Monument Re Limited

Financial Condition Report at 31st December 2018

Contents

Executive Summary

The Economic Balance Sheet ("EBS") regulatory framework sets out the requirements for annual qualitative and quantitative reporting for insurance companies.

Monument Re Limited, together with its subsidiaries, is referred to in this report as "Monument Re", the "Company" or the "Group".

This report contains information about the Group's business and performance, its corporate governance, risk profile, solvency valuation and capital management for the reporting period 1st January to 31st December 2018.

This report has been prepared in accordance with the Insurance (Public Disclosure) Rules 2015 and section 30 of Insurance (Group Supervision) Rules 2011 (the "Group Supervision Rules"), as promulgated by the Bermuda Monetary Authority ("BMA"), Bermuda's regulator of insurance companies.

During 2018, the Group changed its reporting currency from GBP to EUR, driven by a change in the functional currency. Financial results for the prior reporting year date, 31st December 2017 have been translated at the applicable exchange rate for comparison against the current reporting date, 31st December 2018 financial results.

Business and Performance

Monument Re is a Bermuda based reinsurance company established to provide solutions for asset intensive portfolios through reinsurance or acquisition. In executing this dual insurance and reinsurance strategy, the Company 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 annuity, guaranteed savings and protection portfolios mainly out of the Ireland and the Benelux region (Belgium, Netherlands and Luxembourg) as part of its first phase of strategic roll-out; and
- Reinsurance of long-dated guaranteed life insurance contracts.

Monument Re is a Class E reinsurer and holding company of other European insurance entities. It is subject to Group Supervision under the BMA through Solvency II Equivalence attained on a permanent basis from the European Insurance and Occupational Pensions Authority.

Monument Re has an established track-record of acquiring life insurance portfolios across Europe. Since incorporation, twelve transactions have been signed as detailed in the table below. These transactions support the Company's strategy to build and grow the Ireland and Benelux platforms as well as demonstrating the capacity to develop and transact on opportunities in other territories e.g. in Guernsey. Further details of these transactions can be found in section A.5 Company Structure.

Counterparty	Target	Country	Completion
Barclays Bank PLC	Barclays Insurance (Dublin) Designated Activity Company and Barclays Assurance (Dublin) Designated Activity Company, payment protection insurance ("PPI") and short-term income protection	Republic of Ireland	March 2017 (companies renamed Monument Assurance DAC ("MIDAC") and Monument Insurance DAC ("MIDAC"), respectively)
Enstar Group Limited	Laguna Life Designated Activity Company ("Laguna"), term life protection	Republic of Ireland	August 2017
ABN AMRO Bank N.V.	ABN AMRO Life Capital Belgium N.V., traditional savings ("AALCB")	Belgium	March 2018 (renamed Monument Assurance Belgium N.V. ("MAB"))
Ethias S.A. ("Ethias")	FIRST A portfolio, traditional savings	Belgium	September 2018 (transferred to Laguna)
Talanx AG	Aspecta Assurance International Luxembourg S.A. ("Aspecta"), unit-linked single premium products targeted towards high net-worth individuals as well as in unit-linked regular premium products for the retail market	Luxembourg	October 2018 (renamed Monument Assurance Luxembourg S.A. ("MAL"))
Amerborgh Financial Services B.V.*	Robein Leven N.V., traditional and unit-linked products	Netherlands	March 2019
MetLife Europe Designated Activity Company ("MetLife")	A run-off portfolio of linked and traditional business	Republic of Ireland	Signed as reinsurance deal in June 2018 followed by a Section 13 transfer to Laguna in April 2019
Alpha Insurance S.A.*	A run-off portfolio of traditional life and credit life business	Belgium	Signed October 2018; pending regulatory approval, portfolio transfer
BenCo Insurance Holding B.V., a subsidiary of Storebrand Livsforsikring AS*	Nordben Life and Pension Insurance Co Limited, unit-linked and traditional savings	Guernsey	Signed December 2018; pending regulatory approval
Undisclosed*	Traditional savings portfolio	Belgium	Signed January 2019; transfer to MAB pending regulatory approval
Rothesay Life Plc*	Annuity portfolio	United Kingdom	Reinsurance in-force March 2019; portfolio transfer to Laguna to follow (pending regulatory and UK Court approval)
Societe Generale S.A.*	Inora Life Designated Activity Company, unit-linked savings	Republic of Ireland	Signed March 2019; pending regulatory approval

*The financials for these transactions are not included in this report since they had not completed on the reporting date.

The business continues to perform in line with expectations across all portfolios with an underwriting profit of €51.8m in 2018 compared to €11.3m in 2017. The increase in profit is mainly driven by the contribution from 2018 transactions (€41.5m), but also from profits on the existing MIDAC, MADAC and Laguna portfolios (€10.3m). Further details of the Company's results for the reporting date are provided below in sections A.6 Insurance Business and A.7 Investment Performance.

System of Governance

The Company has established a system of governance 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 key function charters. The system of governance includes requirements relating to fitness and probity of persons responsible for key functions, remuneration practices and outsourcing activities. There were no material changes in the system of governance during the year ended 31st December 2018. Further details of the Company's system of governance are provided below in section B.

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 Solvency Self-Assessment, which assists the Board in determining whether there is adequate Available Capital to cover the Company's risks over its business planning horizon.

The Group's business activities give rise to market, insurance, credit, strategic, operational, liquidity and group risks. Further details of the Company's risk profile are provided in section C.

Solvency Valuation

Assets and liabilities presented in this report have been valued in accordance with EBS valuation principles. The Company's financial statements are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in UK and the Republic of Ireland. There are no material differences between valuation principles used under the EBS and GAAP frameworks. Further details of the Company's valuation provisions are provided in section D.

Capital Management

The structure of the Company's Available Capital, as defined under the EBS regime, is comprised of share capital and retained earnings. The capital management policy focuses on ensuring 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 requirements are calculated using the capital regime promulgated by the BMA. The following table summarises the Company's Available Capital and Capital Coverage Ratio at 31st December 2018 and 2017.

Figures in €'000	31st December 2018	31st December 2017
Available Capital	217,871	65,444
Enhanced Capital Requirement	28,996	18,676
Free Surplus	**188,875**	**46,768**
EBS Capital Coverage Ratio	**751%**	**350%**

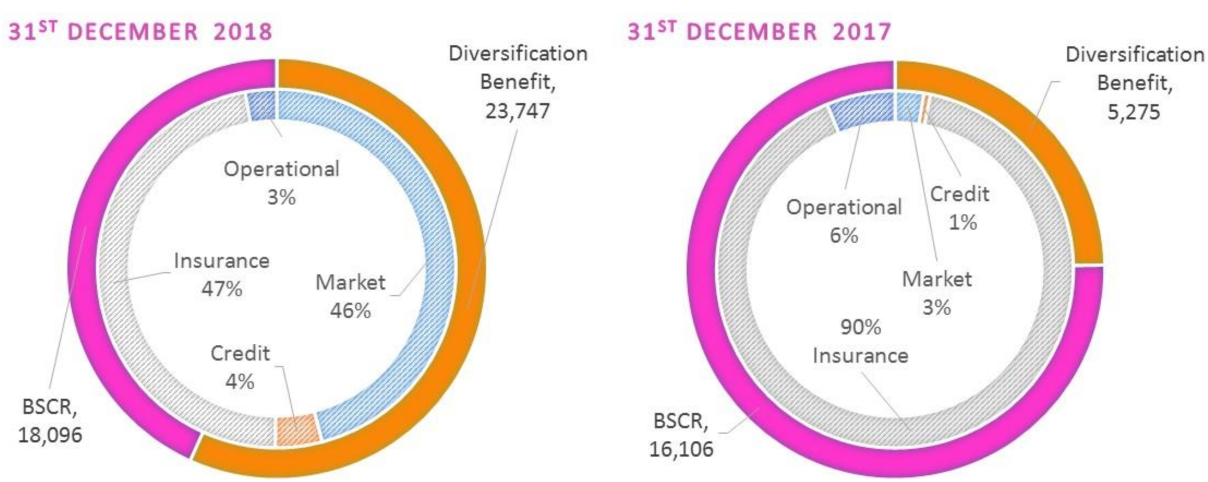
The Group's Available Capital amounted to €188.9m compared to its Enhanced Capital Requirement ("ECR") of €29.0m. This produced an EBS Capital Coverage Ratio of 751%. Note that at the reporting date, the regulatory Minimum Solvency Margin ("MSM") is the binding constraint which is given by the sum of the Group entities local minimum capital requirements. On a Bermuda Solvency Capital Requirement ("BSCR") basis, the level of required capital is €18.1m, producing an EBS Capital Coverage Ratio of 1204%.

The significant increase in the Available Capital over the reporting period was due to the:

- Successful completion of four transactions that, in aggregate, added a net positive contribution to both Available Capital and the solvency position; and
- A capital contribution of €89.5m from Monument Finco Limited ("Finco"), the immediate parent company of Monument Re.

The ECR, given by the MSM, has increased due to 1) the inclusion of two further insurance entities into the Group, MAB and MAL and 2) the increased level of assets on the Group balance sheet.

The diagram below shows the BSCR for the Company at 31st December 2018 and 2017, split by risk module. The outer ring shows the total diversified BSCR and the level of diversification benefit realised within the Group. The inner ring shows each risk module as a proportion of total undiversified capital. Figures are in €'000.



The pie charts show the change in BSCR over the year has significantly shifted from being predominantly insurance risk, to a more balanced portfolio of risk. Through execution of the strategy, greater amounts of market and long-term insurance risk were placed onto the Group balance sheet over 2018.

A. Business and Performance

A.1 Company Profile

Monument Re Limited is a Bermuda based Class E life reinsurer (with registration number 51969 and incorporation date 27th October 2016) and a Designated Insurer with Group supervision by the Bermuda Monetary Authority ("BMA").

A.2 Group Supervisor

Table 1: Group Supervisor

Details	Group Supervisor
Name	Bermuda Monetary Authority
Jurisdiction	Bermuda
Address	BMA House, 43 Victoria Street, Hamilton, HM12, Bermuda
Contact	Craig Swan, Managing Director, Supervision (Insurance)
Email Address	cswan@bma.bm
Phone Number	+1 (441) 295 5278

Group supervision is carried out by the BMA within a comprehensive legislative framework, which includes, but is not limited to:

- The Insurance Act 1978 (the "Act");
- The Insurance (Group Supervision) Rules 2011 (the "Group Supervision Rules");
- The Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011 (the "Group Prudential Standards"); and
- The BMA Guidance Note on the Role of the Designated Insurer (the "Guidance Note").

A.3 Approved Group Auditor

Table 2: Approved Group Auditor

Details	Approved Group Auditor
Name	PricewaterhouseCoopers Limited
Jurisdiction	Bermuda
Address	P.O Box HM 1171, Hamilton, HM EX, Bermuda
Contact	Stewart Ritchie, Director
Email Address	stewart.ritchie@bm.pwc.com
Phone Number	+1 (441) 295 2000

A.4 Company Ownership

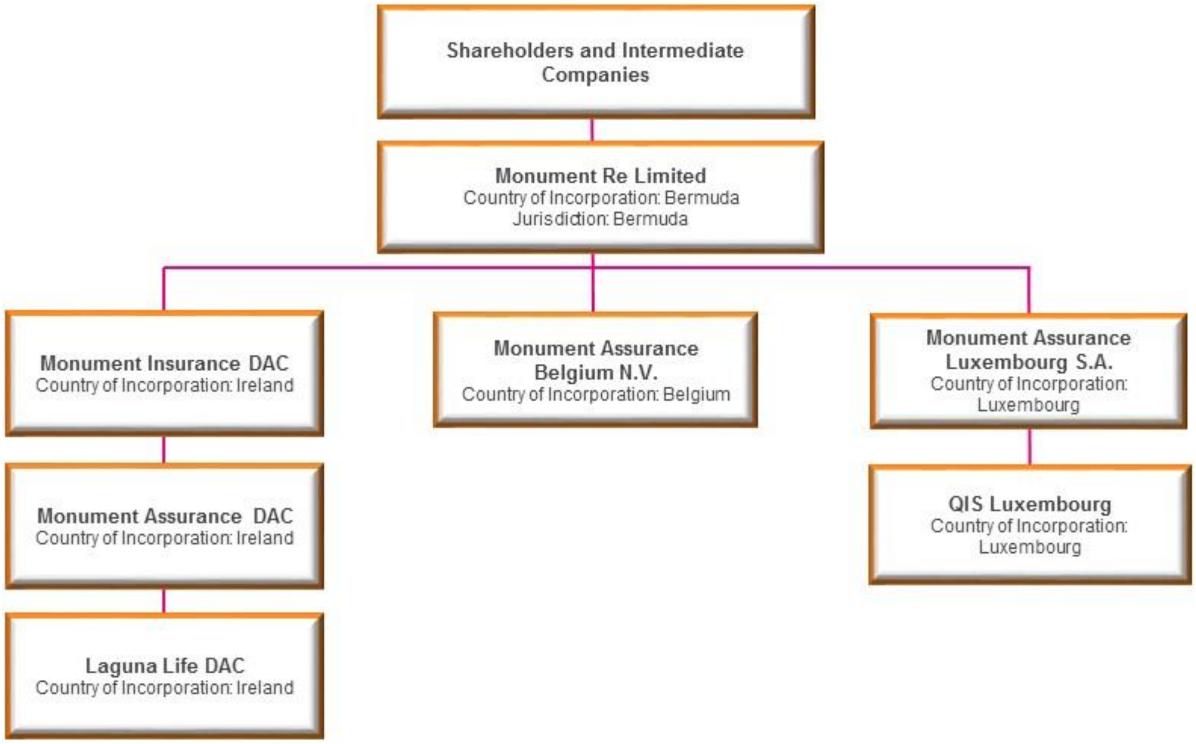
Monument Re is backed by high quality shareholders made up of a number of institutional and individual investors who are experienced insurance professionals. In particular, our ultimate institutional investors are:

- Hannover Rück SE (“Hannover Re”) (GR: HNR1) - Hannover Re was established in 1966 and is the world’s third largest reinsurer with gross premium income of €17bn at year-end 2017. Hannover Re transacts all lines of property and casualty and life and health reinsurance and conducts business on all continents, with more than 100 branches or subsidiaries.
- Enstar Group Limited (“Enstar”) (NASDAQ: ESGR) - Enstar is publicly traded on the NASDAQ and is a leading Bermuda-based Property & Casualty (“P&C”) run-off consolidator.
- E-L Financial Corporation (“ELFC”) (TSE: ELF) - ELFC is an investment and insurance holding company incorporated in 1969 in Canada, and is publicly traded on the Toronto Stock Exchange. ELFC’s strategy is to accumulate shareholder value through long-term capital appreciation and dividend income from its investments.

The Company has a seasoned Board of Directors, nominated by each shareholder and chaired by Jonathan Yates, and an experienced management team led by Manfred Maske.

A.5 Company Structure

The Company's simplified Group structure, focusing on regulated entities, at 31st December 2018 is summarised below:



All holdings in subsidiaries are 100% participations except for Quality Insurance Services ("QIS") Luxembourg which is 25% owned by Monument Assurance Luxembourg S.A.

Monument Re completed the acquisition of two Irish insurance subsidiaries of Barclays on 1st March 2017. These subsidiaries were rebranded Monument Insurance Designated Activity Company ("MIDAC"), a non-life assurance company and Monument Assurance Designated Activity Company ("MADAC"), a life insurance company. These entities are both authorised in Ireland and regulated by the Central Bank of Ireland ("CBI"). They were established to underwrite Payment Protection Insurance ("PPI") and short-term income protection to Barclays customers in the UK on a freedom-of-services basis. This portfolio is closed to new business. A full mis-selling indemnity was agreed with Barclays as part of the acquisition terms.

On 29th August 2017, the Company completed the acquisition of Laguna Life Designated Activity Company ("Laguna") from Enstar Group Limited, a leading global insurance run-off consolidator and also a minority shareholder of Monument Re, which comprises a closed book of term life protection risks within the UK and Spain and voluntarily ceased to underwrite new business in 2007 and 2009 respectively. Laguna is authorised in Ireland and regulated by the CBI.

On 22nd May 2017, Monument Re established a Group service company, Monument Insurance Services Limited ("MISL"), in Ireland to provide services to the Group entities. The staff, previously employed by MIDAC, MADAC and Laguna transferred to MISL. MISL now acts as an outsourcer for these entities as well as supporting other Group activities.

Trading as Monument Insurance in Ireland, these entities provide a sound platform for the Group to write further transactions in Ireland and from the European Union on a cross-border basis.

In 2018, Monument Re built upon the success of 2017 with the completion of four transactions and the signing of another five transactions.

- 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.

In addition to the above transactions signed in 2018, there are three further transactions to highlight which have been signed in 2019 and remain subject to regulatory approval as of the date of this report.

- In January 2019, the Company signed the acquisition of a further traditional savings portfolio in Belgium that remains subject to receipt of regulatory approvals.
- On 26th March 2019, the Company entered into an agreement to acquire the €140m portfolio of Irish annuities from Rothesay Life Plc. The acquisition has been structured initially as reinsurance to Monument Re and is expected to be followed by a Part VII transfer of the portfolio to Laguna, subject to regulatory and court approvals.
- On 27th March 2019, the Company signed a definitive agreement to acquire Inora Life Designated Activity Company ("Inora") from Societe Generale S.A. The closing of the transaction is subject to regulatory approval. Inora is a life insurer domiciled in Ireland which has ceased all new activity since 2012 but still manages a portfolio of unit-linked insurance products. The transaction will have no impact on Inora clients and policyholders.

These transactions further support the Company's strategy to build and grow its Ireland and Benelux platforms as well as develop opportunities in a number of other territories e.g. in Guernsey.

A.6 Insurance Business

The Company's financial statements are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in UK and the Republic of Ireland including Financial Reporting Standards ("FRS") 102 and FRS 103. The following table shows the underwriting profit, as reported in the Company's statutory financial statements for the years ended 31st December 2018 and 2017.

Table 3: Underwriting Profit

Underwriting Profit (€'000)	2018	2017
Gross Written Premiums	475,564	35,779
Reinsurers Share of Insurance Premiums	(1,036)	(314)
Net Written Premiums	**474,528**	**35,465**
Other Technical Income	20,750	0
Claims Paid	(167,829)	(9,324)
Change in Provision for Claims	(250,013)	1,815
Commissions and Profit Participation	(25,666)	(16,629)
Underwriting Profit (before tax)	**51,770**	**11,327**

The increase in the Gross Written Premiums ("GWP") was predominantly driven by new transactions (€439.3m). Note that outside of new transactions, all insurance business is comprised of run-off blocks and therefore premiums and claims in relation to all existing business are expected to decrease year on year.

The increase in the underwriting profit was similarly driven by new transactions (€41.5m), and, to a lesser extent, the existing business (€10.3m).

The following tables show the premium volume by business segment, geographical location and insurance subsidiary.

Line of Business

Table 4: Gross Written Premium by Line of Business

Line of Business (€'000)	2018	2017
Savings and Guarantees	282,109	0
Fixed term annuity	154,520	0
Payment Protection Insurance	34,657	35,192
Protection	4,278	587
Total Gross Written Premiums	**475,564**	**35,779**

Geographical Location

Table 5: Gross Written Premium by Geographical Location

Geographical Location (€'000)	2018	2017
Belgium	282,356	0
United Kingdom	189,816	35,422
Ireland	2,055	0
Spain	942	357
Italy	395	0
Total Gross Written Premiums	**475,564**	**35,779**

A.7 Investment Performance

The following table shows the Company's investment return, net of investment expenses, as reported in the statutory financial statements for the years ended 31st December 2018 and 2017.

Table 6: Investment Performance

Investment Performance (€'000)	2018	2017
Cash & Cash Equivalents	163	97
Investments	3,033	61
Policy Loans	118	0
Gross Investment Income Earned	**3,314**	**158**
Income from Funds Withheld	12,171	0
Investment Expenses	(706)	(147)
Net Realised Gains and Losses	(500)	(11)
Change in Fair Value	734	(46)
Net Investment Return	**15,013**	**(46)**

A.8 Other Material Information

There is no other material information to be provided.

B. Governance Structure

B.1 Parent Board and Senior Executives

Parent Board Structure

Monument Re is the operating company from where the Board of Directors ("Board") governs the Group. Pursuant to the Insurance (Group Supervision) Rules 2011 (the "Group Supervision Rules"), Monument Re, as the designated insurer and specified insurer, is the ultimate insurance holding company of the Group for the purposes of Group supervision by the BMA.

The Board plays a critical role in the successful operation of Monument Re, being ultimately responsible for sound and prudent governance and oversight of the Company. The Board's duties, membership, frequency of meetings and quorum is defined in the Board charter. The mix of skills and experience of Board members ensures that there is an appropriate level of experience, knowledge and expertise that is commensurate with the nature, scale and complexity of Monument Re's business. Membership of the Board and its committees will be reviewed at least every three years, or more frequently upon a material change in business activities or risk profile, in compliance with the Group Supervision Rules.

Monument Re's Board includes four non-Executive Directors and one Executive Director whose duties include, but are not limited to:

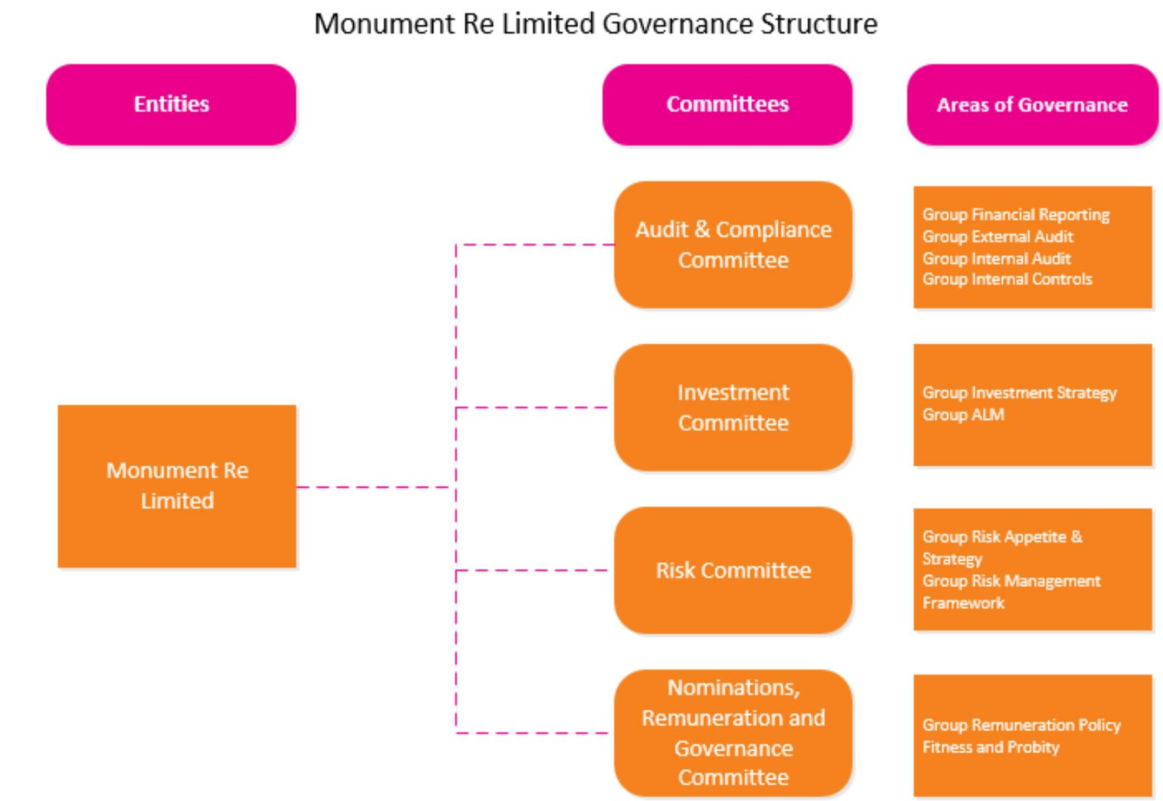
- Maintain an adequate understanding of the Company's total business and operations to be able to test and challenge the decisions of other Directors and Senior Management;
- Devote sufficient time to enable the proper discharging of the Director's governing function duties and attend all Board meetings where possible;
- Through Board meetings and activities, assist with determining the long and short-term strategy of the Company;
- When requested by the Board, represent the Company in its dealings with third parties;
- At all times comply with the legal, fiduciary and common law duties as a Director, as well as applicable regulation, including the requirements of the BMA and ensure that any conflicts of interest are properly resolved; and
- Liaise with external auditors, PricewaterhouseCoopers ("PwC") Bermuda, as to their findings.

Monument Re's Directors comprise the following:

- Jonathan Yates (Chairman);
- Clive Rowe (nominated by ELFC);
- Paul Bohus (nominated by Enstar);
- Michael Winkler (nominated by Hannover Re); and
- Manfred Maske (Group CEO).

The Board has delegated certain authorities either directly or indirectly to a number of committees, which meet in Bermuda, each with their own terms of reference.

The key Board committees at Monument Re are depicted below:



Note that the other Monument entities are each governed by a Board of Directors and have additional committees as their size and scope requires.

The table below provides an overview of the key attendees and the role and responsibilities of each committee:

Table 7: Committee Roles and Responsibilities

Committee	Key Attendees	Key Responsibilities
Audit and Compliance	▪ Paul Bohus (Chairman); ▪ Michael Winkler; and ▪ Clive Rowe	Ensuring the integrity of financial statements and the financial reporting process; Overseeing, challenging and reviewing both the internal and external audit functions; and Reviewing and monitoring the adequacy and effectiveness of the Company's compliance function, and risk and compliance training programs.
Risk	▪ Michael Winkler (Chairman); ▪ Paul Bohus; ▪ Jonathan Yates; and ▪ Manfred Maske	Providing leadership, direction and oversight to Monument Re's risk appetite and tolerance, and risk management framework; Reviewing and recommending for Board approval all risk policies; and Overseeing the effectiveness of the internal

Committee	Key Attendees	Key Responsibilities
		control system.
Investment	▪ Clive Rowe (Chairman); ▪ Jonathan Yates; ▪ Michael Winkler; and ▪ Manfred Maske	Overseeing the development of the investment strategy and the making, holding and disposal of investments; Monitoring compliance of investment portfolios with the policies, guidelines and risk limits; and Reviewing and approving periodically investment benchmarks and KPI's for investment portfolios and investment function.
Nominations, Remunerations and Governance	▪ Jonathan Yates (Chairman); ▪ Clive Rowe; and ▪ Paul Bohus.	Assisting with the determination of the overall remuneration policy for the Group; Reviewing membership of the Board and Committees to ensure fitness and probity; and Assisting the Board in ensuring it retains an appropriate balance of skills to support Monument Re's strategic objectives.

Executive Committee

The Executive Committee ("ExCo") is not a committee of the Board but acts in ensuring effective management and in developing Monument Re's business strategy and related policies. Monument Re's ExCo team is comprised of:

Manfred Maske
Group Chief Executive Officer

- **Alex Brogden** Group Chief Financial Officer
- **Neil Burt** Group Chief Actuarial Officer
- **David Leach** Group Chief Risk Officer
- **Anthony Philip** Group General Counsel & Compliance Officer
- **Roger Thompson** Group Chief Investment Officer
- **Aidan Holton** Chief Executive Officer, Laguna
- **Olivier Schmidt-Berteau** Chief Executive Officer, Luxembourg
- **Kieran Hayes** Managing Director, Belgium & Group Head of Business Integration

All executives are permanently based in Bermuda apart from Aidan Holton, Olivier Schmidt-Berteau and Kieran Hayes.

ExCo will draw its attention to risk management and governance matters and is effectively the executive arm of the Board, responsible for undertaking all management and operational actions to ensure the effective implementation of Monument Re's strategic objectives. ExCo (and the Board) also have explicit focus and responsibility for new acquisitions. The table below provides an overview of the key responsibilities of the ExCo:

Table 8: ExCo Roles and Key Responsibilities

Committee	Key Attendees	Key Responsibilities
ExCo	▪ Manfred Maske (Chairman); and ▪ All Executive Officers	Formulating and recommending to the Board the annual Business Plan, with due consideration to the risk appetite statement, tolerance and limits; Reviewing and considering the development of high-level policies and recommend these to the Board for approval; Reviewing compliance monitoring results to ascertain ongoing adherence to the BMA regulatory requirements and minimum standards; and Reviewing potential reinsurance and acquisition transactions, including pricing, due diligence, integration planning and operations for presentation to and ultimate approval by the Board. It will, therefore, assist the Board in fulfilling its role of an "Underwriting Committee".

Senior executives are individually and collectively responsible for establishing systems and controls that produce complete, reliable, clear, consistent, timely, and relevant reporting concerning the business activities and risks to which Monument Re is exposed. In particular, they are responsible for:

- Providing the Board with timely, accurate and comprehensive reports that highlight current and prospective changes in business activities, profitability, capital and funding liquidity position, key drivers and risk profile;
- Reporting promptly to the Board any material deficiencies in the effectiveness of Monument Re's functions or any decisions which deviate materially from the Board approved risk appetite and operational strategy;
- Reviewing and approving all material outsourcing arrangements and for the effective performance and oversight of outsourced functions or tasks;
- Completion of all required returns and financial statements in an accurate, complete and timely manner; and
- Reviewing the adequacy and effectiveness of the internal control environment and systems and controls.

Key Functions

The Company has determined a number of key functional activities as being those which best support the governance and business objectives. Each key function has an equal standing within the system of governance and its activities are co-ordinated and monitored through the ExCo team.

The Company considers its key functions to be:

- Risk management function, led by the Group Chief Risk Officer, and the Compliance & Internal Audit functions, led by Group General Counsel and Group Head of Internal Audit respectively, are collectively responsible for the oversight of the ongoing day-to-day management of the business;

- Finance function, led by the Group Chief Financial Officer, is responsible for the day-to-day management of all finance, financial reporting and investment matters;
- Actuarial function, led by the Group Chief Actuarial Officer, is responsible for the coordination and calculation of the actuarial liabilities, capital management and reinsurance;
- Investment function, led by the Group Chief Investment Officer, is responsible for implementing and managing the investment, asset liability matching strategy and liquidity position of the Company;
- Underwriting function, led by the Group Chief Financial Officer, is responsible for ensuring that pricing and terms for accepting risks in a transaction are properly understood and priced for; and
- Operations function, led by the Group Chief Executive Officer, is responsible for the day-to-day operational management of the business.

It is the responsibility of the key function owners to maintain the appropriate policy and procedures documentation, which incorporate the function's responsibilities for operations, risk management, internal control, internal audit, outsourcing and reporting. All governance documentation is reviewed at least annually by the senior executive management team and the Board according to the relevant terms of reference.

Remuneration Policy and Practices

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

Monument Re provides for a range of benefits to employees including contractual salary, variable bonuses and benefits that are moderated with regard to variable and fixed elements, as well as term of award. Variable annual bonuses are defined by individual objectives linked to the performance of Monument Re and the individual. Variable longer-term bonuses relate to the proven performance of Monument Re and its transactions over longer periods. The selection of criteria for the variable compensation system and upper limits of variable compensation elements by the Nominations, Remunerations and Governance Committee ("NGRC") ensure that inappropriate incentives are not offered, which may persuade employees to make decisions outside the risk appetite limits of Monument Re.

The Board members of Monument Re are currently not remunerated by Monument Re aside from the Group CEO in the course of his duties as the Group CEO. All Board members are reimbursed for travel and accommodation expenses in respect of Board meetings.

Pensions and Early Retirement Schemes

Monument Re makes contributions to a post-employment defined contribution retirement plan based on a percentage of salary in respect of its Bermudian employees. Once the contributions have been paid, Monument Re has no further payment obligations. The assets of the benefit plan are held separately from Monument Re in the form of a government approved group policy issued by a Bermudian insurance company.

Employees in the Ireland, Belgium and Luxembourg entities benefit from contributions made by the respective Service Companies to a post-employment defined contribution retirement plan based on a percentage of salary. The assets of the benefit plan are held separately from the respective Service Companies in the form of a group insurance policy issued by an insurance company in the respective jurisdiction.

The Board members do not receive any pension or early retirement benefits, contributions or allowances from Monument Re, aside from the Group CEO in the course of his duties as the Group CEO.

Material Transactions

No material transactions were executed during this period with the above named Board members, Senior Executives, or other individuals who exert significant influence over the Group.

B.2 Fitness and Propriety Requirements

Fit and Proper Assessment

Monument Re is committed to ensuring that it complies with its obligations under the BMA's 'Fit and Proper' framework at all times. The Company has arrangements in place to ensure the fitness, competence and propriety of persons effectively running the business and other staff who work in the business. In particular, Monument Re ensures that:

- All members of the Board and each of its committees and the members of the executive team, individually and collectively, have the requisite knowledge, skills, expertise and soundness of judgement appropriate to undertake and fulfil their responsibilities;
- All members of the Board and ExCo are, and continue to be, 'Fit and Proper' on an on-going basis; and
- Account is taken on the likely and/or actual impact of policyholder interests or of a shareholder holding a particular controller position at Monument Re to determine the application of the fit and proper requirements.

Monument Re assesses 'Fit and Proper' status against the following requirements:

- Competence and capability;
- Honest, ethical and acts with integrity; and
- Financial soundness.

Monument Re's Board is responsible for:

- Ensuring the Company complies with its legal and regulatory obligations and the 'Fit and Proper' Policy;
- Ensuring that processes and procedures to assess and document the fitness and propriety of its members, controllers and officers, as well as any individual employed by a service provider providing an outsourced function, are in place and in line with the BMA's requirements;
- Maintaining and supporting a culture that places a high value on appointing 'Fit and Proper' people and ensuring that robust processes exist that lead to the recruitment and appointment of 'Fit and Proper' persons;
- Reviewing any instances reported by the Compliance Officer, Anthony Philip, or others whereby any employee is suspected of misusing systems or is suspected of committing fraud, money laundering, theft, financial crime or tax evasion; and

- Reviewing the membership of the Board and its Committees, including the composition of the chief and senior executives, no less frequently than every three years and upon a material change in the business activities or risk profile of the Group to ensure that the members of the Board and ExCo continue to be 'Fit and Proper'.

Monument Re's CEO is responsible for selecting, in close collaboration with the Compliance function, senior executives who are 'Fit and Proper' and who have the requisite knowledge and skills, given the nature, scale and complexity of the business.

The Compliance Officer is responsible for:

- Monitoring any changes or potential changes to the law and regulatory rules dealing with fitness and probity and reporting to the Board and senior management on the impact of these changes;
- Creating and maintaining the processes and underlying procedures as set out in the 'Fit and Proper' Procedures document;
- Monitoring that the 'Fit and Proper' Policy and underlying procedures are fully implemented; and
- Liaising with the BMA in relation to the 'Fit and Proper' Policy as required under applicable legislation and regulations.

In appointing a candidate to any role within Monument Re, the qualities and skills of that person are carefully evaluated against the specified criteria for the role to ensure the individual has the competence and capability required. The duties and responsibilities of each employee are set out in a job specification, which is discussed as an integral part of the recruitment process.

Monument Re ensures that the 'Fit and Proper' system and controls in place are tested periodically to ensure they are fit for purpose. Any weaknesses in the systems and controls in place will be reported to the Compliance Officer and a plan for rectification must be put in place, which includes appropriate timeframes.

Monument Re expects, and supports, controllers to maintain all professional qualifications, including the fulfilment of continuing professional development requirements, that may be relevant to the person's fitness for his/her current role and responsibilities.

Where Monument Re becomes aware that there may be concerns regarding compliance with the requirements described in the 'Fit and Proper' Policy, an investigation into such concerns and appropriate action shall be taken immediately.

Adherence to policies and procedures is assessed on an annual basis as part of the employees' performance review. An annual Board performance and effectiveness review is also undertaken.

Board Professional Qualifications, Skills and Expertise

Monument Re's Directors comprise the following:

Table 9: Board Member Professional Qualifications, Skills and Expertise

Board Member	Professional Qualifications, Skills and Expertise
Jonathan Yates – **Chairman**	Jonathan is a Fellow of the Institute of Actuaries with over thirty years' experience in the life insurance industry. He was previously CEO of Windsor Life Assurance Company Limited and, subsequently, Guardian Assurance Company Limited and a Director of various companies within the respective Groups,

Board Member	Professional Qualifications, Skills and Expertise
	including Ark Life Assurance Company Limited in Ireland. Jonathan was also previously Group Finance Director of Phoenix Group Holdings plc; a UK listed company as well as a Director of various Group companies, including the life insurance companies within the Group and Ignis Asset Management. He has previously held non-Executive Directorships of Paternoster Insurance Company Limited, in the UK, and The Empire Life Insurance Company, in Canada. Jonathan is currently a non-Executive Director with the Viridium Group in Germany, including the various life insurance companies within the Group. He is also Chairman of Monument Assurance DAC, Monument Insurance DAC and Laguna Life DAC.
Clive Rowe	Clive is a General Partner and Managing Member of Oskie Capital Management, a New York based investment fund focused on companies going through significant transformations. He founded the firm in 2010 and is a Portfolio Manager responsible for investments in media, telecom, energy and health care including managed care organisations (health insurers). Prior to founding Oskie Capital, Clive was a partner at SLS Capital, a New York based long short equity fund which he co-founded in 1999. Prior to his career in the investment business, Clive worked at Monitor Company, a strategy consultancy where he co-led the restructuring Group. Clive is currently a Board Member of E-L Financial, a Toronto based holding company with a portfolio of investments. E-L owns a Canadian life insurer Empire Life Insurance Company (regulated by OSFI) and he serves on its Board and as Chairman of its Investment Committee. He is also on the Board of Algoma Central Corporation, a publicly traded shipping company and there he is Chairman of the Corporate Governance Committee. In the past, Clive served on the Board of Dominion of Canada, a property and casualty insurer prior to its sale to Travellers in 2013. Clive also served as Chairman of the Board of Roadone Logistics, a Boston based trucking company, from 2012 to June 2015.
Paul Bohus	Paul is a Senior Vice President of Corporate Development at Enstar. He has significant experience in the (re)insurance industry, particularly in mergers and acquisitions. Paul has been with Enstar since 2014 and is responsible for executing and overseeing all stages of the acquisition process including strategy, alternative capital, due diligence, valuation, financial impact analysis and integration. Prior to joining Enstar, Paul spent over ten years in public accounting, focusing on the reinsurance industry. Paul is a Certified Public Accountant (Ohio, USA).
Michael Hermann Winkler	Michael is a member of the Swiss Association of Actuaries. He is the Managing Director of RefinSol GmbH, of which he is also the founder and Executive Director, providing consulting services for international reinsurance companies. Michael has also served as CEO of WRM Reinsurance AG, a specialised carrier for bespoke reinsurance transactions for life insurance companies in the area of Financial Solutions. Michael brings over thirty years of experience to Monument Re, having covered

Board Member	Professional Qualifications, Skills and Expertise
	multiple roles in the life reinsurance industry since 1980.
Manfred Maske – Group Chief Executive Officer	Manfred is a Fellow of the Institute of Actuaries with over twenty years of experience in the life industry across a number of territories. He was previously CEO and Director of Legal and General Reinsurance in Bermuda and CEO and Director of Legal & General Gulf in the Middle East. He has worked previously in a range of management and technical roles within Legal & General in the UK, culminating in the role of International Actuary, where he sat on the Boards of start-ups and either as member or chair of the Investment Committee. Prior to this, Manfred held actuarial roles with PricewaterhouseCoopers in the UK, Old Mutual and Momentum Life in South Africa.

Senior Executive Professional Qualifications, Skills and Expertise

Monument Re's Senior Executive team is comprised of:

Table 10: Senior Executive Professional Qualifications, Skills and Expertise

Senior Executive	Professional Qualifications, Skills and Expertise
Manfred Maske – Group Chief Executive Officer	Details as provided above.
Alex Brogden – Group Chief Financial Officer	Alex is a Fellow of the Institute of Actuaries with over fifteen years of experience in the life industry. His previous role was Senior Corporate Actuary at the Phoenix Group, where his role included pricing and capital structuring of acquisitions and reinsurance, managing the Group's defined benefit pension schemes and developing significant capital management actions. He was previously Pricing Actuary at Admin Re (part of the Swiss Re Group), pricing closed fund transactions, including the c.GBP750m acquisition of Barclays Life. Prior to that, Alex was a life insurance consultant at Willis Towers Watson and worked on a number of client projects, across the UK, Europe, US and Asia.
Roger Thompson – Group Chief Investment Officer	Roger is a Chartered Accountant and Chartered Financial Analyst with over twenty-five years of professional experience in treasury and investments. His previous role was Chief Investment Officer at Enstar Group Limited, where his role included oversight of external investment managers, modelling of investment returns for potential acquisition targets, designing and executing optimal investment strategies for newly acquired companies. Roger was previously an Executive Vice President, Chief Investment Officer at AXIS Capital Holdings Limited and had involvement in AXIS's IPO and various capital raising projects, including debt, equity, preferred shares and LOC credit facilities.

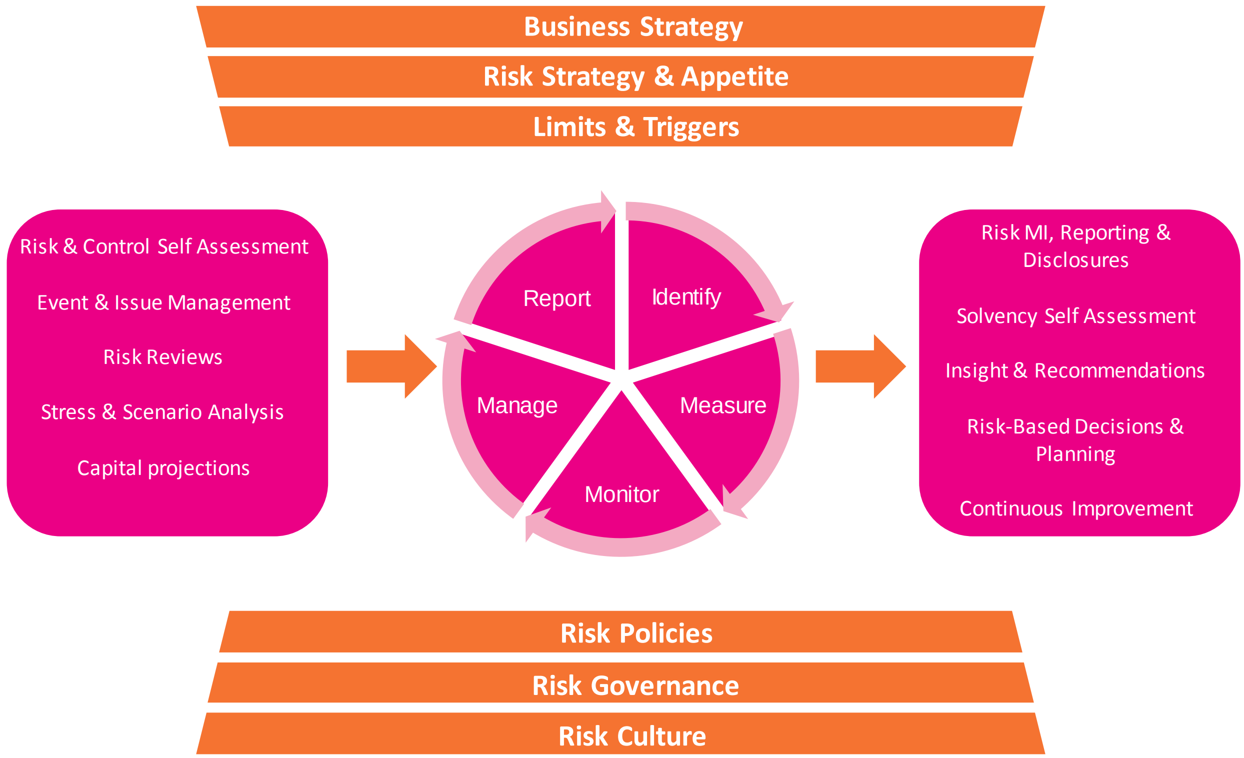
Senior Executive	Professional Qualifications, Skills and Expertise
Neil Burt – Group Chief Actuary	Neil is a Fellow of the Institute of Actuaries with over fifteen years of experience in the life industry and a First Class Honours degree in Mathematics. Neil was previously the Approved Actuary and Head of Actuarial Reporting for Legal & General Re, responsible for providing an opinion on the sufficiency of the company's long-term reserves and determining capital requirements in accordance with the BMA rules. Prior to Legal & General Re, Neil transferred from within the Legal & General Group in the UK where he worked within the Legal & General Retirement Finance team. In the UK, Neil supported the development of the Solvency II reporting, strategic planning and the international expansion of the Retirement division. Prior to Legal & General, Neil was an actuarial manager at Deloitte working on a number of Solvency II and M&A projects.
David Leach – Group Chief Risk Officer	David is a Fellow of the Institute of Actuaries and holds a First Class Honours degree in Economics from the University of Warwick. David has over twenty years of experience in life insurance. He was previously Deputy Chief Risk Officer for ReAssure Life Limited and Risk Management Head of Investment Oversight for ReAssure Group, a division of Swiss Re. Prior to that, David held the role of Senior Risk Actuary for Guardian Financial Services. He has also worked in actuarial consulting roles at EY, Deloitte and Watson Wyatt (now Willis Towers Watson) and as Pricing Actuary at Munich Re. His consulting work focused on mergers and acquisitions in Europe and Asia, actuarial audit, risk management and Solvency II. David has written a number of articles on risk and actuarial topics, and chaired the Stress and Scenario Testing working party of the Institute and Faculty of Actuaries.
Kieran Hayes – Managing Director, Belgium and Group Head of Business Integrations	Kieran has 25 years of experience in the insurance industry. He has recently served as Chief Executive Officer of Monument Insurance Ireland and is stepping down to pursue another role within the Monument Group as their Group Head of Business Integrations. Prior to that from March 2011 to December 2017 he held the role of CEO of Laguna Life Designated Activity Company in Ireland following Enstar's acquisition of the business from Citigroup in March 2011. Prior to that, from June 2004 to March 2011, Mr. Hayes held a number of senior management roles with Citigroup, including Managing Director & VP Operations of Citigroup's life insurance business. From January 1998 to December 2002, he worked at Old Republic Insurance in Chicago, Illinois as Senior Vice President of Operations, and prior to that in a managerial capacity at Great West Life Insurance Company, also in Chicago.
Anthony Philip – Group General Counsel	Anthony has over twenty-five years of experience serving as a Barrister and Attorney in the financial services industry in Bermuda. His last role was CEO of American International Company Ltd. ("AIG Bermuda"). Prior to that, he was Senior Vice President & General Counsel of AIG Bermuda. Anthony has served as a Senior Legal Adviser with Flagstone Reinsurance Limited, West End Capital Management (Bermuda) Limited (a fund management company) and Appleby, Spurling and Kempe Barristers and Attorneys. He was also the Manager of the Companies, Partnerships and Permits Division at the BMA.

Senior Executive	Professional Qualifications, Skills and Expertise
Aidan Holton – Chief Executive Officer, Ireland	Aidan has over thirty years' experience in the insurance sector, with a broad range of domestic and international experience. Aidan has led large teams of Accounting, Actuarial and IT Development staff through significant challenges and periods of organisational change. Aidan started his career with Irish Life in Dublin, where he originally trained as an accountant, working in a variety of roles from group finance to IT and sales. He was appointed to the role of Group CFO in Aviva Ireland in 2008, and subsequently worked in London and Paris with Aviva Europe. In 2013 he joined the Board of New Ireland Assurance Company as an Independent Non-Exec Director, and in 2014 was appointed as CEO of SCOR Global Life Reinsurance in Ireland. Aidan is a Board member of Insurance Ireland and Chair of the members International Council as well as representing the Insurance Industry on the Irish Governments IFS2020 Industry Advisory Committee.
Olivier Schmidt-Berteau - Chief Executive Officer, Luxembourg	Olivier has 21 years of experience in the insurance industry. He has served in Luxembourg since December 2006, first as Risk Manager and Financial Controller, then Chief Financial Officer and finally from June 2010 as Chief Executive Officer of Aspecta Luxembourg International S.A., a company of the Talanx Group. In his latest function, he had responsibility to set up the run-off of the company. From June 2009 Olivier was also Executive Director of the finance and investment company of the Group in Luxembourg, Talanx Finanz (Luxemburg) S.A. From June 2009, Olivier also held this position within EURO International Reinsurance S.A. Luxemburg to prepare and complete the sale of the company one year later. Prior to that, Olivier had nearly 10 years of experience in Germany in a number of senior management roles primarily in Risk Management and Financial Controlling with Gerling Beteiligungs-GmbH, Gerling G&A Versicherungs-AG and General Accident Versicherungs-AG. Olivier graduated from the Institut d'Etudes Politiques de Paris and holds a law degree.

B.3 Risk Management and Solvency Self-Assessment

Risk Management Processes and Procedures

In accordance with international best practices and BMA requirements defined in the Insurance Code of Conduct, enhanced regulatory standards on commercial (re)insurers and the Insurance Act, Monument Re has established and maintains a risk management framework, which is depicted below.



The framework 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 Board has established a Risk Committee to assist the Board by providing leadership, direction and oversight with regard to Monument Re's risk management framework, including risk appetite, limits, risk policies and risk reporting.

The risk strategy of the 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 risk management framework is applied to newly acquired businesses such that there is proportionate and consistent application of a single framework across the Group. A period of transition, in which pre-existing policies continue to operate, is typically required prior to the embedding of Group policies with respect to newly acquired businesses.

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 Group Chief Risk Officer, 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, including Solvency Self-Assessment, risk content for Capital and Solvency Returns, Financial Condition Reports, Financial Statements and Regular Supervisory Reports (where relevant);
- Actively review and challenge, in a second line capacity, all transactions and material activities of the Company, seeking to deliver a better overall outcome for the Group by either reducing the level of risk overall or improving the reward for certain assumed risks; and
- Ensuring that the risk management framework remains effective and appropriately positioned, with the requisite skills, knowledge and capacity, to support the planned growth of the Group.

Implementation of Risk Management and Solvency Self-Assessment into the Insurance Group Operations

Risk reviews are a key component of the Group's risk management framework. The purpose of a risk review is to provide the Risk Committee with an impartial view from the risk management function on material risk matters, ahead of final decision-making. The risk management framework states the instances in which risk reviews are required, consistent with the Group's Delegated Authority Schedule and the Board or Risk Committee can request a risk review at any time.

Risk reviews are carried out ahead of key decisions that will materially impact the risk profile of the Group, including decisions to bind the Company to a transaction. The results of risk reviews are presented to Risk Committee to assist the Risk Committee in making informed risk-based recommendations to the Board.

Stress and scenario testing and projections of the Group's capital position are fundamental to the Group's approach to risk assessment. Stress and scenario testing is used to quantify how the economic balance sheet and capital requirements would be expected to change across a range of scenarios which are chosen to be most relevant to the decision at hand.

A key risk management objective is to ensure that the risk profile of the Group remains within risk appetite as set, at least annually, by the Board, and to highlight any deviations and propose rectifying actions. Reporting of exposures relative to early warning thresholds supports proactive risk management.

On a day-to-day basis, risk management is implemented first and foremost by the risk-informed actions of our people, consistent with the requirements of our risk policies and formalised through a set of processes and controls, and supported by an ongoing programme of risk management training.

A Risk and Control Self-Assessment ("RCSA") process is carried out at least annually. 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.

Relationship between the Solvency Self-Assessment, Solvency, and Capital and Risk Management Systems of the Insurance Group

Monument Re quantifies its capital requirements in accordance with the Bermuda Solvency Capital Requirement ("BSCR") set out within Bermuda's economic capital regime. A capital management buffer is targeted substantially in excess of BSCR in order that the business can withstand market and other fluctuations on a day-to-day basis.

Projections of available capital and economic capital requirements are carried out at least annually. This includes analysis of management actions that can be taken in advance or in response to adverse events, to ensure that the capital position remains robust. These projections, combined with stress and scenario testing across a range of adverse scenarios, underpin the Group's capital planning.

These projections are updated as required based on actual transactions, in order that capital projections remain appropriate. Material changes to the risk profile of the Group also trigger review of the appropriateness of risk limits, tolerances and triggers. Thus, capital and risk management remain synchronized as the business grows.

Solvency Self-Assessment Approval Process

Monument Re considers the above analyses as part of its solvency self-assessment process. This is known as Own Risk Self Assessment ("ORSA") for European entities within the Group, Commercial Insurers Solvency Self Assessment ("CISSA") for Monument Re as a Bermudian Class E life reinsurer and Group Solvency Self Assessment ("GSSA") for Monument Re as a Designated Insurer with Group supervision by the BMA.

The proposed stress scenarios are presented to Risk Committee for approval, prior to commencement of the solvency self-assessment. The results of the solvency assessment are reviewed by Risk Committee for recommendation to the Board for approval. The solvency self-assessment process involves cross-functional collaboration owing to the broad remit of the exercise and the above approvals follow functional review of the reports. At least annually, Monument Re reports on this process to the regulatory authorities.

B.4 Internal Control

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

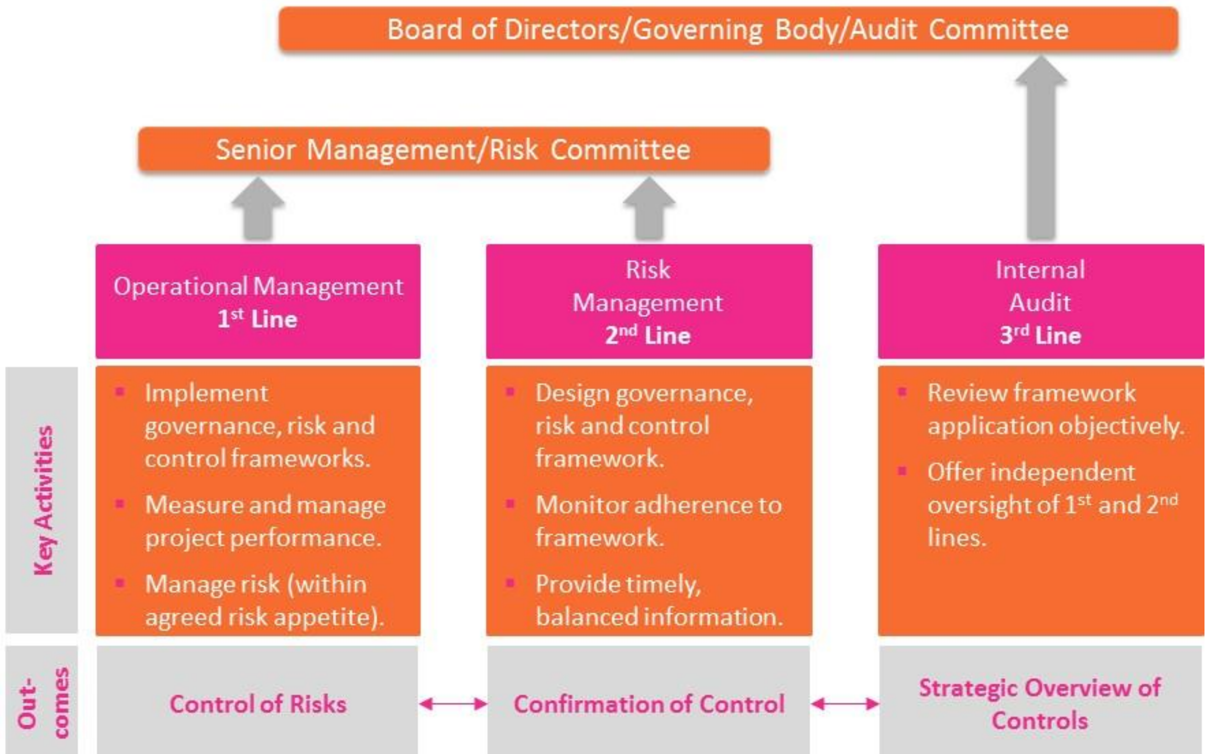
The Board has established an internal control policy that outlines the processes by which the internal control system is implemented to provide for and maintain the suitability and effectiveness of internal control. The policy outlines the roles and responsibilities, procedures and reporting requirements to be applied.

The internal control system combines the following components:

- Internal control environment;
- Risk assessment;

- Internal control activities;
- Information and communication; and
- Monitoring.

Monument Re 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 Monument Re’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 risk management framework.

Monument Re 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 Monument Re’s Conflicts of Interest policy.

The Group 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 Group risk register is periodically reviewed by the Group Chief Risk Officer 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 Group risk register is also reviewed and approved by the Risk Committee on an annual basis.

The RCSA 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 and an action plan to restore effectiveness. This process is facilitated and overseen by the risk management function, and the results are summarized and presented to Risk Committee, including progress against agreed actions to address themes and issues identified.

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

Compliance Function

The Board of Monument Re retains ultimate responsibility for compliance within the Group, and has delegated the day-to-day responsibility to the Group Compliance Function (“GCF”) to ensure that the operations are carried out in accordance with all legal and regulatory requirements. The GCF has been established in proportion to the nature, scale and complexity of the business carried on by the Group, and to assist with the monitoring and evaluation of compliance with laws, regulations, internal controls, policies and procedures.

The Board has nominated the Group General Counsel (“GC”), as the Compliance Officer, to be responsible for and to provide leadership to the GCF. The GC is to carry out these responsibilities in accordance with the laws and regulations of Bermuda, including but not limited to, the Insurance Act 1978. The Insurance Code of Conduct, the Insurance (Group Supervision) Rules, and the Bermuda Companies Act 1981. The GC is also responsible to ensure that all regulated subsidiaries within the Group are in compliance with the laws and regulations of the countries in which they carry on business.

The Audit and Compliance Committee (“ACC”), under delegated authority from the Board of Monument Re, provides oversight, review, challenge and monitoring of all compliance activities pursuant to the ACC Terms of Reference (as amended from time to time). The ACC has the duty to ensure that there are procedures in place for an independent investigation of issues of non-compliance, if appropriate, and for appropriate follow up action.

Following an application by the Company, in July 2017, the BMA made a preliminary determination to designate the Company to be the Designated Insurer in respect of the Monument Re Group. This preliminary determination was made subject to satisfaction of a condition that the Company’s balance sheet be the largest in the Group. In January 2018, the BMA made its final determination on its role as a supervisor of the Monument Re Group, and designated the Company as the Designated Insurer, pursuant to section 27B(5) of the Insurance Act 1978.

Group supervision is carried out by the BMA within a comprehensive legislative framework, which includes, but is not limited to:

- The Act;
- The Group Supervision Rules;
- The Group Prudential Standards; and
- The Guidance Note.

According to the Guidance Note, the BMA has adopted an approach to supervision that combines both direct and indirect supervision. Monument Re, as Designated Insurer, is the lead insurer for the members of the Monument Re Group. As Designated Insurer, Monument Re must act in an early warning role. This allows the BMA to administer Group supervision in an effective and timely manner. One of the key evidences of fulfilment of the duties of the Designated Insurer was for Monument Re to establish organisational, governance and communications structures at the Group level.

In addition to quarterly and annual reporting, consistent with a Solvency II equivalent jurisdiction, the

BMA has the power under the legislative framework to (i) compel production of information, documents or reports; and (ii) issue directions to Monument Re with respect to compliance by the Group with the Act, the Group Supervision Rules, and the Group Prudential Standards.

Monument Re is obliged, and complies with the requirement, to maintain a register of every entity within the Group. Further, the Company is required to report any changes in various particulars of Group companies, including the name and address of other competent authorities supervising other members within the Group.

B.5 Internal Audit

The Internal Audit Function ("IAF") assesses the operating effectiveness of controls on a periodic basis. The Company's Internal Audit Function is performed by the Group Head of Internal Audit and is governed by an internal audit charter.

The IAF assists the Company to accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the risk management control and governance processes. The objective of Internal Audit is to assist the ACC in the effective discharge of the ACC's responsibilities as defined by the ACC Terms of Reference. This includes:

- Provide management and the ACC with independent, objective analysis, appraisals, recommendations and pertinent comments designed to add value and improve the Company's operations;
- Provide management and the ACC with an independent appraisal function to assess the Company's internal control and operating environment so as to provide reasonable assurance to assist them in concluding whether:
  - Financial reporting is reliable;
  - Operations are effective and efficient;
  - Compliance with laws and regulations; and
  - Assets are appropriately safeguarded.
- Provide an annual assessment to the ACC and management on the overall condition of the Company's internal control environment based on conducting a risk based internal audit program, which includes reviewing the internal controls over financial reporting, operational controls, and fraud and risk management controls deemed necessary for such an assessment.

The function maintains its independence and its objectivity from the business it reviews by not participating in the Company's operational activities and by adhering to the Board's instruction on the function and the Institute of Internal Auditor's Standard according to the International Professional Practices Framework.

The IAF activities are free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

Internal auditors have no direct operational responsibility or authority over any of the activities they review. Accordingly, they do not develop nor install systems or procedures, prepare records, or engage in any other activity that would normally be audited.

The Head of Internal Audit reports directly to the ACC for oversight matters and is responsible to the Group CEO for operational and day-to-day management.

B.6 Actuarial Function

The Company's Group Chief Actuary is responsible for the actuarial function. The key roles and responsibilities of the actuarial function include:

- Delivery of actuarial reporting, bases, valuation models and corresponding processes for EBS and UK GAAP reporting on a Group consolidated basis, as well as stand-alone reporting requirements under local regulatory rules;
- Implementation of processes to deliver robust monitoring of capital, liquidity and solvency positions on an ongoing basis including monitoring of reinsurance arrangements;
- Completion of actuarial regulatory reporting 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 Group in conjunction with the Chief Investment Officer; and
- Contribution to the effective implementation of the risk management framework.

The actuarial function provides oversight to the local actuarial functions to ensure they adopt consistent standards while meeting local regulatory requirements.

The EBS Technical Provisions are independently reviewed by the Group Approved Actuary to ensure that they meet:

- The requirements of the Insurance Act 1978 and related rules and regulations; and
- Make reasonable provision for the total Technical Provisions of the Group under the terms of its insurance contracts and agreements.

Group entities have equivalent independent reviews by local approved actuaries, in line with local regulatory and reporting requirements.

The Board receives an annual report from the Group Approved Actuary, 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 Group Approved Actuary 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 is able to 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.7 Outsourcing

Monument Re has defined a number of principles that underpin its outsourcing policy:

- The Group's outsourcing strategy shall not unduly increase the Group's exposure to Operational Risk;
- Outsourcing agreements shall be monitored and reviewed to ensure that outsourced activities are conducted in adherence to terms set out in outsourcing agreements and to applicable regulatory requirements; and

- Reporting processes shall be in place to ensure outsourcing performance is managed in line with outsourcing agreements and the Group's strategy.

Monument Re and its subsidiaries aligns the management of outsourcing arrangements in line with the "Three Lines of Defence" model. The Company retains oversight and clear accountability for all externally out-sourced functions. Monument Re has a strong interest in building-up and increasing in-sourced functions over time, as the business grows.

The Board has ultimate responsibility for all out-sourced functions, and the Risk Committee has responsibility to agree and monitor all outsourcing agreements.

Monument Re has implemented a selection and due diligence process for the selection of external vendors and third-party supply arrangements that is consistent with the principles defined above. These service providers are selected after a due diligence process comparing services provided, experience, reputation, costs, and a number of other factors.

Investment service providers, including mandates and guidelines, are recommended to the Investment Committee for approval by the ExCo. The relationships with investment service providers are overseen by the Chief Investment Officer who regularly reviews the performance under each arrangement and reports back to the ExCo and Investment Committee. This due diligence is applied and maintained so that those individuals providing the external service to Monument Re are 'Fit and Proper' in accordance with the outsourcing policy and regulatory requirements.

A business owner is assigned responsibility for management and monitoring of each supplier. The business owner's responsibilities include managing the relationship and monitoring the performance and quality of service provided against agreed service levels.

The following key functions are currently outsourced:

Table 11: Key Outsourced Functions

Service provider	Activity	Jurisdiction
Covéa Insurance Services Limited	Policy Servicing and Claims Administration	UK
IBM	IT services	Ireland
Independent Consulting Solutions Limited	IT Services	Bermuda
Milliman Limited	Actuarial Function for MAB	Belgium
Expertise Limited	Payroll, Tax and Regulatory Services	Bermuda
Pideeco	Compliance Function for MAB	Belgium
Deloitte	Internal Audit Function for MAB and material sub-contractor for Ireland	Belgium & Ireland
ABN AMRO Asset Management	Investment & Asset Management	Belgium
ABN AMRO Bank N.V.	Financial & Statistical Reporting	Belgium
Blackrock Financial Limited	Investment Accounting Services	UK
Quality Insurance Services	Policy Servicing, Accounting, Risk Management, Compliance and AML for MAL	Luxembourg

Service provider	Activity	Jurisdiction
HDI Systeme	IT support and maintenance for MAL	Germany
Talanx Service	Reinsurance accounting for MAL	Germany
Ampega	Fund and asset management for MAL	Germany

Monument Re also outsources its investment management and other investment related services to third-party service providers. This includes investment management, custodian services, risk analytics, and investment accounting. Portfolios are managed by reputable third-party investment managers whose particular focus is on insurance asset management and who have expertise in the investment sectors we have allocated to. Through the course of 2018, all closed transactions were transitioned onto Blackrock's investment accounting platform and risk systems, "Aladdin". Further, existing custody accounts were moved to the Bank of New York Mellon ("BNYM") asset servicing platform in September 2018. We have selected Goldman Sachs Asset Management and Conning Asset Management as our primary core fixed income managers.

Monument Re has an in-sourced master services agreement with MISL to provide defined support for Group functions, as deemed necessary.

B.8 Other Material Information

The system of governance is considered appropriate for the Company and there is no other material information to be provided.

C. Risk Profile

C.1 Material Risks

The Company uses a series of techniques to assess risks within the Company, as described below.

Annual Risk and Control Self Assessment

As noted in section B.3 (a), on an annual basis the risk owners carry out a RCSA to identify material inherent risks and to assess controls.

Risk Limits

The Company has established a series of limits and early warning thresholds that are used to measure and monitor risk exposure and drive timely decision making and actions. Key indicators are regularly reviewed by the Risk committee and are reflected in the Group Chief Risk Officer's report to the Risk Committee.

Solvency Self-Assessment

All material risks are assessed quantitatively and/or qualitatively as part of the annual ORSA, CISSA and GSSA process. Stress testing is used as part of the process to assess risk exposures and risk mitigation. This process is discussed further in B.4 (a).

The table below sets out the material risks to which Monument Re is exposed along with risk mitigations in each case:

Table 12: Material Risks

Risk	Description	Mitigating Actions and Controls
Market Risk	The risk of loss or other adverse impact on the Group arising from movements in markets (e.g. exchange rates, interest rates and inflation rates).	Investment policy and derivatives and hedging policy requiring mitigation of currency, interest rate and inflation risk to within Board-approved asset-liability management limits. 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 changes in market variables.
Insurance Risk	The risk of loss or other adverse impact on the Group arising from unexpected fluctuations in the timing, frequency or severity of insured events, or timing and amount of claim settlements and expenses.	Regular monitoring of actual versus expected claims and expenses. Regular review of actuarial assumptions. Management of persistency through high quality customer service. Selective use of reinsurance. Risk is measured principally through sensitivity tests to key assumptions, and stress and scenario testing.

Risk	Description	Mitigating Actions and Controls
Credit Risk	The risk of loss or other adverse impact on the Group arising from one party to a financial instrument failing to discharge an obligation.	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.
Operational Risk	The risk of loss or other adverse impact on the Group arising from inadequate or failed internal processes, personnel or systems or external events.	Outsourcer oversight framework, outsourcing policy and operational risk policy. Regular RCSA process. Event and issue management process, root cause analysis and learning from adverse experience. Oversight exercised by Internal Audit, Risk and Compliance functions. Risk is measured using scenario analysis, operational event data, operational performance data including outsourcer performance metrics, and deep dives including due diligence on new outsourcers.
Liquidity Risk	The risk of loss or other adverse impact on the Group arising from insufficient liquidity resources being available to meet obligations as they fall due.	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.
Group Risk	The risk of loss or other adverse impact on the Group arising from financial or non-financial relationships between entities within the Group. This includes reputational, contagion, accumulation, concentration and intra-Group transactions	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. Stress and scenario testing through solvency self-

Risk	Description	Mitigating Actions and Controls
	risk.	assessment process. Reputational risk policy and escalation process. Risk is measured qualitatively and quantitatively e.g. via stress and scenario testing of adverse scenarios across the Group as part of the solvency self-assessment process.
Strategic Risk	The risk of loss or other adverse impact on the Group 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	Strategic risk policy imposing requirements for strategic risk management. Board members and executive committee 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.

There remains uncertainty regarding the final legal and regulatory arrangements to be determined as a result of the United Kingdom's vote to leave the European Union. The Group serves its UK customers through Irish entities and the operational impact of Brexit is expected to be limited for the Group. The Group continues to keep abreast of ongoing developments and update its planning to take account of significant changes in the course of Brexit.

Material changes over the reporting period

The risk categories in the table above remain unchanged over the reporting period. Within these risk categories, several risks and mitigants have been added as a result of the growth of the Group through acquisitions and portfolio transfers.

In particular, the Group has exposure to unit-linked business through an inwards reinsurance arrangement. The flow of future management charges on unit-linked business is sensitive to the performance of the underlying policyholder unit funds, which are substantially invested in equity markets. The Group has implemented a hedging programme to mitigate equity risk, in line with risk appetite. Where future charges exceed future expenses on unit-linked business, the Group is also exposed to the risk of an increase in lapses.

Increased exposure to guaranteed interest rate savings portfolios through acquisition and inwards reinsurance has also increased inherent exposure to interest rate risk. A derivatives and hedging policy and processes have been implemented enabling the use of derivatives to support the hedging of market risk in line with risk appetite.

The implementation of collateralised reinsurance arrangements increases the risk that the Group is required to post collateral in the event of adverse economic or non-economic performance within the reinsured portfolios. The Group's liquidity management framework has been extended to reflect the associated liquidity risks, as well as those associated with the derivatives hedging programme. The Group maintains a substantial liquidity buffer to address liquidity needs in severe stress conditions.

Over 2018, the Company has made significant investments in investment grade, government, supranational and corporate bonds, and mortgage funds. This has increased the Group's exposure to market and credit risk.

More generally, the quantum of risk borne by the Company has increased, as reflected in the increase in capital requirements over the reporting period. Capital resources remain substantially in excess of requirements plus the capital management buffer, with the capitalisation of the Group set to provide capacity for future growth.

C.2 Risk Mitigation

Risk mitigation for each material risk has been provided in section C.1.

C.3 Risk Concentrations

At 31st December 2018, Monument Re held cash balances with a number of global banks. The largest single exposure was €26.4m with an AA rated bank. Monument Re has investments in a number of money market funds. At 31st December 2018, the largest aggregate exposure to a single money market fund was €51.0m. The underlying investments are well diversified and the fund has a AAA credit rating.

Concentration risk is mitigated by the establishment of sector and issuer limits and minimum credit ratings as outlined in the investment policy.

At 31st December 2018, Monument Re held investments in a mortgage fund totalling €62.0m.

On the liability side, there is concentration in certain product categories, including payment protection insurance, term assurance, guaranteed savings and unit-linked savings. However, policy size and the policyholder base is well diversified.

C.4 Prudent Person Principle

Monument Re 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.

The Company governance structure is outlined in section B.1 of this report. In summary, the Board of Directors, as advised by the Investment Committee and ExCo, establish and oversee the investment strategy. This structure includes a robust reporting process between ExCo and the Investment Committee with frequent communication between the key internal resources responsible for the investment function and third-party investment service providers.

Monument Re 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, in accordance with the risk appetite established by the Board. This is encompassed within the risk management framework, 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 international financial institutions subject to credit rating and other limits.

C.5 Stress Testing

Stress testing has been carried out on the business in force at the reporting date, as set out below.

Table 13: Stress Descriptions

Risk	Stress Description
Interest Rate Risk	A 100 basis points parallel shift up and down in interest rates
Spread Risk	A 50 basis point increase in spreads
Currency Risk	A 10% appreciation in reported currency (EUR) relative to USD and GBP
Equity Risk	A 20% fall in equity prices
Disability Risk	A 35% increase in disability rates applied over the contract boundary period and a 20% decrease in recovery rates
Unemployment Risk	A 40% increase in claim frequencies applied over the contract boundary period and a 20% decrease in claim termination rates
Lapse Risk	Two stresses have been performed: 1) A 10% permanent decrease in lapse rates; and 2) A 10% mass lapse
Mortality Risk	A permanent 15% increase in mortality rates
Expense Risk	A 10% increase in expenses and a 1% increase in expense inflation per annum

The following table shows the quantified impacts of these stresses (rounded to the nearest €10k).

Table 14: EBS Stress Impacts

Sensitivities	Change in Available Capital (€'000)	EBS Capital Coverage Ratio (%)	Change in EBS Capital Coverage Ratio (%)
Base	0	751%	0%
Interest Rate Up Risk	(7,980)	724%	-27%
Interest Rate Down Risk	3,820	765%	14%
Spread Risk	(6,440)	729%	-22%
Currency Risk	(2,530)	743%	-8%
Equity Risk	570	753%	2%
Disability Risk	(220)	751%	0%
Unemployment Risk	(70)	751%	0%
Lapse Down Risk	1,970	758%	7%

Sensitivities	Change in Available Capital (€'000)	EBS Capital Coverage Ratio (%)	Change in EBS Capital Coverage Ratio (%)
Mass Lapse Risk	(690)	749%	-2%
Mortality Risk	(780)	749%	-2%
Expense Risk	(10,240)	716%	-35%

The impacts allow for the inclusion of a contract boundary, as discussed in section D.

Interest Rate Risk

Movements in interest rates impact the value of fixed interest assets, interest rate swaps and swaptions and policyholder liabilities. The Group mitigates this risk by holding assets (including interest rate swaps) with similar sensitivity to interest rate changes to its liabilities. Limits are set around net exposures. At the reporting date, the biting stress was interest rates up, which had an exposure on the Company's net assets of €8.0m.

Movements in interest rates also impact the variation margin required on interest rate swaps. At the reporting date, a 100bps increase in interest rates would give rise to a €5.1m increase in variation margin that Monument Re will need to post to the counterparty.

Credit Spread Risk

At the reporting date, Monument Re had a €367m portfolio of government and corporate bonds and mortgage fund investments (including funds withheld assets). Movements in spreads impact the market value of these fixed interest assets. At the reporting date, the net exposure to spread risk was €6.4m.

Currency Risk

The Group recognise two forms of currency risk:

- Currency risk where there is a mismatch between assets and liabilities by currency ('Currency Mismatch Risk'). The Company has very low risk appetite for this risk and mitigates currency risk by matching policyholder liabilities with assets denominated in the same currency; and
- Reporting risk when translating the financial results into the reporting currency, EUR ('Currency Translation Risk'). The Group has exposure to this risk as a result of holding surplus assets in GBP and USD. The reporting risk arising from fluctuations in GBP and USD assets to the EUR exchange rate is an accepted risk for Monument Re.

At the reporting date, the Company had no exposure to Currency Mismatch Risk on the basis there were sufficient assets to cover the liabilities arising by currency. The Company's exposure to Currency Translation Risk is given below:

- A 10% appreciation in EUR relative to USD would reduce the Company's net assets by €1.1m ($1.4m).
- A 10% appreciation in EUR relative to GBP would reduce the Company's net assets by €1.4m (£1.4m).

The remaining net exposure is considered to be acceptable, taking into account the businesses needs, in particular, following aggregation with transactions which are signed but not yet completed.

Equity Risk

The Company has indirect exposure to equity risk through unit-linked policies where the investor bears the investment risk. This exposure arises because fund charges, a source of income for the Company, depend on future performance of the unit-linked funds. These funds are typically invested in a mixture of asset classes, including equities. At the reporting date, the impact of a 20% fall in equity prices would increase the Company's net assets by €0.6m, owing to the equity hedge in place at the reporting date.

Disability Risk

The Company is exposed to an increase in rates of disability. At the reporting date, a 35% increase in disability rates applied over the contract boundary period and a 20% decrease in recovery rates gives rise to a reduction in the Company's net assets of €0.2m.

Unemployment Risk

The Company is exposed to an increase in unemployment rates, under the terms of its payment protection insurance contracts. At the reporting date, a 40% increase in claim frequencies applied over the contract boundary period and a 20% decrease in claim termination rates, leads to a reduction in the Company's net assets of €0.1m.

Lapse Risk

The direction of lapse risk varies according to the type of business. Typically, a decrease in lapses is onerous for the Company on long term savings business with in-the-money interest rate guarantees; whereas, an increase in lapses is typically onerous for the Company on unit-linked business, owing to the loss of future profits (within the relevant contract boundary) arising from the excess of management fees over expenses. At the reporting date the impact of lapse down and lapse up sensitivities are as follows:

- A 10% decrease in lapse rates would increase the Company's net assets by €2.0m.
- A 10% mass lapse would decrease the Company's net assets by €0.7m.

Mortality Risk

Mortality risk arises from savings and protection policies which offer benefits on death in excess of policy reserves. Mortality risk of this nature is largely reinsured. The Company also has indirect exposure to higher than expected mortality owing to the loss of future profits (within the relevant contract boundary) arising from the excess of management fees over expenses on unit-linked business. At the reporting date, a permanent 15% increase in mortality rates leads to a reduction in the Company's net assets of €0.8m.

Expense risk

A 10% increase in expenses, along with a 1% per annum increase in expense inflation, leads to a reduction in the Company's net assets of €10.2m.

C.6 Other Material Information

The risk exposures of the Group are expected to change as the Group continues to pursue its growth strategy through acquisition and reinsurance.

D. Solvency Valuation

D.1 Assets

Asset Overview

The Group's investments are predominantly held in bonds, cash & cash equivalents and a mortgage fund. These balances make up a significant proportion of the Company's assets at the reporting date. The remaining assets comprise of amounts owed from other Group companies and trade debtors. All of the investments are valued using quoted market prices in active markets where possible apart from debtors and cash which are held at cost and revalued for exchange rate movements.

The table below summarises the valuation of the Company's assets for EBS purposes.

Table 15: Asset Portfolio

Figures in €'000	31st December 2018	31st December 2017
Cash & Cash Equivalents	137,558	77,415
Investments and Funds Withheld	395,534	7,276
Assets covering Unit-Linked Liabilities	507,462	0
Insurance & Intermediaries' Receivables	2,185	2,213
Other Assets	30,931	461
Total Assets	**1,073,670**	**87,365**

The EBS basis has certain prudential filters that must be applied under BMA regulations. This means that the assets reported on an EBS basis are lower than the assets presented in the Company's financial statements. Specifically, this relates to deferred expenses in relation to successful new business that have been capitalised against future transactions and prepayments. This led to a €1.4m and €0.3m reduction in the asset base of the Group, respectively.

A split of the investment assets by type and credit quality within the Group is provided below:

Table 16: Investments by Credit Rating

Figures in €'000	31st December 2018						
	AAA	AA	A	BBB	BB	Not rated	Total
Bonds	24,127	80,048	83,728	102,192	9,602	0	299,697
Mortgage Funds	0	62,007	0	0	0	0	62,007
Derivatives	1,688	0	2,811	0	0	0	4,499
Other	0	0	0	0	0	353	353
Total Investments	**25,815**	**142,055**	**86,539**	**102,192**	**9,602**	**353**	**366,556**
Proportion	7%	39%	24%	28%	3%	0%	100%

Figures in €'000	31st December 2017				
	AAA	AA	A	BBB	Total
Bonds	851	1,643	3,399	1,383	7,276
Total Investments	**851**	**1,643**	**3,399**	**1,383**	**7,276**
Proportion	12%	22%	47%	19%	100%

Figures in the table above for 2018 exclude assets covering linked liabilities of €507.5m, cash and accrued interest within funds withheld assets in respect of the MetLife portfolio of €19.2m, policyholder loans and term deposits of €9.8m.

Cash & Cash Equivalents, Investments and Funds Withheld

Cash & cash equivalents and Investments are based on observable data for each individual asset. All investments are initially valued at their fair value and subsequently revalued to fair value at the end of the reporting period, with gains or losses recognised through profit and loss.

Funds withheld account represents a receivable for assets held by ceding companies in accordance within reinsurance agreements in which the Company acts as the reinsurer. The assets withheld by the ceding company are legally owned by those companies, however the assets are legally segregated from other accounts of the cedants and all economic rights and obligations on the underlying assets accrue to the Company. The asset is recorded at fair value determined based on the fair value of the assets held on the Company's behalf by the ceding company.

Assets covering linked liabilities

Assets covering linked liabilities relate to unit-linked investment contracts and include primarily investments in funds. These assets are measured at fair value at each reporting date.

Insurance & Intermediaries' Receivables

Insurance & intermediaries' receivables are valued at their estimated transaction price i.e. the premium that is expected to be received from policyholders and intermediaries. The majority of these receivables are due from Barclays and are collected within five workings days of the reporting date.

Other Assets

Other assets consist of other trade debtors valued at their transaction price and due within one month of the reporting date.

Deferred Expenses and Prepayments

Deferred expenses and prepayments are permissible under UK GAAP but not under EBS. The Group capitalises expenses incurred to the end of the reporting period that are directly related to successful new business efforts within the balance sheet.

Other Material Differences

There are no other material differences in the bases, methods and assumptions used between EBS and the financial statements.

D.2 Technical Provisions

Technical Provisions Overview

Technical Provisions are calculated as the sum of the Best Estimate Liabilities ("BEL") and Risk Margin

("RM"), calculated in line with the EBS valuation principles, as defined in the BMA's Group Prudential Standards and Guidance Note for Commercial Insurers and Groups (dated 30th November 2016).

The table below contains the Technical Provisions for Monument Re as at 31st December 2018 and 2017.

Table 17: Technical Provisions

Technical Provisions (€'000)	31st December 2018	31st December 2017
Gross Best Estimate Liabilities	805,668	10,324
Reinsurance Asset	(8,890)	95
Net Best Estimate Liabilities	**814,557**	**10,229**
Risk Margin	6,833	1,227
Technical Provisions	**821,391**	**11,456**

The valuation and amount of the financial statement liabilities and the EBS Technical Provisions are equivalent. Note that the financial statements are grossed up for reinsurance. That is, the financial statement assets and liabilities include the gross assets and liabilities, plus the reinsurance assets and liabilities. EBS Technical Provisions are reported net of reinsurance.

The liabilities presented above include non-linked and unit-linked business.

Methodology

The Best Estimate Liabilities ("BEL") are based on an assessment of best estimate cash flows required to satisfy insurance obligations. The cash flow projections used in the calculation of the best estimate take into account of all future cash in flows and out flows required to settle the insurance obligations attributable to the lifetime of the policy, subject to contract boundaries where applicable.

Contract boundaries are deemed applicable where, under the terms and conditions of the underlying contracts, the Company is no longer required to provide coverage or can reassess the premium to fully reflect the risk. Contract boundaries are deemed to apply to both MIDAC and MADAC business as well as the UK accelerated critical illness business within Laguna.

The BEL is calculated based on gross best estimate cash flows, without a deduction of amounts recoverable from reinsurance contracts. The best estimate of reinsurance recoverable amounts are calculated and shown separately, before being deducted to determine the reported net BEL.

The BEL is calculated deterministically on an individual policy-by-policy basis for all contracts in force at the reporting date. The only exception is the PPI portfolio which has been grouped for operational reasons.

Best estimate cash flows are produced based on best estimate assumptions approved by the Board.

The best estimate cash flows are discounted using the discount curve methodology approved by the Board.

The Risk Margin ("RM") is an allowance for the risk of uncertainty inherent in the best estimate cash flows. The risk margin is intended to reflect the compensation that an insurer needs to bear this risk. A cost of capital approach is used to determine the RM by projecting the non-hedgeable BSCR's using appropriate risk drivers and discounting these cash flows using the BMA's prescribed risk-free curves. A cost of capital rate of 6% is applied to the cash flows, as prescribed by the BMA. The risk drivers used to project the non-hedgeable BSCR are deemed an appropriate representation of the projected BSCR.

Assumptions

An annual review is performed on the claims experience of the Company to determine the appropriateness of the demographic assumptions used in calculating the BEL.

The key assumptions underlying the calculation of the BEL at the reporting date are the lapse, expense, claim inception and recovery rates. Mortality is not material for unit-linked or savings products. Also, there are reinsurance arrangements in place that reinsures a significant proportion of its mortality risk.

Key assumptions are derived with reference to the Company's past experience, layering in expert judgement where applicable. The Company closely monitors its expense basis and uses historic experience and the budgeting process to determine the future expense provisions.

The discount rates used in the calculation of the Technical Provisions depend on the currency of the liabilities and the discount rate approach approved by the Board. For asset intensive business, the Company uses the Scenario Based Approach as described in the BMA's Guidance Note, for all other business, risk-free rates provided by the BMA are used.

Uncertainty Associated with the Value of Technical Provisions

Given the use of assumptions, there is inherent uncertainty. The level of uncertainty associated with the value of Technical Provisions has been estimated by examining how the Technical Provisions would change if certain material assumptions were to change. Such quantifications have been undertaken as part of the process of calculating the BSCR. These were quantified in section C.5.

D.3 Reinsurance

External Reinsurance

At the reporting date, reinsurance was present on the Laguna, MAB and MAL portfolios.

Laguna has reinsurance treaties in place with two major reinsurers, SCOR Global Life SE ("SCOR") and Swiss Re Europe S.A. (both AA- rated by Standard & Poor's ("S&P")), with a stable outlook. The reinsurance is in respect of mortality and morbidity risk. 90% of the Spanish business is reinsured and 80% of the UK business is reinsured, both on a quota share basis.

MAB has a reinsurance treaty in place with SCOR, and the treaty reinsures 100% of the mortality and rider benefit risks.

MAL has financial reinsurance treaties with SCOR, Hannover Rück SE (Rated AA-, S&P) and Deutsche Rück AG (Rated A+, S&P). This reinsurance was previously used to finance new business on an 85% original terms basis. Reinsurance remains in place and all reinsurers having a stable outlook. Surplus reinsurance also exists to cover exceptional risks i.e. higher sums insured for death or various riders including accident, death and disability cover.

There is no external reinsurance in place within the other entities.

The Company cedes insurance premiums and risk in the normal course of business. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct reinsurance business being reinsured. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses, ceded unearned premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Internal Reinsurance

As part of the Group strategy, the Company has effected internal reinsurance on the Ethias FIRST A portfolio in Laguna and the Belgium entity, MAB. Reinsurance is on a 90% quota share basis. The strategy to reinsure risk internally allows the Company to manage its capital more efficiently while also pooling risk centrally to achieve an optimal diversified portfolio or risks.

D.4 Other Liabilities

The following table summarises the valuation of the Company's Other Liabilities (excluding Technical Provisions) for the years ended 31st December 2018 and 2017.

Table 18: Other Liabilities

Liabilities (€'000)	31st December 2018	31st December 2017
Insurance & Intermediaries Payables	12,612	6,510
Reinsurance Payables	7,337	193
Deferred Tax Liabilities	4,966	155
Other Liabilities	9,494	3,607
Total Other Liabilities	**34,409**	**10,465**

Insurance & intermediaries' payable are mostly represented by prepaid premiums and premiums taxes payable, claims payable, commission and profit share amounts payable. All data used in the valuation process is directly sourced from the underwriting results outlined in section A.2 of this report and no material estimates or judgements are made for valuation purposes. Commission payable is accrued for on a quarterly basis and settled within 15 days of the quarter end. Profit share payable is also accrued for on a quarterly basis but is settled annually in January.

Reinsurance payables mainly relate to claims payable from the funds withheld related to the reinsurance with MetLife.

Deferred tax liabilities reflect expected future tax payable in the local jurisdiction. When calculating a deferred tax liability, consideration is given to the net assets on the tax balance sheet compared to EBS Available Capital (or net assets). Where EBS net assets exceed the net assets on the tax balance sheet, a deferred tax liability is required at the local tax rates applicable at the reporting date

The remaining liabilities comprise accruals for expenses and taxes incurred but not yet settled. Trade and other creditors are also included and are valued at their respective transaction price, and deemed payable within three months after the reporting date.

D.5 Other Material Information

There is no other material information to be provided.

E. Capital Management

E.1 Eligible Capital

Capital Management Policy

Capital management and allocation is a key driver of the Group'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. Effective Capital Management is a key element of the Group's strategy and ability to complete and acquire portfolios across different jurisdictions. The Group has a robust capital management policy, which governs the management of our capital resources to provide flexibility to execute new reinsurances and acquisitions, while maintaining financial strength ensuring policyholder and cedant security. An important element of this approach is to maintain financial flexibility by pooling capital at Monument Re, which brings diversification benefits as the business grows.

The primary objective of the Group 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.

As a Bermuda reinsurer, the Group's primary capital benchmark is to maintain sufficient EBS Available Capital to meet, at all times, the Enhanced Capital Requirement ("ECR"), adhering to the EBS framework.

The key principles of capital management at Monument Re 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

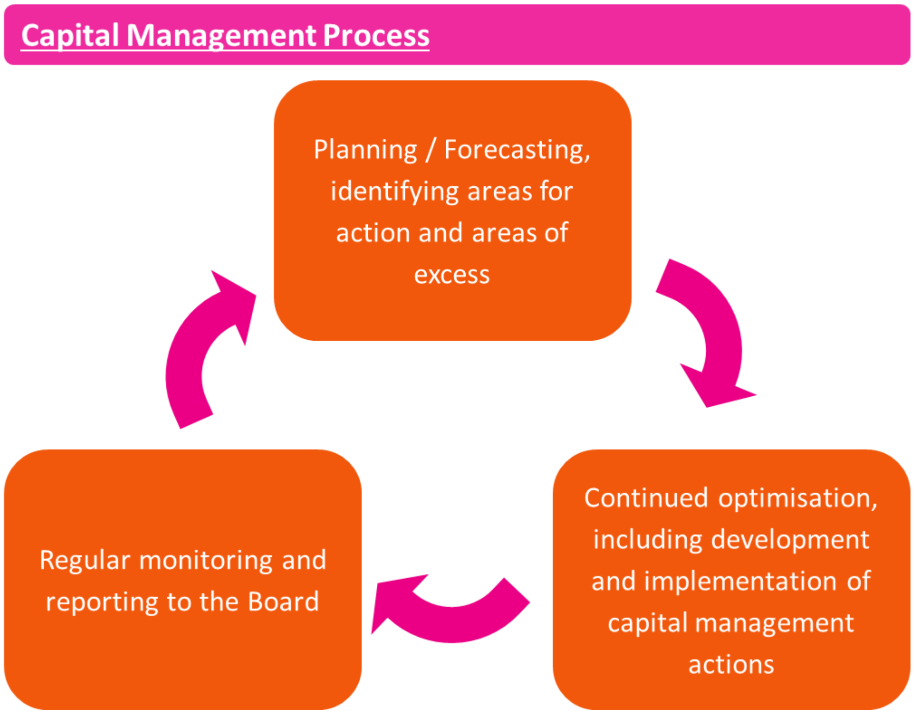
2) Monitoring

- 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:



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 GSSA process taken into consideration.

Categorisation of Eligible Capital

Available Capital is adjusted to reflect, where applicable, the limited accessibility of the assets. At the end of the reporting period, the Company's Eligible Capital was wholly categorised as Tier 1, as shown in the table below. This means that 100% of the Available Capital can be used to support the ECR.

Table 19: Eligible Capital

Eligible Capital (€'000)	31st December 2018	31st December 2017
Tier 1	217,871	65,444
Tier 2	0	0
Tier 3	0	0
Total	**217,871**	**65,444**

Eligible Capital that is Subject to Transitional Arrangements

No Eligible Capital is subject to transitional arrangements.

Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR

There are no factors affecting encumbrances on the availability and transferability of capital to meet the ECR.

Identification of Ancillary Capital Instruments Approved by the BMA

There was no ancillary capital at the reporting date.

Differences in Shareholder Equity as Stated in the Financial Statements versus the Available Capital and Surplus

There are no significant differences between UK GAAP Shareholder Equity and Available Capital.

The only differences relate to deferred expenses and prepayments, as set out in section D. Reinsurance is presented differently but the net impact on shareholder equity is zero.

E.2 Regulatory Capital Requirements

Enhanced Capital Requirement

At 31st December 2018 and 2017, the Company's regulatory capital requirement, also known as the ECR, was assessed as follows:

Table 20: Enhanced Capital Requirement

Figures in €'000	31st December 2018	31st December 2017
Bermuda Solvency Capital Requirement ("BSCR")	18,096	16,106
Minimum Solvency Margin ("MSM")	28,996	18,676
Enhanced Capital Requirement ("ECR")	**28,996**	**18,676**

The ECR is given by the maximum of the MSM and BSCR. At 31st December 2018, the MSM remained the binding constraint.

Minimum Solvency Margin

The Group Supervision Rules require that the Company must ensure that the value of the Available Capital, as calculated in accordance with Schedule XIV of the Group Prudential Standards, exceeds the aggregate of:

- The aggregate MSM of each qualifying member of the Group controlled by Monument Re; and
- Monument Re's percentage shareholding in the member multiplied by the member's MSM, where the parent company exercises significant influence over a member of the group but does not control the member.

A member is a qualifying member of the Group if it is subject to solvency requirements in the jurisdiction in which it is registered. The MSM for each qualifying member is given by the minimum solvency requirements, calculated in accordance with the local regulatory capital regime. The table below shows the MSM for each qualifying member of the Group.

Table 21: Minimum Solvency Margin

Figures in €'000	31st December 2018	31st December 2017
MIDAC	3,520	4,601
MADAC	3,700	3,700
Laguna	3,700	3,700
MAB	3,700	0
MAL	3,700	0
Monument Re (Class E)	10,677	6,674
Group	**28,996**	**18,676**

Monument Re (Class E) is subject to the MSM calculated in accordance with the Insurance Account Rules 2016. This requires Monument Re to calculate the MSM as the greater of:

- $8m (€7.0m at the reporting date); or
- 2% of the first $500m (€437m) of assets plus 1.5% of assets above $500m.
- This is subject to a minimum floor of 25% of ECR.

For MIDAC, MADAC, Laguna, MAB and MAL the MSM is given by the Minimum Capital Requirement ("MCR") calculated in accordance with the Solvency II legislative framework.

The Monument Re (Group) MSM is given by the sum of all its entities MSM's.

Bermuda Solvency Capital Requirement

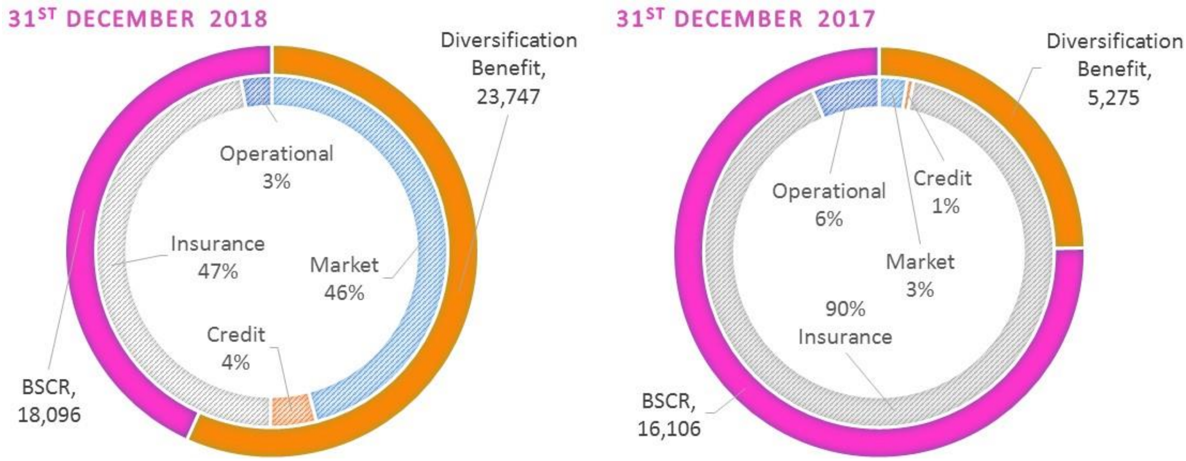
The BSCR is calculated at an individual risk level and is based on the methodology and capital charge calibrations prescribed by the Group Prudential Standards. The BMA has calibrated the BSCR capital charges to a 99% tail value at risk over a one-year time horizon.

The capital charges determine the required level of capital for each individual risk. These capital amounts are then aggregated and an adjustment is made for the covariance between all the risks to arrive at the diversified BSCR (before operational risk).

The risk modules in the BSCR regime include market, credit, property & casualty ("P&C") insurance, long-term insurance and operational risk.

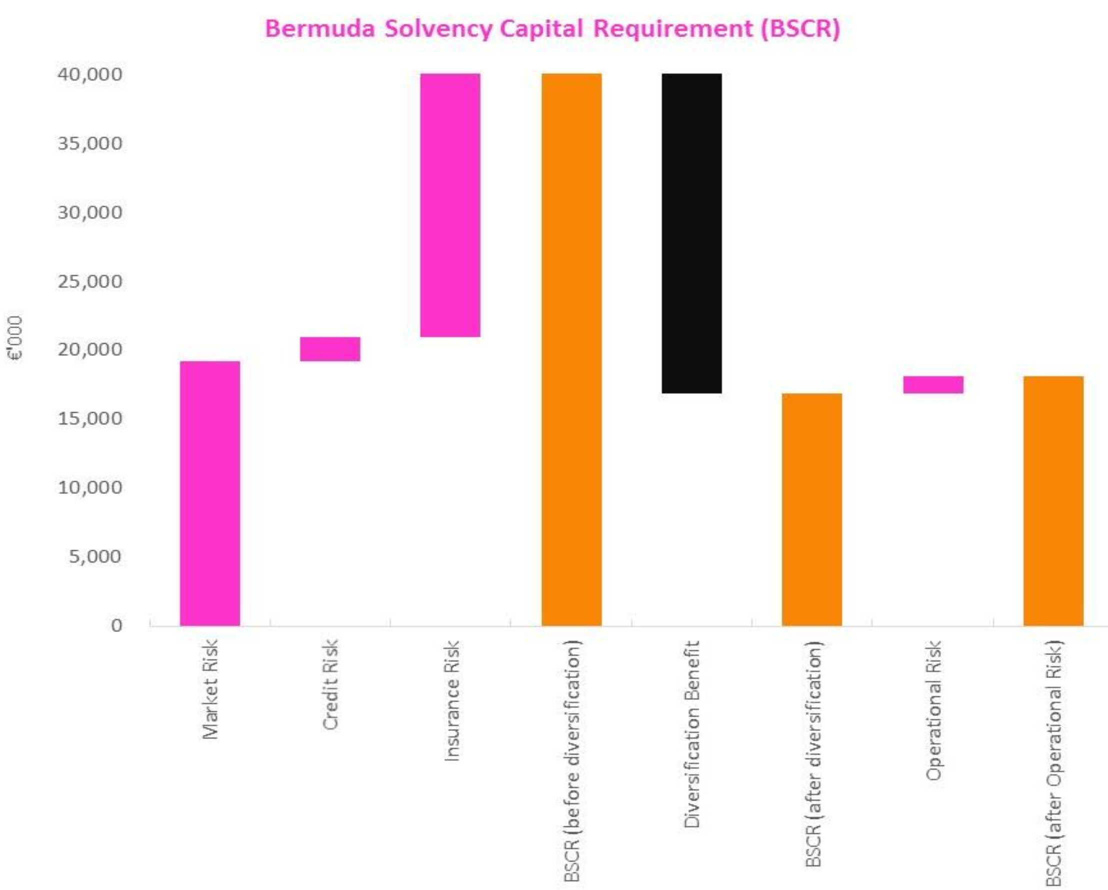
In assessing operational risk, the Company has performed a Commercial Insurer Risk Assessment ("CIRA") to assess the quality of the Group's risk management function surrounding its operational risk exposures, which determines the operational risk capital charge. Operational risk is then determined as a percentage of the diversified BSCR.

The diagram below shows the BSCR for the Company at 31st December 2018 and 2017, split by risk module. The outer ring shows the total diversified BSCR and the level of diversification benefit realised within the Group. The inner ring shows each risk module as a proportion of total undiversified capital. Figures are in €'000.

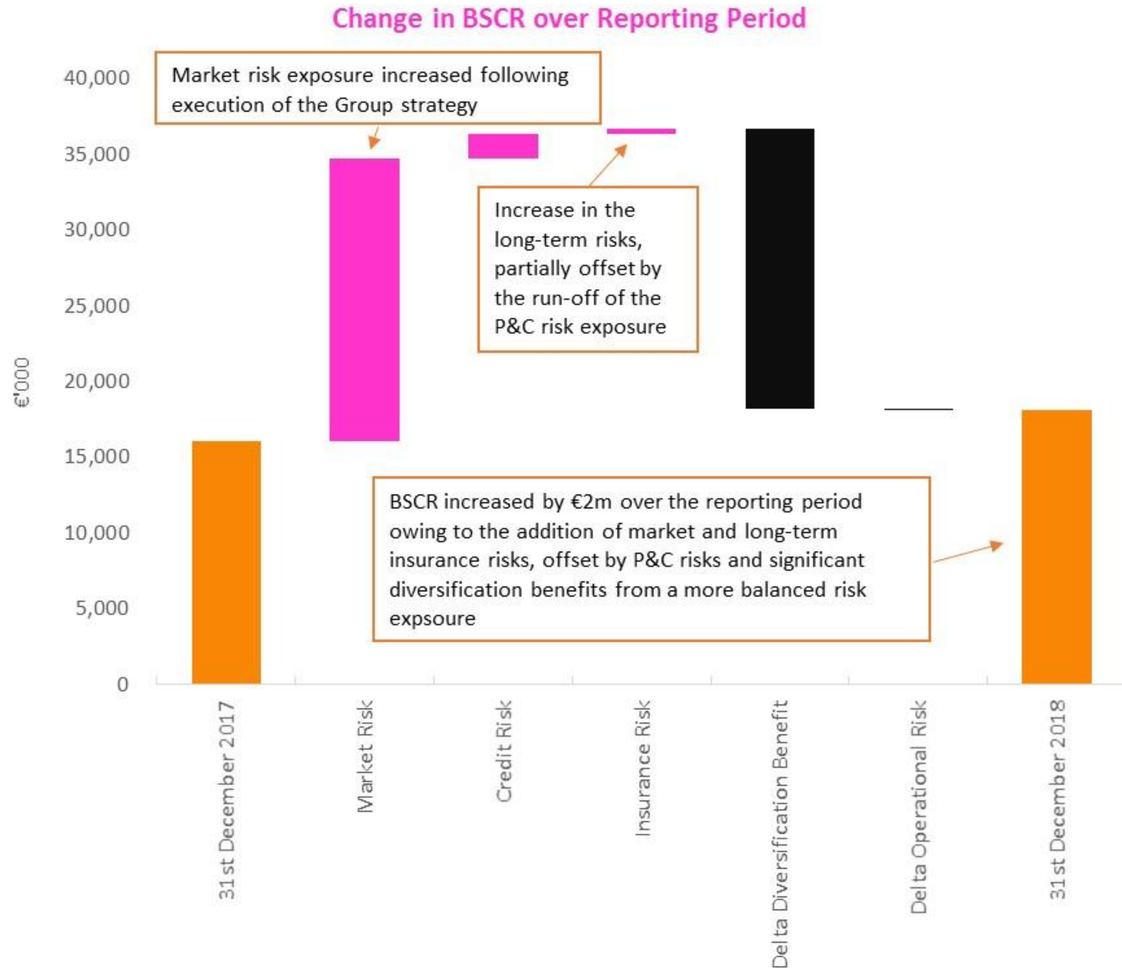


The pie charts show the change in BSCR over the year has significantly shifted from being predominatly insurance risk, to a more balanced portfolio of risk. Through execution of the strategy, greater amounts of market and long-term insurance risk were placed onto the Group balance sheet at 31st December 2018.

The diagram below shows a further split by the underlying individual risks:



The change in BSCR over the reporting period is shown below, split by risk module:



The chart above illustrates the increase in market and long-term insurance risk, while also illustrating the run-off of the PPI risks, given by the P&C premium and reserve BSCR.

Through continued execution of the Group strategy, it is expected that the business mix and risk profile of the balance sheet will continue to add market and long-term insurance risks, further diluting the P&C risks.

Identification of Any Non-Compliance with the MSM and the ECR

The Company was compliant with the MSM and ECR requirement at the end of the reporting period.

Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

Not applicable.

Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance

Not applicable.

E.3 Approved Internal Capital Model

Not applicable. The Company has not applied to use an internal capital model to determine its regulatory capital requirements.

E.4 Capital Coverage Ratio

The table below shows the EBS Capital Coverage Ratio (“CCR”) of the Company for years ending 31st December 2018 and 2017.

Table 22: Capital Coverage Ratio

Figures in €’000	31st December 2018	31st December 2017
Available Capital	217,871	65,444
Enhanced Capital Requirement	28,996	18,676
Free Surplus	**188,875**	**46,768**
EBS Capital Coverage Ratio	**751%**	**350%**

At the reporting date, the EBS CCR significantly exceeds the minimum solvency target level set by the BMA (120% of ECR) and the minimum level set by the Board, as defined in the Capital Management Policy (150% of ECR).

The significant increase in the Available Capital over the reporting period was due to the:

- Successful completion of four transactions that, in aggregate, added a net positive contribution to both Available Capital and the solvency position; and
- A capital contribution of €89.5m from Monument Finco Limited (“Finco”), the immediate parent company of Monument Re.

The ECR, given by the MSM, has increased due to 1) the inclusion of two further insurance entities into the Group, MAB and MAL and 2) the increased level of assets on the Group balance sheet.

F. Significant Events

Monument Re has 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.

In addition to the above transactions signed in 2018, there are three further transactions to highlight which have been signed in 2019 and remain subject to regulatory approval as of the date of this report.

- In January 2019, the Company signed the acquisition of a further traditional savings portfolio in Belgium that remains subject to receipt of regulatory approvals.
- On 26th March 2019, the Company entered into an agreement to acquire the €140m portfolio of Irish annuities from Rothesay Life Plc. The acquisition has been structured initially as reinsurance to Monument Re and is expected to be followed by a Part VII transfer of the portfolio to Laguna, subject to regulatory and court approvals.
- On 27th March 2019, the Company signed a definitive agreement to acquire Inora Life Designated Activity Company ("Inora") from Societe Generale S.A. The closing of the transaction is subject to regulatory approval. Inora is a life insurer domiciled in Ireland which has ceased all new activity since 2012 but still manages a portfolio of unit-linked insurance products. The transaction will have no impact on Inora clients and policyholders.

These transactions will have the following impacts on the Financial Condition Report:

- Business and performance – the Company will expand its geographical reach entering into new territories Netherlands and Guernsey.
- Governance structure – Risk management and internal controls will be impacted.
- Risk profile – The Company's risk appetite statement will remain unchanged, but the risk profile will change on account of the acquisitions. It is expected that the transactions will introduce a greater proportion of market and life insurance risk, aligned to our strategy, which will allow the Company to diversify its business.
- Capital management – The Company's internal calculations indicate that it will be able to meet all regulatory requirements post acquisition and the Company will be in full adherence to its Capital Management Policy.

G. Declaration

We declare that to the best of our knowledge and belief, the information in the Financial Condition Report fairly represents the financial condition of the Company in all material respects.

M. Maske Dated: 30.4.19

Manfred Maske, Group Chief Executive Officer

Dated: 30th April 2019

Alex Brogden, Group Chief Financial Officer

H. Glossary

Available Capital: Available Capital relates to the value of the Groups total statutory economic capital and surplus, as defined and calculated in accordance with Schedule XIV of the Group Prudential Standards. This is defined as the sum of:

- The Company's tier 1 capital, which shall be not less than 80% of the value of the Company's MSM; and
- The Company's tier 2 capital, which shall be not more than 25% of the amount above.

Bermuda Monetary Authority ("BMA"): The BMA is the integrated regulator of the financial services sector in Bermuda. Established under the Bermuda Monetary Authority Act 1969, the BMA supervises, regulates and inspects financial institutions operating in or from within the jurisdiction. It also issues Bermuda's national currency; manages exchange control transactions; assists other authorities in Bermuda with the detection and prevention of financial crime; and advises the Government and public bodies on banking and other financial and monetary matters. The BMA develops risk-based financial regulation that it applies to the supervision of Bermuda's banks, trust companies, investment businesses, investment funds, fund administrators, money service businesses, corporate service providers, and insurance companies. It also regulates the Bermuda Stock Exchange.

Bermuda Solvency Capital Requirement ("BSCR"): Establishes a measure of solvency capital that is used by the BMA to monitor the capital adequacy of insurance groups domiciled in Bermuda. The BSCR is determined by combining the calculated capital for each risk category (excluding operational risk) and applying a covariance adjustment with the square root rule, which is further adjusted to include operational risk, group-related risks and any capital add-ons.

The BSCR is determined as the required 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 remain in a position, with a probability of at least 99% tail value at risk, to meet their obligations to policyholders and beneficiaries over the following 12 months.

Best Estimate Liability ("BEL"): The BEL represents the expected present value of future cash flows related to insurance and reinsurance obligations in force at reporting date. The best estimate liability is calculated on a gross and net of reinsurance basis, i.e. with and without a deduction for a recoverable amount from reinsurance contracts.

Best Estimate Demographic Assumptions: Non-market assumptions which can have an impact on future best estimate cash flows i.e. mortality, longevity, disability, morbidity, lapses and expenses.

Capital Coverage Ratio ("CCR"): Defined as the ratio between Available Capital and the maximum of the BSCR and MSM, calculated in accordance with the Group Prudential Standards under the EBS regime.

Cash & Cash Equivalents: This item includes cash, highly liquid short-term financial investments, short-term deposits and money market investment funds.

Contract Boundaries: This is the limit beyond which relevant cash flows are excluded from the calculation of the BEL. It is defined in paragraph 122 of the BMA's Guidance Note for Commercial Insurers and Groups Statutory Reporting Regime (dated 30th November 2016), and refers to the situation where the insurance undertaking has a right to either terminate the contract, reject payable premiums or to amend the payable premiums or the benefits in such a way that the premiums fully reflect the underlying risks.

Economic Balance Sheet ("EBS"): Solvency II equivalent capital regime promulgated by the BMA.

Eligible Capital: Available Capital eligible to support the Company's ECR.

Enhanced Capital Requirement ("ECR"): Maximum of BSCR and MSM.

Gross Written Premiums ("GWP"): Equal to the gross written premiums of direct business and accepted by third parties.

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.

Minimum Solvency Margin ("MSM"): The prescribed minimum amount by which the value of the assets of the Company must exceed the value of its liabilities.

Reinsurance Recoverables (or Assets): Reinsurance recoverables represent the amount of BEL 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: Risk appetite refers to the Group's relative desire to take specific risks, underpinned by an assessment of the relative risks and rewards.

Risk Margin ("RM"): The RM is an allowance for the risk of uncertainty inherent in the best estimate cash flows. The RM is intended to reflect the compensation that an insurer needs to bear this risk.

Tail Value At Risk: Means the conditional average potential given that the loss outcome exceeds a given threshold.

Technical Provisions: The Technical Provisions correspond to the sum of the BEL and RM.