 or 31 December 2017.

E.2 (d) Undertaking specific parameters and capital add-ons

The undertaking specific parameters referred to in Article 104(7) of Directive 2009/138/EC are not used by the Company.

The capital add-on as per sub paragraph of Article 51(2) of Directive 2009/138/EC does not apply.

E.2 (e) Information on inputs used to calculate the MCR

The Minimum Capital Requirement (MCR) is calculated according to the requirements of the Delegated Regulation whereby the MCR is dependent on the level of the best estimate, the risk capital, the SCR and an absolute minimum of €3.7m. The calculation results in the absolute minimum of €3.7m.

E.2 (f) Material changes to SCR and MCR over the reporting period

The SCR has decreased significantly compared to 31 December 2017 following the inception of the intragroup reinsurance agreement with Monument Re.

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

Not applicable.

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

Not applicable.

E.5 Non-compliance with the MCR and non-compliance with the SCR

The Company remained compliant with the MCR and the SCR throughout the reporting period.

E.6 Any other information

None.

Appendix 1 – List of public QRT to be disclosed

Article 4 - Templates for the solvency and financial condition report of individual undertakings.

- Template S.02.01.02 of Annex I, specifying balance sheet information using the valuation in accordance with Article 75 of Directive 2009/138/EC, following the instructions set out in section S.02.01 of Annex II to this Regulation;
- Template S.05.01.02 of Annex I, specifying information on premiums, claims and expenses using the valuation and recognition principles used in the undertaking's financial statements, following the instructions set out in section S.05.01 of Annex II to this Regulation, for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;
- Template S.05.02.01 of Annex I, specifying information on premiums, claims and expenses by country using the valuation and recognition principles used in the undertaking's financial statements, following the instructions set out in section S.05.02 of Annex II;
- Template S.12.01.02 of Annex I, specifying information on the technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance (‘health SLT’) for each line of business as defined in Annex I to Delegated Regulation (EU) 2015/35, following the instructions set out in section S.12.01 of Annex II to this Regulation;
- Template S.23.01.01 of Annex I, specifying information on own funds, including basic own funds and ancillary own funds, following the instructions set out in section S.23.01 of Annex II;
- Template S.25.01.21 of Annex I, specifying information on the Solvency Capital Requirement calculated using the standard formula, following the instructions set out in section S.25.01 of Annex II;
- Template S.28.01.01 of Annex I, specifying the Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity, following the instructions set out in section S.28.01 of Annex II;

Appendix 2 - Glossary

Absolute Minimum Capital Requirement: This is an amount of money that the Company is obliged to hold as capital as an absolute floor. For the Company, this amount is €3.7m.

Basic Own Funds: According to art. 88 of Solvency II Directive 2009/138/CE, Basic Own Funds are defined as the sum of the excess of assets over liabilities measured on market consistent principles in accordance with art. 75 of Solvency II Directive 2009/138/CE and reduced by the amount of own shares held by the insurance or reinsurance undertaking, and subordinated liabilities.

Best estimate liability: The Best Estimate Liability represents the expected present value of future cashflows related to insurance and reinsurance obligations in force at valuation date. The Best Estimate Liability is calculated on a gross of reinsurance basis, i.e. without any deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles.

Best estimate operating assumptions: The assumptions on all those non-financial factors which can have an impact on future cashflows, including not only the most common operating factors (i.e. mortality/longevity, disability/morbidity, lapses, expenses), but also those contractual policyholders' options that can be exercised by policyholders at pre-determined conditions.

Belgian Solvency II Act: the Belgian Law of 13 March 2016 on the status and supervision of insurance and reinsurance undertakings.

Brexit: abbreviation for "British exit," referring to the UK's decision in a June 23, 2016 referendum to leave the European Union (EU).

Cash and cash equivalents: the item includes cash and highly-liquid short-term financial investments (readily convertible in specific amounts of cash which are subject to an irrelevant risk of change in value). Furthermore, this asset class includes also short-term deposits and money-market investment funds.

Compliance Function Charter: The responsibilities of the compliance function are described in the Compliance Function Charter.

Contract boundaries: This is the limit beyond which relevant cash flows are excluded from the calculation of technical provisions. It is defined in line with Article 18 of the Delegated Acts, and refers to future dates where the insurance undertaking has a unilateral right either to terminate the contract, or to reject payable premiums or to amend the payable premiums or the benefits in such a way that the premiums fully reflect the risks.

Correlation factors: Factors which reflect the relationships between the risks included in the calculation of the Solvency Capital Requirement.

Counterparty default risk adjustment: The counterparty default adjustment is the amount of reinsurance recoverables that the Company expects not to be able to recover because of the possible default of the reinsurance counterparty at any point in time in the future.

Delegated act: As part of the Lisbon Treaty, the EU created a tool to put a law in place. They used an 'implementing act' for ruling on procedure and on how to follow legislation that already exists and use a delegated act for ruling on the content of legislation. The Solvency II requirement includes various implementing acts and delegated acts.

EIOPA Guidelines: EIOPA's Guidelines on System of Governance of 14 September 2015.

Expected Profit Included in Future Premiums (EPIFP): it is the expected present value of future cash flows, if positive, which results from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

Fixed income instruments: direct investments in government and corporate bonds, loans, term deposits other than those presented as cash and cash equivalents, and reinsurance deposits. Moreover, this asset class includes also investments funds mainly exposed to investments or risks similar to direct investments presented within this asset class.

Insurance contracts: a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary [Appendix A, IFRS4].

Investments properties: direct investments in real-estates. Moreover, this asset class includes also investments funds mainly exposed to real-estate investments.

Key Risk Indicators (KRI): is a measure used in management to indicate how risky an activity is. Key risk indicators are metrics used by organisations to provide an early signal of increasing risk exposures in various areas of the enterprise.

Long term guarantee adjustments and transitional measures: This expression refers to the matching adjustment (as set out in article 77b of Solvency II Directive 2009/138/EU), the volatility adjustment (as set out in article 77d of Solvency II Directive 2009/138/EU), the transitional measure on the risk-free interest rates (as set out in article 308c of Solvency II Directive 2009/138/EU) and the transitional measure on technical provisions (as set out in article 308d of Solvency II Directive 2009/138/EU).

Minimum Capital Requirement (MCR): The Minimum Capital Requirement corresponds to an amount of eligible basic Own Funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk were insurance and reinsurance undertakings allowed to continue their operations. It corresponds to the Value-at-Risk of the basic Own Funds subject to a confidence level of 85% over a one-year period (Solvency II Directive 2009/138/CE, Art. 129).

NBB Governance Circular: NBB Circular 2016_31 on the system of goverance as updated in September 2018.

Net cash inflows: it is an indicator of cash flows generation of the life segment. It is equal to the amount of premiums collected net of benefits paid.

Other investments: includes participations in non-consolidated Group companies, derivative investments and receivables form banks and customers, the latter mainly related to normal banking operations.

Own Funds: According to art. 87 of Solvency II Directive 2009/138/EU, Own Funds are defined as the sum of basic Own Funds and ancillary Own Funds.

Per policy fee: Administration fees charges by Monument Insurance Services Belgium are charged monthly. The fee is a function of the number of policies and the agreed policy administration fee.

Premiums Reserves: The Premiums Reserves (or Premium Provisions) are reserves for contracts that are either in force at the valuation date or for which a legal obligation exists to provide coverage.

Reinsurance recoverables: Reinsurance recoverables represent the amount of best estimate liability expected to be recovered via reinsurance treaties or special purpose reinsurance vehicles and correspond to the expected present value of the future cash flows referring to the in-force reinsurance agreements.

Risk Appetite: The Risk Appetite sets out the Company's willingness to accept or avoid in order to achieve its business objectives.

Risk Control Self-Assessment (RCSA): is the process of identifying, recording and assessing potential risks and related controls.

Risk Management Framework (RMF): The Risk Management Framework is the structured process used to identify potential threats to an organisation and to define the strategy for removing or minimising the impact of these risks as well as the mechanisms to effectively control and evaluate actions.

Risk Margin (RM): The risk margin is the part of technical provisions that should ensure that the overall value of the technical provisions is equivalent to the amount a third party would theoretically require in order to take over and meet the insurance liabilities, taking into account the cost of capital required to support those liabilities over their remaining future lifetime and regarding non-hedgeable risks such as underwriting and operational risks.

Solvency II ratio: defined as the ratio between the Eligible Own Funds and the Solvency Capital requirement, both calculated according to the definitions of the Solvency II regime. The ratio has to be intended as preliminary since the definitive Regulatory Solvency Ratio will be submitted to the supervisory authority in accordance with the timing provided by the Solvency II regulations for the official reporting.

Solvency Capital Requirement (SCR): The Solvency Capital Requirement is determined as the economic capital to be held by insurance and reinsurance undertakings in order to ensure that ruin occurs no more often than once in every 200 cases or, alternatively, that those undertakings will still be in a position, with a probability of at least 99.5%, to meet their obligations to policyholders and beneficiaries over the following 12 months (Solvency II Directive 2009/138/EU).

Solvency and Financial Condition Report (SFCR): The SFCR helps policyholders and other stakeholders better understand the Company's regulatory capital and financial position as required by the European-wide Solvency II regulations and regime.

Standard formula: The standard formula is a standard method defined by Solvency II Directive for the calculation of the Solvency Capital Requirement. The standard formula covers the following risks: non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, counterparty default risk and operational risk.

Technical provisions: The technical provisions correspond to the sum of the best estimate liability and risk margin. In case where technical provisions are considered on a net of reinsurance basis, the amount of reinsurance recoverables net of the counterparty default adjustment is deducted from the technical provisions.

Three lines of defence: In the Three Lines of Defence model, management control is the first line of defence in risk management, the various risk control and compliance over-sight functions established by management are the second line of defence, and internal auditor is the third.