

Chubb Life Europe SE (formerly ACE  
Europe Life SE)

Solvency and Financial Condition Report

31 December 2020

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# Summary and Introduction

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## Introduction

This report (“the Solvency and Financial Condition Report”, or “SFCR”) sets out the solvency and financial condition of Chubb Life Europe SE (“CLE” or “the Company”) as at 31 December 2020.

The Board of CLE has prepared this report in accordance with Article 51 of Directive 2009/138/EC (“The Solvency II Directive”), Commission Delegated Regulation (EU) 2015/35 and the European Insurance and Occupational Pensions Authority (“EIOPA”) guidelines on Reporting and Disclosure.

The regulations prescribe the structure of this report and indicate the nature of the information that must be reported under a series of sections and sub-sections. Where information is not applicable to CLE, the report still includes the section, but with an appropriate note.

In addition to the statutory requirements, this report also addresses other aspects of the company’s business which the Board believes will be of benefit to interested parties.

Figures are stated to the nearest €000 in SFCR Quantitative Reporting Templates (“QRTs”).

## Business and Performance Summary

CLE is a French regulated life insurance entity authorised to carry out long term insurance business. CLE is a wholly owned subsidiary of Chubb Tempest Reinsurance Ltd (“CTR”), based in Bermuda.

CLE was initially incorporated in the UK. On 1 January 2019 CLE successfully redomiciled from the UK to France as part of its Brexit preparations. CLE has its headquarters in Paris, France, with branch offices in the UK and across Europe, and holds cross-border permissions throughout the European Economic Area (“EEA”). The Company also benefits from the UK’s Temporary Permissions Regime which commenced on 1 January 2021 to operate its UK business. CLE operates under the supervision of the *Autorité de Contrôle Prudentiel et de Résolution* (“ACPR”). The Company can be found in the ACPR’s published register of insurers and has its registered offices at La Tour Carpe Diem, 31 Place des Corolles, Esplanade Nord, 92400 Courbevoie, France, company number 497 825 539 RCS Nanterre. The UK branch of the Company continues to be subject to limited regulation by the Financial Conduct Authority (“FCA”) and it is based at 100 Leadenhall Street, London EC3A 3BP. Additional Brexit related information can be found at [www.Chubb.com/Brexit](http://www.Chubb.com/Brexit)

CLE writes a combination of long and short term protection business across European countries, mainly health insurance, other life insurance and life reinsurance, with the largest blocks of business written in the United Kingdom, Sweden and the Netherlands.

The key drivers of CLE’s future underwriting performance are mortality and persistency experience. In the year to 31 December 2020 the company produced an underwriting deficit of €3,078k. The aim of CLE’s investment strategy is to match technical provisions by currency and duration with government bonds and low risk corporate bonds. Total investment return for the year ended 31 December was a profit of €8,642k.

In the year ended 31 December 2020, the company produced a loss after tax of €855 k on a French GAAP basis. Own funds for Solvency II purposes were €64,886k .

Investment performance generated a French GAAP investment income of € €1,3 million.

In the near term the company is not expected to expand gross written premium and so the focus will largely be on management of the in-force book and on opportunities with existing Chubb relationships.

Information on Coronavirus (“Covid-19”) is provided in section A.1.9.

## System of Governance Summary

CLE has a documented corporate governance framework, the purpose of which is to exercise oversight and control over the management of the business in all its geographical locations and to disseminate key information effectively to the necessary recipients.

The Company has a number of formal committees and sub-committees, described in section B1. of this document. The heads of the regional functions report to the Regional President, Europe (“President”)(except the Actuarial function which reports to the Senior Vice President, Chubb Life EMEA). The CLE Managing Director reports to the President and also, via a matrix structure, to the Life segment of the Chubb group of companies.

CLE has identified persons that effectively run the Company and holders of key functions in accordance with the ACPR’s Fit & Proper requirements. The Company also complies with other governance requirements applicable to it, for instance the UK Branch is subject to the Senior Managers and Certification Regime (“SMCR”).

The Board has approved a number of policies, under which responsibilities which govern how certain key areas of the business, and the risks inherent to them, are controlled and reported.

Additional oversight and control is obtained via a “three lines of defence” model whereby Compliance and Risk Management (“Second Line”) monitor key activities independently of the controls and indicators employed by the business and other functions e.g. Finance, HR (“First Line”). Internal Audit (“Third Line”) carries out further independent testing and reports outside the First Line and Second Line structures.

CLE has a formal Own Risk and Solvency Assessment (“ORSA”) process which sets out the list of activities that CLE undertakes in order to conduct a risk and solvency assessment. ORSA activities include business planning, strategy, risk profile, risk mitigation & tolerance, stress & scenario analysis, forward capital assessment, monitoring & tracking, and governance.

The ORSA is an integral part of the overall risk management framework and is a process which is conducted throughout the year to support the normal running of business within the company.

The Risk Management function co-ordinates each element of the ORSA with subject matter experts across the business. The results of the analysis are reported to the Management Committee, Audit and Risk Committee and Board throughout the year.

The Board believes these governance arrangements, as detailed in section B1.1, to be appropriate to and effective for the operations that CLE carries out.

### **Risk Profile Summary**

CLE is exposed to risks from several sources and classifies individual risk sources across its landscape into four major categories: insurance, financial, operational and strategic. Insurance is CLE’s primary risk category; the three other risk categories present an exposure primarily from that assumption of insurance risk. Other risks, including group risk and emerging risk are also considered.

There were no material changes to the company’s risk sources and areas during the year. The main risks continues to be mortality and persistency risks. The company also commenced underwriting a moderate amount of new business through a partner programme in the Netherlands. Each of these risk categories is described in more detail in section C below.

Currency Risk remains very high since we re-domiciled to France in 2019, however, given the heritage and shareholding of the company this remains appropriate in the near term.

## Valuation for Solvency Purposes Summary

CLE performs annual experience investigations to validate the assumptions used for the valuation for Solvency II. Following the experience investigations performed in the period, CLE has made the following changes to assumptions to be more aligned to experience, the most significant one being an increase in the expense assumptions for all products.

There have also been changes to the persistency assumptions as well as mortality and morbidity assumptions of smaller products to be in line with experience.

## Capital Management Summary

The company's regulatory and solvency position is as follows:

As at 31 December 2020	2020	2019
Own Funds (€'000)	64,886	69,207
Standard Formula SCR(€'000)	27,567	25,808
Solvency ratio %	235%	268%
Standard Formula MCR(€'000)	6,892	6,452
Solvency ratio %	941%	1073%

As well as benefitting from the support of Chubb Limited, the company has substantial financial resources in its own right. Even after allowing for the prudent standard formula capital requirement, the company has a surplus of €37.3m.

The SCR of the company shown above for 2020 has increased by 7% since 2019. This occurred primarily due to an increase in the market value of assets by €8.66m and the increase in expenses assumptions.

As a consequence of the increase in the SCR and the decrease in Own Funds the company's solvency ratios have declined in the year.

The primary objectives of CLE in managing capital can be summarised as follows:

- to satisfy the requirements of its policyholders and regulators;
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to manage exposures to key risks;
- to maintain financial strength to support the business;
- to generate a return to shareholders; and
- to retain financial flexibility by maintaining strong liquidity.

The company's own funds are comprised entirely of Tier 1 capital and totalled €64,866k as at 31 December 2020. There have been no changes to the nature of the items of the company's own funds during the year. The company's own funds are eligible to meet the Solvency Capital Requirements ("SCR") and Minimum Capital Requirement ("MCR"). Furthermore, all other Tier 1 capital is permanently available to cover losses.

## **Directors' Report**

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### **Directors**

The following have been Directors from 1 January 2020 to the date of this report unless otherwise indicated:

#### *Executive Directors:*

V M J M Brionne

I Moffatt

#### *Non-Executive Directors:*

J A Turner (Chairperson)

A P Clifford

M A Connole

A M Donselaar

D M A Furby

M K Hammond (resigned 14 May 2020)

K Koreyva (appointed 14 May 2020)

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the SFCR, including the attached public quantitative reporting templates, in all material respects in accordance with ACPR rules and regulations.

The Solvency II Directive, the Delegated Acts, related Implementation Rules, Technical Standards and Guidelines, as well as ACPR rules provide the Regulatory Framework in which the company operates. The rules and regulations include, but are not limited to, the recognition and measurement of its assets and liabilities including Technical Provisions and Risk Margin, the calculation of its capital requirement and the reporting and disclosures of the Solvency II results.

### **Approval of the Solvency and Financial Condition Report**

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the Solvency II Regulatory Framework.

We are satisfied that:

- a) throughout the financial year in question, CLE has complied in all material respects with the requirements of the Regulatory Framework applicable to the company; and
- b) it is reasonable to believe that CLE has continued so to comply subsequently and will continue so to comply in future.

On Behalf of the Board

**Ian Moffatt**

**Managing Director**

**6 April 2020**

## A. Business and Performance

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### A.1 Business

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#### A.1.1 Name and Legal Form

CLE is a regulated life insurance entity authorised to carry out long term insurance business and is a wholly owned subsidiary of Chubb Tempest Reinsurance Ltd (“CTR”), based in Bermuda. The Company has its headquarters in Paris, France, with branch offices across Europe. The Company also benefits from the UK’s Temporary Permissions Regime which commenced on 1 January 2021 to operate its UK business.

CLE forms part of the Chubb Group of insurance and reinsurance companies. Chubb Limited is the ultimate parent of CLE.

CLE was initially incorporated a UK company. On January 2019, CLE successfully redomiciled from the UK to France as part of its Brexit preparations and the Company’s registered office address is La Tour Carpe Diem, 31 Place des Corolles, Esplanade Nord, 92400, Courbevoie, France with the UK branch based at 100 Leadenhall Street, London EC3A 3B.

CLE engaged the services of CSUK and Chubb European Group SE (“CEG”) for various operational functions (including the overall management of the life operations, product design and pricing and monitoring of underwriting and claims through the use of shared service provisions). This has enabled CLE to benefit from CEG’s direct marketing and broker distribution experience.

At the shareholder meeting held 5 February 2021 the change of name from Chubb Life Europe SE to Chubb Life Europe SE was approved effective 31 March 2021.

#### A.1.2 Supervisory Authority

From January 2019, CLE is supervised by the *Autorité de contrôle prudentiel et de résolution* i.e. French Prudential Supervision and Resolution Authority (“ACPR”) with its UK operations run through a UK branch which remains subject to limited regulation by the Financial Conduct Authority (“FCA”). Prior to 1 January 2019, CLE was authorised by the UK’s Prudential Regulation Authority (“PRA”) and regulated by both the FCA and the PRA.

The ACPR address is 4 Place de Budapest CS 92459, 75436 Paris, France.

#### A.1.3 Group Supervisory Authority

Chubb Limited is supervised at the group level by the Chubb Group Supervisory College, comprised of regulators from a number of jurisdictions around the world. The Chubb Group Supervisory College is led by Chubb’s group-wide supervisor, the Pennsylvania Department of Insurance. The ACPR is a member of the Chubb Group Supervisory College.

As at 31 December 2020, CLE was 99.99% owned by Chubb Tempest Reinsurance Ltd with one share held by Chubb Group Management and Holdings Ltd. The ultimate parent of CLE is Chubb Limited.

Chubb Limited, headquartered at Bärengasse 32, CH-8001 Zurich, Switzerland, is the Swiss-incorporated holding company of the Chubb Group of Companies. Chubb Limited and its direct and indirect subsidiaries (collectively “the Chubb Group of Companies” or “The Chubb Group”) are together a global insurance and reinsurance organisation.

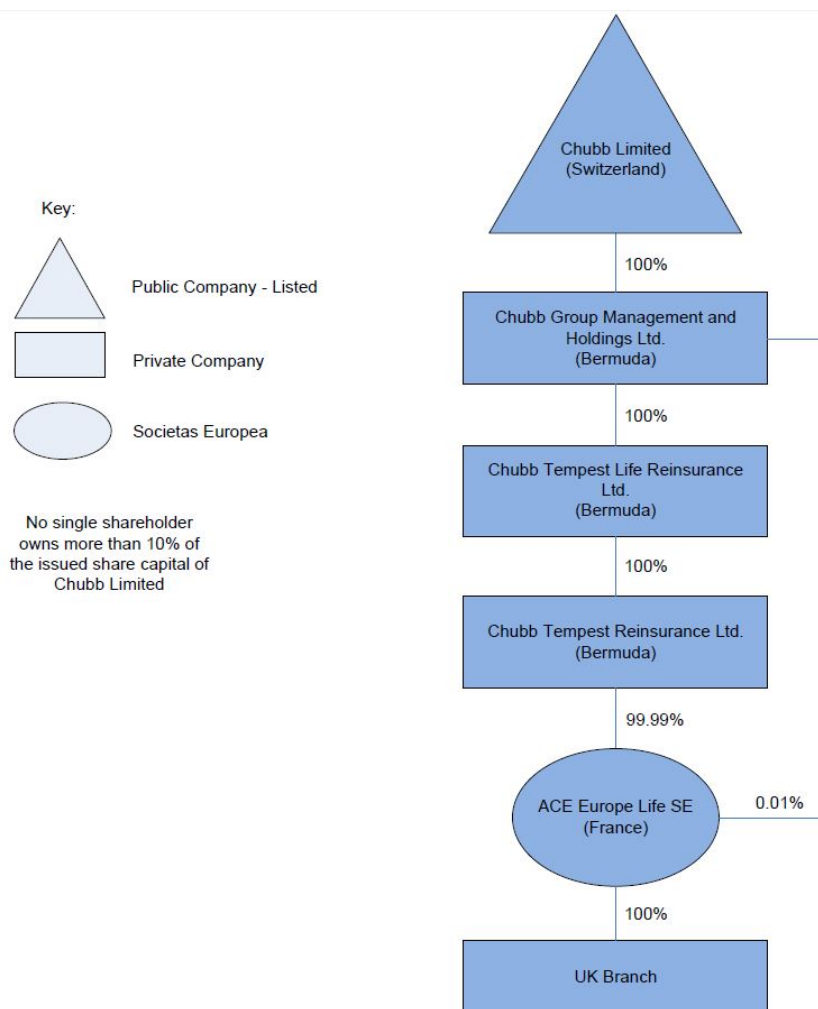
The address of the Group Supervisor is The Deputy Insurance Commissioner, Pennsylvania Department of Insurance, 1326 Strawberry Square, Harrisburg, PA 17120, USA.

#### A.1.4 External Auditor

The Company's Auditor is PricewaterhouseCoopers Audit, Chartered Accountants and Statutory Auditors with registered office at 63 rue de Villiers, 92208 Neuillysur-Seine Cedex.

#### A.1.5 Position within the Legal Structure of the Chubb Group

The group structure as at 31 December 2020 is summarised in the simplified chart below. No further changes have been made up until the date of this report. There were no changes to the group structure during 2020.



#### A.1.6 Material Related Undertakings

The company had no material related undertakings.

#### A.1.7 Material Lines of Business and Geographical Areas

CLE writes a combination of long and short term protection business across European countries, mainly health insurance, other life insurance and life reinsurance, with the largest blocks of business written in the United Kingdom, Sweden and the Netherlands.

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### **A.1.8 Significant Business Events**

Following its withdrawal from the EU on 31 January 2020, the UK entered a ‘transition period’ whereby it effectively remained in the EU customs union and single market until 31 December 2020. From 1 January 2021, the Company benefits from the UK’s Temporary Permissions Regime (“TPR”) which enables EEA firms that were ‘passporting’ into the UK during the transition period to continue to operate under the same conditions until the end of the TPR which is expected to end 31 December 2023. During this time, the Company will seek full UK authorisation from the UK regulators for its UK business.

Chubb will continue to review the company structure, regulatory and tax requirements and governance arrangements to ensure the Company operates an effective and compliant operating model across the region.

Additional information can be found on the Brexit pages of the Chubb UK website. [www.Chubb.com/Brexit](http://www.Chubb.com/Brexit)

### **A.1.9 Coronavirus**

During the first quarter of 2020, worldwide social and economic activity became severely impacted by the spread and threat of the novel coronavirus (Covid-19). The company took swift actions to minimize risk to its employees, including restricting travel and instituting extensive work from home protocols aligned to Chubb’s business continuity control framework. At the same time, the company sought to minimize any disruption to its clients and business partners and was able to continue to operate effectively throughout the pandemic and region-wide lockdown restrictions.

Despite the volatility in financial markets caused by the pandemic and its impact on investment valuations CLE maintains a strong balance sheet and continues to be more than adequately capitalized.

## **A.2 Underwriting Performance**

### **A.2.1 Key Performance Indicators and Summary by Solvency II Line of Business and Countries**

<b>KPIs</b>	<b>2020</b>	<b>2019</b>
Gross written premiums (€’000)	30,840	32,817
Profit/(loss) after taxation (€’000)	(855)	918
Number of policies in force (000)	163,303	172,481

The following financial key performance indicators (“KPIs”) have been deemed relevant to the company’s business. These KPIs are reviewed regularly by the CLE Audit and Risk Committee and Board.

Management also use a variety of other performance indicators, including production volumes, lapse ratios, price monitoring, loss and expense analyses, and operating metrics in assessing the performance of each block of business. All financial results are monitored against plan, forecast and prior year on a regular basis.

The company's underwriting performance by Solvency II line of business, for the year ended 31 December 2020 is summarised in the table below:

<b>SII Line of Business:</b>	<b>Gross written premiums €'000 2020</b>	<b>Net earned premium €'000 2020</b>	<b>Underwriting Result €'000 2020</b>	<b>Gross written premiums €'000 2019</b>	<b>Net earned premium €'000 2019</b>	<b>Underwriting Result €'000 2019</b>
Other life insurance	29,377	1,372	(3,864)	32,854	1,737	606
Health insurance	1,360	800	1,177	1,367	801	476
Life reinsurance	104	104	(391)	55	55	(637)
<b>Total</b>	<b>30,840</b>	<b>2,275</b>	<b>(3,078)</b>	<b>34,276</b>	<b>2,593</b>	<b>445</b>

A large part of the company's income is derived from Continental Europe. During 2020 CLE began to enter into new contracts after a hiatus in writing new business. This new business however is very modest and also offset by prior year lapses and so the increase in written premium is very small. The company's KPI summary for its top countries (i.e. six of the nine countries CLE operates in), for the year ended 31 December 2020 is summarized in the table below.

<b>Regions:</b>	<b>Gross written premiums €'000</b>	<b>Net earned premium €'000</b>	<b>Underwriting profit €'000</b>
	<b>2020</b>	<b>2020</b>	<b>2020</b>
Netherlands	19,753	9	(187)
Sweden	2,928	275	(494)
Spain	1,755	753	285
Finland	488	130	298
United Kingdom	4,788	936	(3,423)
France	619	131	(350)
<b>Total</b>	<b>30,331</b>	<b>2,233</b>	<b>(3,872)</b>

The other key drivers of CLE's future underwriting performance are mortality and persistency experience.

CLE's strategy going forward is to minimise capital strain whilst delivering stable annual profits.

### **Overall Performance**

In the year to 31 December 2020 the company produced an underwriting deficit of €3,078k.

In the year ended 31 December 2020, the company produced a deficit of €855 k on a French GAAP basis. Own funds for Solvency II purposes were €64,886k.

### **A.3 Investment Performance**

The aim of CLE's investment strategy is to match technical provisions by currency and duration with government bonds and low risk corporate bonds.

In 2020, CLE maintained an investment grade Sterling bond portfolio. CLE maintained a consistent strategy throughout the year to target a balance between achieving adequate investment returns and a reasonable match to the company's technical liabilities and reserves.

The Sterling portfolio generated total returns of 11.6% for the year reflecting falling yields for intermediate and longer dated Sterling fixed income during the year.

The company's investment income by Solvency II asset class and expenses for the year ended 31 December 2020 is summarised in the table below:

SII asset class:	Income	Realised Gain/(Loss)	Unrealised Gain/(Loss)	Other	Total Return	Income	Realised Gain/(Loss)	Unrealised Gain/(Loss)	Other	Total Return
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
SII asset class:	2020	2020	2020	2020	2020	2019	2019	2019	2019	2019

Investment income by asset class:										
1	Government bonds	964		5,514		6,478	961	314	3,573	4,848
2	Corporate bonds	1,088		1,171		2,259	1,043	-11	1,277	2,309
4	Collective investment undertakings						2			2
6	Collateralised securities									
7	Cash and deposits	5				5	1			1
Investment expenses					(100)	(100)			(82)	(82)
Total investment return		2,057		6,685	(100)	8,642	2,007	303	4,850	7,078

The evolving COVID-19 pandemic and related containment measures dramatically altered growth expectations and spurred a large market sell-off over the first quarter of 2020. Risk appetites improved considerably in the second quarter following the easing of lockdown measures, some improvement in economic data and continued fiscal and monetary policy support. Despite some uptick in overall volatility toward the end of the third quarter, risk assets broadly gained in Q3 amid a rebound in economic data, heightened optimism around potential vaccines, and ongoing global policy support. Global economic data continued to improve, though some signs of weakness underscored the fragile nature of the global recovery. Even as coronavirus cases continued to spread provoking lockdowns across the globe, risk assets continued to rally in Q4 as nations began to distribute and administer vaccines. November's equity rally continued into December, bolstered by optimism about the vaccine rollout, the additional US fiscal support, the finalisation of a Brexit deal, and the announcement of an investment agreement between China and the EU. Global equities ended the quarter higher, credit spreads tighter, and sovereign yields fluctuated but remained at historically low levels.

Total investment return for the year ended 31 December 2020 was €8.642k compared to €7,078k in 2019, driven by unrealised gains.

Investment income was €2,057k, comparable to €2,007k in 2019. Realised gains of €0k in 2020 compared to €303k in 2019. 2020 saw unrealised gains of €6,685k compared to €4,850k in 2019.

The investment expenses are shown in total as they all relate to investment management fees.

There were no gains or losses recognised directly in equity. All changes to financial instruments are reflected directly in the income statement.

CLE does not hold investments in securitisations.

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#### **A.4 Performance of Other Activities**

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All of CLE's activities are connected with the provision of contracts of insurance or reinsurance.

#### **A.5 Other Information**

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All material information regarding CLE's Solvency II business and performance by Solvency II lines of business is disclosed in sections A2 – A4 above.

## B. System of Governance

### B.1 General Information on the System of Governance

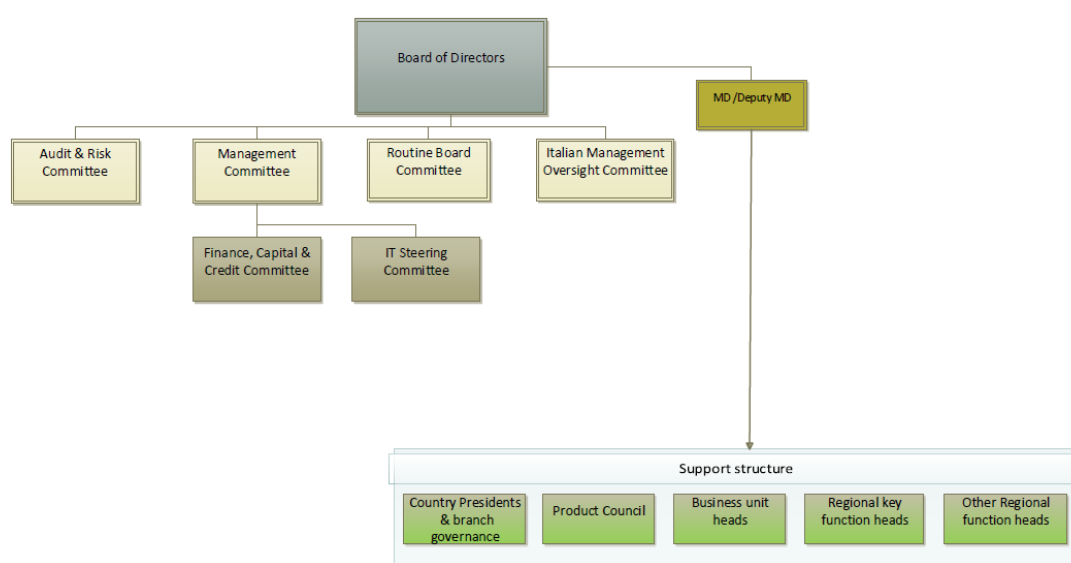
#### B.1.1 Board and Committees

The Board of Directors (“the Board”) has reserved the responsibility for decisions in connection with a number of matters. These include those of a significant strategic, structural, capital, financial reporting, internal control, risk, policy or compliance nature. As at 31 December 2020, the Board membership comprised six Non-Executive Directors (“NEDs”) and two Executive Directors .

The Board has delegated a number of matters to committees.

The Audit and Risk Committee is composed of NEDs and reports to the Board regularly in respect of its activities.

As at 31 December 2020, CLE’s governance structure was as follows:



The remainder of this section describes those committees which operated in 2020:

#### **Management Committee**

The Management Committee comprises of the Managing Director (“MD”) of CLE and other members of the company’s senior management team. The primary role of the Committee is to oversee the day-to-day management of business operations and their performance, and to assist the MD in implementing and overseeing operational strategies and decisions determined by the Board. The Management Committee is responsible for the embedding of risk management and monitoring control of risk; prioritising the allocation of resources; monitoring competitive forces and measuring management effectiveness.

The following regional committees support and report to the Management Committee:

- Finance, Credit and Capital Committee; and
- Information Technology (“IT”) Steering Committee.

### ***Audit and Risk Committee<sup>1</sup>***

The Audit and Risk Committee comprises Non-Executive Directors. It considers and makes recommendations to the Board on areas including internal controls, financial reporting, whistleblowing, validation of solvency calculations, actuarial matters and the external audit. It receives reports from the Compliance, Risk Management, Actuarial and Finance functions and Internal Audit on a quarterly basis. From a risk perspective the Committee also considers risk exposures, future risk strategy, the design and implementation of the risk framework into the business, solvency and capital matters, the ORSA and internal controls, and where appropriate makes recommendations to the Board.

In relation to the external audit process, the Committee monitors the nature and scope of work in the audit of the statutory financial statements and other external reporting requirements.

In the case of the Internal Audit function, the Committee's role involves agreeing and monitoring, in conjunction with the Group Audit function, the nature and scope of work to be carried out by the Internal Audit team and the availability of sufficient resources.

The Committee provides assurance to the Board and Group management that the internal control systems, agreed by management as being appropriate for the prudent management of the business, are operating as designed.

At all times the Audit and Risk Committee is expected to challenge any aspect of these processes which it considers weak or poor practice.

### ***Routine Board Committee***

The Routine Board Committee meets on an ad hoc basis between formal Board meetings to consider business issues of an administrative or routine nature where documentation of approval is required in between quarterly Board and Audit and Risk Committee meetings. It has various duties and responsibilities including the approval of powers of attorney, authorisation of company signatories, and such other duties or responsibilities as may be delegated by the Board.

### ***Italian Management Oversight Committee***

The Board established the Italian Management Oversight Committee in 2006 to oversee specific financial crime risks in Italy (e.g. corruption, bribery, money laundering, manslaughter arising from breaches of the Safety at Work Act and computer fraud) to comply with Legislative Decree no 231 of 8 June 2001. The Italian Management Oversight Committee is to be renewed every three years and in December 2019, the Board approved the updated terms of reference for this committee until 2022.

## ***B.1.2 Roles and Responsibilities of Key Functions***

### ***Internal Audit Function***

Internal Audit is a 'Third Line of defence' function which operates independently of regional management, reporting to CLE's ultimate shareholding company via the Group Audit function. Its role is to carry out testing of financial and non-financial controls so as to identify control weaknesses and to recommend improvements, for i) the better protection of CLE's assets and ii) conformity to agreed policies, procedures and guidelines. It provides reports to the Management and Audit and Risk Committees and Board, which review and have oversight of its annual plan and resourcing.

## ***Compliance Function***

Compliance is a 'Second Line of defence' function, which via the provision of advice, training and First Line activity monitoring, seeks to ensure that CLE's commercial business, wherever operated, is carried out in accordance with agreed policies, procedures and frameworks. It liaises with regulators, keeping them advised of key developments and informed of the Company's compliance with regulatory standards. The function provides reports to the Management and Audit and Risk Committees, which review and have oversight of its annual activity plan and resourcing.

## ***Risk Management Function***

Risk Management is a 'Second Line of defence' function. Independent of business line management, the function is responsible for assisting the Board, Board committees, general management and employees in developing, implementing and maintaining the Risk Management Framework ("RMF"). The RMF comprises the strategies used to identify, assess, manage, monitor and report on its significant risk exposures and the policies, processes and procedures in place that are designed to underpin continuous risk management and support the risk-based decision-making processes of the business.

Risk Management continuously measures business and functional activity against KPIs derived from agreed statements of risk appetite, conducts one-off reviews of specific issues and provides advice to the business on mitigation of risk.

The function provides reporting to the Board, Management and Audit and Risk Committees, and undertakes reviews at the direction of the Audit and Risk Committee or Board.

## ***Actuarial Function***

The Actuarial function seeks accurately to assess the reserves required to satisfy known and estimated claims and claim expenses, providing a view of reserve adequacy independent of business line management. The function contributes to reserving, pricing, planning, ceded reinsurance analysis, business intelligence and regulatory reporting. It provides reports to the Audit and Risk Committee.

### ***B.1.3 Roles and Responsibilities of Other Important Functions***

All function management heads are responsible for CLE's operations wherever geographically located. Risks, performance and controls are assessed centrally and functions' standards and procedures apply to branch operations in all countries of operation. Significant information is provided to the Management Committee via the Managing Director, who chairs the Management Committee.

## ***Finance & Investment Functions***

The Finance function encompasses financial accounting and reporting, financial planning, analysis and communications, taxation, treasury and credit control.

Investment management is carried out by the Treasury function, a part of the Finance department. The function ensures that assets representing regulatory and internal capital requirements are securely maintained under the management of external fund managers, and that asset currencies and liquidity follow agreed guidelines.

A high degree of liaison with the business and with other functions, including the Actuarial function and the capital team within Risk Management takes place, enabling the Finance function to maintain a current overview of the financial, capital and performance indicators required to manage the business prudently and effectively.



### ***Claims Function***

The Claims function is responsible for validating and processing directly-received claims and overseeing the services provided by agents to whom claims processing is outsourced in line with agreed standards. The function is managed separately from the business lines. It contributes to the analysis of the adequacy of reserves and advises the business on claims trends and customer treatment with respect to claims payment. The function incorporates a unit for the detection of claims-related fraud.

### ***IT Function***

The IT function advises on, purchases, maintains and supports operational, functional and administrative technical systems in support of business objectives and ongoing operational and functional needs. It acts in an advisory and support capacity in respect of external systems and has oversight of data security (including the identification and management of cyber incidents) and IT asset management in line with agreed policy and procedures. IT governance operates via the IT Steering Committee, which includes senior management amongst its membership.

### ***Operations Function***

The Operations function supports business and functional objectives via the design and operation of underwriting, customer service, financial, business continuity and other operating systems throughout the region in which the Company operates. The function incorporates a project management team.

### ***Human Resources Function***

Human Resources advises and supports the business in planning for, staffing, training and remunerating and retaining a high-quality employee base. The function contributes to the assessment of senior staff for Fitness and Propriety and has oversight of the implementation of personnel-related policies.

### ***Reinsurance***

The Ceded Reinsurance team operates under Group management and liaises with the business, negotiating shared and one-off treaty arrangements in line with agreed guidelines and business plans. The team provides advice on the cost-effectiveness and operation of reinsurance arrangements, and the suitability of external reinsurance providers.

## ***B.1.4 Any Material Changes in the System of Governance during the Reporting Period***

During 2020 there were no material changes made in respect of the system of governance .

### ***B.1.5 Remuneration Policies and Practices***

#### ***B.1.5.1 Principles of the Remuneration Policy***

For the purpose of the following analysis “employees” includes staff directly employed by CLE and staff employed by an affiliated service company, Chubb Services UK Limited (“CSUK”), which carries out administrative services on behalf of the company. Both companies are subject to the same remuneration policy.

CLE has a remuneration policy which is applicable to all employees including NEDs. However, NEDs have no entitlement to variable or equity-based remuneration, nor to pension contributions.

The policy requires the following principles to be applied to all remuneration decisions:

- Remuneration must be consistent with and promote sound and effective risk management in accordance with CLE’s Risk Management Framework and not encourage risk-taking that exceeds the level of tolerated risk of CLE;
- Remuneration must be in line with the business strategy, objectives, values, long term interests and competitive strength of CLE and the Chubb Group of Companies;
- Remuneration awards must not threaten CLE’s ability to maintain an adequate capital base;

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- Remuneration must be sustainable according to the financial situation of CLE as a whole, and justified on the basis of the performance of CLE, the business unit and the individual concerned;
  - Remuneration must avoid conflicts of interest in accordance with CEL's conflict of interest policies;
  - Remuneration decisions must not be made and/or approved by a beneficiary of that decision; and
- The remuneration of employees engaged in control functions must be in accordance with the achievement of objectives linked to their function, independent from the performance of the business areas they control.

### ***Fixed Remuneration***

The policy requires that fixed remuneration must be appropriate to the role performed, taking into account factors such as:

- Role complexity;
- Level of responsibility and seniority;
- Local market value of the role; and
- Experience and expertise of the individual.

### ***Variable Remuneration***

Variable remuneration may comprise cash performance bonus and equity-based awards (options or restricted share awards).

Where an employee may be eligible to receive variable remuneration, the assessment of variable remuneration must take into account the following factors:

- Remuneration schemes which include fixed and variable components shall be appropriately balanced so that the fixed (or guaranteed) component represents a high proportion of the total remuneration;
- The payment of equity-based variable remuneration should vest over a period of time which will help prevent employees taking excessive risks that could have negative effect upon the company and/or customers. This period is to be decided during the approval process to take into account all of the relevant factors and risks related to the specific situation; and
- Performance-related variable remuneration should be based upon a combination of performance measures including, but not limited to, the following:
  - Financial benefit to the company;
  - Quality of employee performance (in terms of how things are achieved as well as what is achieved), Board adopted policies and procedures and protocols including adherence to Chubb's risk management arrangements.

## **Termination Payments**

Termination payments are related to performance and be designed in a way that does not reward failure.

## **Pensions**

Employees may belong to one of a number of defined-benefit or defined-contribution pension schemes, to which the company contributes according to standardised formula.

### **B.1.5.2 Performance Criteria**

The award of variable remuneration is discretionary and usually occurs on an annual cycle. Cash bonuses and equity-based awards, if any, are allocated to individuals within limits attaching to the individual's employment grade and as recommended by line management based on assessment of individual performance criteria. The pool of awards available for allocation is set by the Group's ultimate holding company, as determined by a Global Compensation Committee which comprises independent Group directors, and takes account the expected profitability of the Group.

The estimated value of equity awards at grant is generally composed 25% of options, which vest incrementally over a three-year period, and 75% of restricted share awards, which vest incrementally over four years.

Performance criteria are set and measured on an individual basis. The performance measurement plans ("PMPs") of all individuals in roles requiring regulatory approval or notification measure performance against criteria including 'Fit and Proper' behaviours, risk management and leadership.

### **B.1.5.3 Pension or Early Retirement Schemes**

There are no supplementary pensions or early retirement schemes operated for the benefit of Board members or key function holders.

## **Key Management**

Key management personnel include members of the Board of Directors. Directors received emoluments from either Chubb European Group SE or CSUK and CLE (together the "employing entities") in respect of their services. For employed directors, the cost of these emoluments is incorporated within the management recharges from the employing entities. For disclosure purposes, it is not practical to allocate these amounts to the underlying entities to which these directors provide services. Consequently, the following amounts represent the total emoluments paid by the employing entities to the directors of CLE.

<b>Material transactions</b>	<b>2020</b>	<b>2019</b>
	<b>€'000</b>	<b>€'000</b>
Aggregate emoluments and benefits	3,762	3,239
Company pension contributions to money purchase pension schemes	112	44
<b>Total</b>	<b>3,874</b>	<b>3,283</b>

The aggregate emoluments above do not include share based remuneration. All executive directors are entitled to shares in Chubb Limited under long-term incentive plans.

## B.2 Fit and Proper Requirements

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### B.2.1 Fit and Proper Policies and Processes

The Chubb Code of Conduct sets out the core values that underpin the foundation upon which CLE is built:

- **Collaboration and respect:** We value the unique contribution that each person brings to Chubb. Teamwork and respect are central to how we work and we believe the best solutions are those that draw on diverse ideas and perspectives.
- **Trust and reliability:** We deal honestly and fairly with each other and with our customers, business partners and competitors. We are committed to fulfilling all contractual obligations, and we take pride in ensuring that our products and services always meet our high standards for quality. Our business partners must share our commitments to honesty, fairness and delivering on our promises to our customers.
- **Integrity:** We must avoid conflicts of interest in our personal and business activities. We must avoid situations that give rise to actual conflicts, and situations that create the appearance of a conflict.
- **Honesty and transparency:** It is crucial to our reputation that we immediately report any fraudulent activity. Those who do engage in fraudulent activity and those who have knowledge of fraud but fail to report it will be subject to strict disciplinary action.
- **The greater good:** We conduct our business in a manner that respects the human rights and dignity of all, and we support international efforts to promote and protect human rights. Chubb does not tolerate abuse of human rights in the workplace or in the course of Chubb business.

In line with Article 42 of Solvency II Directive, ensures that senior management and individuals performing key functions are 'fit and proper' by considering their individual qualifications, knowledge and relevant experience, honesty and financial soundness. Collectively CLE's senior management possesses appropriate qualification, experience and knowledge of:

- a) insurance and financial markets;
- b) business strategy and business model;
- c) system of governance;
- d) financial and actuarial analysis; and
- e) regulatory framework and requirements.

In determining a person's fitness, CLE will have regard to all relevant matters, including, but not limited to:

- An individual's competence and capability to undertake the role, including professional and formal qualifications, as well as knowledge and relevant experience in the context of the respective duties allocated to that individual;
- Whether the person has sufficient qualifications and/or industry experience to carry out the intended functions; for example the financial, accounting, actuarial and management qualifications and skills;
- Whether the person satisfies the relevant regulator's training and competence requirements;
- Whether the person has demonstrated, by experience and training, that they are suitable to perform the role and possess the necessary skills, knowledge, expertise, diligence and soundness of judgment to undertake and fulfil the particular duties and responsibilities of the role;
- Regulatory referencing (where permitted);
- Whether the person has demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities previously or in their current role;
- Whether an individual acts with honesty, integrity and is of good repute; has been convicted of, dismissed or suspended from employment for drug or alcohol abuses or other acts that would constitute a breach of regulatory expectations or Chubb's Code of Conduct, and whether this would impact a person's continuing ability to perform the particular role for which the person is or is to be employed; and
- Whether the person has any potential conflicts of interests.

Collectively CLE's senior management possesses appropriate qualification, experience and knowledge of:

- a) insurance and financial markets;
- b) business strategy and business model;
- c) system of governance;
- d) financial and actuarial analysis; and
- e) regulatory framework and requirements.

### **B.2.2 Assessment Process**

An individual's Fitness and Propriety is defined as equating to their suitability to oversee, manage or perform their regulated role. The effective assessment of individuals holding such roles may include, but is not limited to, the following:

#### Pre-appointment:

- Competency-based interviews;
- Qualification checks;
- CV reviews;
- Criminal records checks;
- Credit reference checks;
- Previous employment checks;
- Regulatory references (where permitted);
- Previous employment / qualification / gap investigations;
- Sanctions checks;
- Directorship disqualification checks;
- Conflicts of Interest checks; and
- Involvement in insolvency, bankruptcy or winding-up proceedings..

In addition to the pre-appointment checks, the following are considered on an ongoing basis:

- Annual attestation to confirm fitness and propriety, as part of the annual performance management process;
- Role profile and responsibilities review;
- Event and breach monitoring;
- Learning and development training plan reviews; and
- Chubb Code of Conduct attestation.

### B.3 Risk Management System including the Own Risk and Solvency Assessment

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The Chubb Group is a global underwriter whose risk management obligation to stakeholders is simple: ensure sufficient financial strength over the long term in order to pay policyholder claims while simultaneously building and sustaining shareholder value.

The Chubb Enterprise Risk Management (“ERM”) strategy helps achieve the goal of building shareholder value by systematically identifying, and then monitoring and managing, the various risks to the achievement of corporate business objectives and thereby minimising potential disruptions that could otherwise diminish shareholder value or balance sheet strength.

#### B.3.1 Risk Management Framework at CLE

As an insurer, CLE manages risk for its policyholders and shareholders. Hence, risk management is intrinsic within its product offerings and fundamental to its business. Risk Management is not a separate service function but rather is embedded in critical decision-making to support achievement of CLE’s business goals and objectives. Risk Management does not strive to eliminate risk but rather manage and profit from risk where possible and prudent.

- Insurance (e.g. reserving, pricing)
- Financial (e.g. credit, liquidity)
- Operational (e.g. IT, business continuity)
- Strategic (e.g. mergers & acquisitions)

Insurance is the company’s primary risk category; the three other risk categories present the remaining exposures. These risk reporting categories cover all risk types to which the company is exposed.

To ensure that its risk management efforts are focused in terms of time horizon and business materiality, CLE adheres to the enterprise-wide ERM mission statement as follows:

*“ERM is the process to identify, assess, and mitigate those risks that, if manifested mainly over the next 36 months, might impact CLE’s exposure footprint (investments, operations and short / long-tail liabilities) such that the firm’s ability to achieve its strategic business objectives might be impaired.”*

The achievement of CLE’s overall high level business goals requires adherence to a structured ERM programme and strategy. The above ERM mission statement outlines the goals which CLE seeks to accomplish through ERM.

The global ERM framework has the following components:

- **Internal and external risks:** Identify, analyse, quantify, and where possible, mitigate significant internal and external risks that could materially hamper financial conditions and/ or the achievement of corporate business objectives
- **Exposure accumulations:** Identify and quantify the accumulation of exposure to individual counterparties, products or industry sectors, particularly those that materially extend across or correlate between different units or division and/or the balance sheet.
- **Risk modelling:** Develop and use various data-sets, analytical tools, metrics and processes (including economic capital models and advanced analytics) that help CLE SE make informed underwriting, portfolio management and risk management decisions within a consistent risk/reward framework.
- **Risk mitigation:** Internal controls operated at all levels of the business to mitigate risks within accepted levels, expressed through corporate policies, processes and procedures.
- **Governance:** Establish and coordinate risk guidelines that reflect the corporate appetite for risk, monitor exposure accumulations relative to established guidelines, and ensure effective internal risk

management communication up to management and the Board, down to the various business units and legal entities, and across the firm.

- **Disclosure and reporting:** Develop protocols and processes for risk-related disclosure and reporting internally as well as externally to rating agencies, regulators and shareholders.

A Risk & Control Register is maintained on an on-going basis for CLE. The Risk & Control Register sets out the risks facing CLE, with details on the causes of the risks, consequences of the risks, risk owner, alongside the inherent and residual risk rating. Each risk included within the Risk & Control Register sets out the controls which are in place to mitigate the risk, including how the control is expected to impact the risk (i.e. reducing likelihood of the risk occurring, reducing the severity if the risk materialised or any combination) and the control owner, including a rating on the design and operational effectiveness of the control. Risk and control owners are required to conduct assessments on a regular basis.

### **B.3.2 Risk Culture**

Sound risk culture and risk governance are the critical foundation for effective ERM. However, risk culture cannot be reviewed in isolation but instead drawn from the overall corporate culture of Chubb. This corporate culture is based on the values of transparency, trust and communication and is embodied by CEG's dedication to provide:

- **Customer value:** Deep customer thinking, quality work and unparalleled service to CEG's customers and agents.
- **Employee value:** High-performing diverse and inclusive work teams with strong work ethic and accountability.
- **Shareholder value:** Managing capital and risks expertly, efficiently and profitably.

Risk culture represents the shared understanding and behavioural attitudes of Chubb's employees towards risk taking. Risk culture is the foundation of the many components of CEG's ERM process that are essential to the daily execution of the risk strategy for CEG. A strong internal control ethic and environment contribute to a favourable risk culture. CEG's risk culture is developed and reinforced through a number of fundamental pillars: ethics and values, training, governance, risk aligned performance/remuneration, underwriter best practices and business conduct.

### **B.3.3 Risk Governance**

Governance and oversight exercised by CLE covers three distinct forms: day-to-day risk management and controls, risk management oversight, and independent assurance. This approach, also known as the three lines of defence model, operates as follow

- **First Line:** Management and staff in the First Line of defence have direct responsibility for the management and control of risk (i.e. staff and management working within or managing operational business units and functions).
- **Second Line:** The coordination, facilitation and oversight of the effectiveness and integrity of the risk management framework and compliance monitoring (see section B.1.2 for risk management and compliance functions).

The ERM approach has additionally built on the commonly accepted governance structure to recognise the responsibility of the 2nd line to act in both an advisory capacity and in the oversight and independent challenge of 1st line activities.

- **Third Line:** Independent assurance and challenge is applied across all business functions in respect of the integrity and effectiveness of the risk management framework (i.e. internal and external audit).

The Risk Management Function reports to the Management Committee, Audit and Risk Committee and Board with sufficient oversight of the ERM framework and risk exposures, focusing on key risks which are evolving and those which are approaching risk appetite.

Risk management is an active and continuous process within CLE. ERM is embraced by colleagues at all levels of management, starting with the Board of Directors and cascading through to the business units. Management provides the “tone from the top” on risk management and establishes accountability (e.g. risk ownership) and sponsors key initiatives (e.g. underwriting best practices). Effective risk governance requires close and dynamic collaboration as well as focus on communication flow and risk identification.

One of the key mechanisms by which ERM is put into practice for CLE is through the role of executive and senior management. The associated collaboration and communication by senior executives ensures transparency and consistency in the application of ERM across the organisation while expediting the flow of relevant information necessary for effective risk management. In this structure, business unit and functional leaders are expected to manage risks, maintain effective controls and rapidly elevate to management where necessary with ERM providing the mechanism to analyse and aggregate risks across the business units and functions.

The Risk Management Key Function Holder reports to the Management Committee, Audit and Risk Committee and Board with sufficient oversight of the ERM framework and risk exposures, focusing on key risks which are evolving and those which are approaching risk appetite.

#### ***B.3.4 ORSA Process, Documentation and Review***

Solvency II regulation defines the ORSA as ‘the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks a firm faces or may face and to determine the own funds necessary to ensure that overall solvency needs are met’. In order to comply with Solvency II regulation, Chubb has established a formal ORSA process – this sets out the list of activities that Chubb undertakes in order to conduct a risk and solvency assessment.

The ORSA is an integral part of the overall Risk Management Framework and is a process which is conducted throughout the year to support the normal running of business within Chubb. An overview of the key elements which make up the ORSA is shown below.

#### **Summary of the ORSA process**





The Risk Management function co-ordinates each element of the ORSA shown above with subject matter experts across the business. The results of the analysis are reported to the Management Committee, Audit and Risk Committee and Board throughout the year.

The outcomes of the ORSA process are documented within the ORSA report. An ORSA Report is produced at least annually and is approved by the Board.

In addition to standard annual ORSA reports, additional ad-hoc ORSA related reports may be produced. Examples of ad-hoc ORSA reports that may be produced include, but are not limited to: changes in risk profile; substantial changes in business structure or strategy; requests from the Board; and responses to external events.

Quarterly risk management activities also complement the annual ORSA Report through reporting of the risk profile, assessment of solvency, review of metrics against defined risk tolerances and exposure monitoring.

One of the key elements of the ORSA is determining an appropriate level of capital to hold – this is referred to as the ORSA capital assessment. This is management’s view of the capital that the Company needs to hold in consideration of the risk the business faces irrespective of regulatory capital requirements. The approach to ORSA capital remains the same following approval of the Internal Model and is calculated based on capital needed to:

- meet the Ultimate Solvency Capital Requirement (SCR) as calculated in the Internal Model; and
- mitigate against risks that management wants to quantify over and above the Internal Model capital requirement (referred to as ORSA Other Considerations). These risks are discussed in more detail in Section B.3.7 below).

### ***B.3.5 Understanding how these Risks could Impact the Business***

The Risk Management Framework is supported by the stress and scenario testing framework. The stress and scenario testing framework is used to analyse the financial effect of plausible but severe scenarios and the impact on the company’s financial position including capital, liquidity and corporate objectives.

The scenarios consider all risk categories and are developed based on the company risk’s profile in conjunction with business stakeholders and relevant subject matter experts. The analysis is carried out on an annual basis.

The stress testing carried out throughout 2020 supports the adequacy of the current capital and liquidity positions adopted by the company.

## **B.4 Internal Control System**

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### ***B.4.1 Internal Control System***

CLE’s operations are largely conducted via services shared with affiliated companies, controlled by means of a service agreement. These shared services are subject to regional controls implemented through policies and procedures applicable to a number of companies. The company’s own controls overlay these intragroup structures with controls aimed at providing the company’s management and board with additional entity-focused comfort.

CLE maintains extensive systems of controls over financial and other risks. An Internal Control Framework sets out the responsibilities and standards required to facilitate an effective system of internal control and to monitor its effectiveness.

The financial controls are designed to protect assets and identify liabilities, ensure accurate and timely reporting, planning and analysis and meet the requirements of Group, statutory and regulatory reporting.

Other controls include those contained within the Underwriting Framework, Risk Management Framework, Business Compliance Framework, Conduct Risk Framework and Information Security Framework. Where

activities are outsourced to external agents prior due diligence and ongoing audit processes are carried out to ensure that agents are able to meet control standards.

Controls are designed to align with the standards and guidance produced by CLE's ultimate holding company and each function's head of management is responsible for the satisfactory design and operation of controls over risks applicable to that function.

Internal controls are tested by the Internal Audit function according to a cycle agreed by the Audit and Risk Committee, and by the external Auditor in the course of the Auditor's reviews of statutory and other reporting. Weaknesses and misstatements are identified to the Audit and Risk Committee, together with a programme for remediation.

#### **B.4.2 Compliance Function**

The Compliance function is a second line of defence function (see section B 1.2 for details), operating separately from the commercial units of the business. The Head of Compliance, with defined responsibilities, reports to the General Counsel, who oversees the Legal and Compliance function.

The function also has a reporting line to the Audit and Risk Committee, providing that committee with regular reports of activity, outcomes and progress against plan. The Committee has oversight of the resourcing of the Compliance Plan.

The Compliance function comprises 30 members and operates via a "hub and spoke" model, with specialists (21 who have region-wide functional responsibilities, and nine dedicated local Compliance staff based in offices throughout Europe responsible for compliance activities in a given territory). They support CLE alongside a number of other regulated Chubb companies within the Europe region. The Compliance function is responsible for the delivery of the regional Compliance Plan and performs core compliance activities such as transitional monitoring, providing advice, and delivering training for their countries or country clusters.

The regional team is organised into the following groups:

- **Compliance Advice Team** which provides advice and guidance to all business units in Europe in relation to their regulatory and compliance obligations. The Advice Team is responsible for developing and overseeing compliance training solutions and works closely with the business and other staff to develop e-learning, topical face-to-face learning modules and briefing sessions.
- **Regulatory Services Teams** which oversees regulatory interactions.
- **Compliance Monitoring Team**, which is responsible for monitoring and assessing the adequacy and effectiveness of the measures and procedures in place to comply with regulatory obligations and internal policies at both local and regional levels.
- **Financial Crime Team**, which is responsible for assessing the Financial Crime Risk to Chubb and subsequently building and implementing a robust financial crime control framework across Europe, in line with applicable legal and regulatory requirements and Chubb Group standards. Areas covered include sanctions, anti-money laundering & counter terrorist financing, anti-bribery & corruption, non-claims fraud and market abuse.
- **Compliance Policy team** manages and maintains the standards for Compliance policy frameworks and procedural guidelines. The Policy team also monitors trends and developments in the legal and regulatory environment.

The Head of Compliance develops and maintains an annual Compliance Plan (developed alongside the work of the other assurance functions and agreed with the Audit and Risk Committee) which aligns Compliance function activities with the identified aims of the Regulators of the insurance business in the areas in which CLE operates, and seeks to ensure all significant activities and related risks are identified, managed and controlled in line with Board-approved compliance risk appetite and strategic intention. Resources are deployed according to the needs of the plan.

As a component of the Global Compliance function, the Regional Compliance team operates under the Group Compliance Charter, which sets out the fundamental principles, roles and responsibilities of the Compliance function (and its global, regional and local personnel) within the organisation as well as its relationship with executive management, the Board of Directors and the business and operational functions.

## **B.5 Internal Audit Function**

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### **B.5.1 Internal Audit Function**

The Internal Audit function is a ‘third line of defence’ assurance function (see section B.1.2) which is independent of commercial business units and other assurance functions. The Head of Internal Audit reports to the Chubb Group Chief Auditor and has a further reporting line to the CLE Audit and Risk Committee.

The team is based principally in London, but carries out audits throughout the geographical areas in which CLE operates. Operational and Information Technology teams perform audits and control walkthroughs of CLE’s operations, identifying key risk exposures and assessing the design and effectiveness of risk management, controls, and governance processes for these exposures. Audits encompass the reliability and integrity of management and financial information processes; compliance with significant policies, plans and regulations; governance processes and risk management. In addition to the regional team, the function has access to further resource, skills and capabilities provided by the global internal audit function, and also has access to further technical and subject matter expertise through a global co-source arrangement with an external professional services firm.

The Group Internal Audit Charter, approved by the Audit Committee of Chubb Limited (the ultimate holding company), entitles the function to request and receive any information and/or explanations required to achieve its objectives. The function will have full access to all records, personnel or physical property and, without limitation, information and data held within any systems or databases.

An annual risk assessment is carried out in preparation of an Annual Audit Plan (aligning activity in conjunction with the external auditors and other assurance functions, where relevant) taking account of strategic objectives, risk exposures, and the company’s risk appetites. The Plan is reviewed and approved by the Board following consideration by the Audit and Risk Committee. The Audit and Risk Committee has oversight of the resources needed to complete the plan and regularly reviews progress against plan and management’s implementation of Internal Audit’s recommended remediations.

### **B.5.2 Independence and Objectivity**

CLE’s Internal Audit function performs work in accordance with International Standards for the Professional Practice of Internal Auditing, the code of ethics, and the definitions of internal auditing such as those mandated by the Institute of Internal Auditors (“IIA”). It also operates within the scope of a Group Internal Audit charter that mandates independence from management’s responsibilities and includes a Group level process for review of standards. Internal Audit staff members are subject to all ethical principles outlined in the Chubb Code of Conduct.

Internal Audit has free and unrestricted access to the Board and its committees and regularly meets with the Audit and Risk Committee without management being present.

CLE’s executive management is held directly responsible for maintaining an effective system of governance, risk management, and internal controls, including proper accounting records and appropriate management information, for devising and implementing action plans required to improve governance, risk management, and controls. In addition, management is responsible for monitoring and reporting on outstanding management action plans agreed in response to Internal Audit reports.

Internal Audit is not responsible for managing the operations subject to audit and will not assume responsibility for the design, implementation, operation or control over any part of business processes or systems.

The Group Chief Auditor is responsible for periodically providing a self-assessment on internal audit activity, consistent with the Audit Charter (including purpose, authority, responsibility, IIA Standards and performance relative to its plan). In addition, the Group Chief Auditor will communicate to senior management and the Audit and Risk Committee on Internal Audit quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every 5 years.

## **B.6 Actuarial Function**

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The Actuarial function is a key function. The Chief Actuary, as head of the Actuarial Function, is responsible to the Board, reports functionally and administratively to the Senior Vice President, Chubb Life EMEA and has an additional reporting line to the Audit and Risk Committee. The function is operationally independent from the Risk Management, Compliance and Internal Audit functions. It has unfettered access to information from any part of the business that impacts the risk profile of the company.

The function supports the business in achieving its overall strategic and risk objectives, by carrying out a number of inter-related activities (Reserving, Pricing, Planning, Ceded Reinsurance Analysis, Business Intelligence and Regulatory Reporting) where applicable. Involvement in this wide range of activities enables the function to provide its required reports on technical provisions, overall underwriting policy, reinsurance adequacy and its contribution to risk management.

**Risk Management:** Given the skill set of the Actuarial Function and the knowledge of the business it is well positioned to work with and support the Risk Management function at Chubb. The Actuarial function plays a key role in contributing to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

**Reserving:** The reserving process is owned by the Actuarial function and conducted in accordance with agreed terms of reference. The reserves booked for the purposes of financial statements are the responsibility of the Board.

The Actuarial function's role in reserving includes; coordinating the calculation of Technical Provisions as a whole; selecting appropriate methods and assumptions for each element of the reserve calculation; ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions; assessing the sufficiency and quality of the data used in the calculation of technical provisions; assessing experience and reviewing sufficiency of reserves.

## **B.7 Outsourcing**

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### **B.7.1 Outsourcing Policy**

CLE outsources certain internal administrative functions in respect of its own internal activities and the administration of a number of customer service operations for many of its books of business in many of the countries in which it operates. A formal policy has been adopted for control of the risks associated with outsourcing.

The Outsourcing policy, which applies to all outsourcing arrangements, mandates that before an outsource arrangement is entered into, a risk assessment, a cost benefit analysis and a due diligence exercise over the proposed agent must be satisfactorily carried out. Contractual arrangements are required to protect the company from financial, regulatory and reputational risk, for example by including minimum performance standards and identifying key indicators. Consistent ongoing monitoring against the terms of the contract is required to take place, proportional to the size of risk of the outsource arrangement. The Executive who is authorised in accordance with the SMCR in respect of the operation in question is responsible for developing

and maintaining appropriate and effective internal controls sufficient to meet the standards of the Outsourcing policy.

A reporting process for any identified concerns requires escalation of material matters to the Audit and Risk Committee.

### **B.7.2 Activities that Represent Critical or Important Outsourcing**

Since May 2010, CLE have worked with a company called EXL who provide business process outsourced services. The activity performed by EXL is back office in nature, does not involve direct customer interaction and relates to activities that would otherwise be performed in Underwriting, Operations, Claims and Finance.

During 2020 these services transferred to Genpact from EXL (who will no longer be a Critical or Important outsourcing provider to CLE) to Genpact following a global review where Chubb selected Genpact to be its global strategic partner for transformation and BPO services. A key differentiator which led to Genpact's selection was their ability to integrate transformation and BPO capabilities, which is aligned to CLE's vision to drive continuous process improvements via digital tools and process discipline. EXL continue to work with Chubb on a more limited basis providing project and analytics resources.

The table below shows the various providers for important activities and the jurisdiction in which the service providers of such functions or activities are located:

<b>Outsourced Function</b>	<b>Provider</b>	<b>Nature of Service</b>	<b>Jurisdiction</b>
Information Technology ("IT")	CSUK (intra-group)	Provision of IT support & development services	UK
Treasury	CSUK (intra-group)	Provision of treasury services	UK
Internal Audit	CSUK (intra-group)	Provision of internal audit services	UK
Underwriting Operations	Genpact Limited (Noida, Delhi) EXL Service Ltd (Noida, Delhi)	Provision of premium processing services	All Europe
Finance	Genpact Limited (Noida, Delhi) EXL Service Ltd (Noida, Delhi)	Provision of accounts payable services	All Europe
Finance	Genpact Limited (Noida, Delhi) EXL Service Ltd (Noida, Delhi)	Financial reconciliation	UK&I
Finance	Genpact Limited (Noida, Delhi) EXL Service Ltd (Noida, Delhi)	Provision of credit control services	UK&I
Finance	Genpact Limited (Noida, Delhi) EXL Service Ltd (Noida, Delhi)	Provision of transfers and payments services	All Europe
Claims Management	TAF	Provision of claims management services	Netherlands
Policy Administration	TAF	Policy administration	Netherlands
Claims	Van Ameyde	Provision of claims handling services	Norway
Policy Administration	Insurance Management Administrators & Advisors	Policy Administration of Policies	Norway
Treasury	Pacific Deutschland GmbH	Provision of investment management services	All Europe
Treasury	State Street Bank Intl GmbH	Provision of investment custody services	Germany

## **B.8 Adequacy of System of Governance**

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CLE has a documented corporate governance framework, the purpose of which is to exercise oversight and control over the management of the business in all its geographical locations and to disseminate key information effectively to the necessary recipients.

The Company has a number of formal committees and subcommittees, described in B.1.1 of this report, which provide oversight over the Company's business units and functions, including where carried out via an affiliated group company. The heads of the regional functions employed report to the Regional President (except the Actuarial and Internal Audit functions, the former which reports to the Senior Vice President, Chubb Life EMEA and the latter reporting to the Group Chief Auditor). The head of the business unit reports functionally via a matrix structure to the Life segment of the Chubb group of companies.

The Board has approved a number of policies, under which responsibilities are also aligned with the Senior Managers and Certification Regime ("SMCR") as applicable, that govern how certain key areas of the business, and the risks inherent to them, are controlled and reported.

Additional oversight and control is obtained via a three lines of defence model whereby the Compliance and Risk Management (Second Line) functions monitor key activities independently of the controls and indicators employed by the (First Line) business and functions. Internal Audit (the Third Line) carries out further independent reviews and reports outside of the First Line and Second Line structures.

The Board includes as members non-executive directors to help provide alternative experience and viewpoints and to challenge executive management decisions and the basis on which those decisions are made.

The Board believes these governance arrangements to be appropriate to and effective for the operations that CLE carries out. The Company operates under the supervision of the French regulator, *Autorité de contrôle prudentiel et de résolution*, ("ACPR"), with its UK operations run through a UK branch which is subject to limited regulation by the Financial Conduct Authority ("FCA").

## **B.9 Any Other Information**

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The Company's system of governance has been reviewed as the impact of Covid-19 develops and continues to be appropriate and operate effectively utilising Chubb's Business Continuity Plans.

All material information regarding CLE's system of governance has been described in sections B1 – B8 above.

## C. Risk Profile

The Risk Management Framework classifies individual risk sources across its landscape into four major categories: insurance, financial, operational and strategic. Insurance is Chubb's primary risk category; the three other risk categories present an exposure primarily from that assumption of insurance risk. Other risks, including group risk and emerging risk are also considered.

CLE implemented contingency plans ahead of the UK's exit from the EU to mitigate the potential risks to the company arising. Transition will be seamless as CLE enters the Temporary Transition Regime on January 1<sup>st</sup> 2021 for: brokers, business partners and costumers.

There have been no other material changes in the quantification of risk.

Risk	Capital Requirement	Capital Requirement
	2020 €'000	2019 €'000
Underwriting	7,744	8,052
<i>Life</i>	3,986	3,752
<i>Health</i>	3,758	4,300
Counterparty Default	905	1,118
Market	31,811	29,446
<b>Undiversified Basic SCR</b>	<b>40,460</b>	<b>38,616</b>
Operational Risk	1,242	1,199
<b>Undiversified SCR</b>	<b>41,702</b>	<b>39,815</b>
Diversification Credit	14,135	14,007
<b>Total SCR</b>	<b>27,567</b>	<b>25,808</b>

From a capital perspective, market risk continues to be the single largest risk source facing CLE followed by underwriting risk. Credit risk is a significantly smaller contributor to the total capital requirement. This is predominantly due to the high credit quality of CLE's reinsurers.

The Standard Formula provides a reasonable relative representation of CLE's risk profile.



## **C.1 Underwriting Risk**

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### **C.1.1 Risk Measures and Mitigation**

The principal risks from the company's life and health insurance and reinsurance businesses arise from its underwriting activities, both prospective and retrospective. Key risks include unexpected losses arising from inaccurate pricing, fluctuations in the timing, frequency and severity of losses compared to expectations, inadequate reinsurance protection and inadequate reserving.

### **C.1.2 Risk Measures and Mitigation Techniques over the Current and Business Planning Period**

A number of measures are in place to measure, mitigate and monitor underwriting risk. Examples include, but are not limited to, the following:

- Underwriting risks are continually monitored. Underwriting guidance and restrictions, actuarial price modelling and price monitoring procedures are in place to ensure that the business undertaken is in line with risk appetite. In addition, aggregate exposures are continually monitored and adjustments made to the underwriting profile as appropriate.
- Reinsurance is used to help mitigate some of the above insurance risk. However, the possibility of reinsurance risk itself arises when reinsurance purchasing either proves inadequate in amount, fails to protect the underlying coverage or falls short when the reinsurer fails to pay. Refer to section C.3.2 for internal reinsurance credit risk mitigation technique.
- The SCR as calculated by the Standard Formula includes an assessment and quantification of the underwriting risk exposure.
- Risk and control assessments are carried out throughout the year by management and staff which are subject to review and challenge by Risk Management for the on-going monitoring of the risk profile of the company.
- Specific targeted risk assessments are carried out throughout the year by Risk Management focused on particular areas as initiated by the Risk Management Function, the Audit and Risk Committee, the Board or the business.

Underwriting risk comprises of 19% the undiversified SCR as at 31 December 2020 compared to 20% as at 31 December 2020.

#### **C.1.2.1 Reinsurance**

As part of Chubb risk management strategy, the company purchases reinsurance protection to mitigate its exposure to losses, including certain catastrophes to a level consistent with the risk appetite. Chubb maintains a strict authorised reinsurer list that stratifies authorised reinsurers by classes of business and acceptable limits. This list is maintained by our Global Reinsurance Security Committee. In addition, to the authorised list, there is a formal exception process that allows authorised reinsurance buyers to use reinsurers already on the authorised list for higher limits or other non approved reinsurers for specific purposes.

Reinsurance is purchased on an excess of loss or proportional basis. Risk excess of loss reinsurance provides coverage to a reinsured where it experiences a loss in excess of its retention level on a single risk basis, risk being defined as an insurance coverage. Proportional treaty reinsurance provides proportional coverage to the reinsured, meaning that, subject to event limits where applicable and ceding commissions, the same share of the covered original losses are proportionally shared with the reinsurer as CLE pay in premiums for the covered risks.

CLE evaluates the financial condition of our reinsurers and potential reinsurers on a regular basis and also monitors concentrations of credit risk with reinsurers.

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Since December 2016 CLE has utilised a 100% quota share arrangement for its two largest products – TAF and UIB – with Chubb Tempest Re. In order to mitigate the increased counterparty risk as a result of this transaction a combination of Trust Assets and a Letter of Credit have been established.

### **C.1.3 Risk Concentration including Future Risk Concentration Anticipated over the Business Planning Period**

The tables below outline the gross written premium by SII line of business and region as at 31 December 2020.

#### **Gross Written Premium based on SII Line of Business**

SII Line of Business:	Gross written premium	
	€'000	Percentage of total gross written premium
	2020	
Other life insurance	29,377	95.8%
Health insurance	1,360	4.0%
Life reinsurance	104	0.2%
<b>Total</b>	<b>30,840</b>	<b>100%</b>

#### **Gross Written Premium based on Region**

Regions:	Gross written premiums	Gross written premium
	€'000	€'000
	2020	2020
United Kingdom	4,788	16%
Netherlands	19,753	64%
Sweden	2,928	9%
Spain	1,755	6%
Finland	488	2%
France	619	2%
Others	509	2%
<b>Total</b>	<b>30,840</b>	<b>100%</b>

There have been no material changes in the risk concentration over the last 12 months. In addition, there are no changes in future concentrations of risk anticipated over the business planning period.

### **C.1.4 Risk Sensitivity**

The company carries out stress tests as part of the ORSA process to test the resilience of CLE's solvency to the material underwriting risks. CLE carried out stresses on mortality, morbidity and persistency rates. The analysis showed that CLE's solvency position is resilient to underwriting risk. The results showed that the most material impact was from the joint mortality and morbidity stress.

A 20% increase in the assumed mortality and morbidity rates results in approximately 2.2% reduction in Own Funds and a 0.2% increase in SCR. In contrast a reduction in lapse rate of 50% in approximately 1.6% reduction in Own Funds and a 1.1% increase in SCR.

## **C.2 Market Risk**

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### **C.2.1 Description**

Financial risk includes a wide range of risks associated with activities such as investments, credit, liquidity and the impact of foreign exchange fluctuations. Market risk, a type of financial risk is the risk of potential losses from adverse movements in market prices such as interest rates and exchange rates. Other financial risks particularly, credit and liquidity risk are covered below in sections C.3 and C.4 respectively.

### **C.2.2 Risk Measures and Mitigation**

A number of measures are in place to measure, mitigate and monitor market risk. Examples include, but are not limited to, the following:

- The company's Investment Committee functions under terms of reference determined by the Management Committee of the Board and is charged with establishing and effecting an appropriate investment policy. In addition the Committee has the responsibility for recommending the appointment and removal of investment managers, reviewing the managers' performance and reporting on all other material aspects of the investment function.

The Investment Committee has established a broad asset allocation policy which defines the limits for different asset types. The asset allocation cites two major asset classes: investment grade fixed income securities and alternative assets. Alternative assets can include equities, high-yield and emerging market instruments. Currently, the policy only permits investment grade fixed income securities, although this approach is regularly reviewed by the Investment Committee.

- Investment management agreements have been established. The agreements include specific guidelines for each individual portfolio in order to limit risks arising from duration, currency, liquidity, and credit and counterparty exposures. The managers provide quarterly affirmation of compliance with the guidelines. The investment guidelines include specific limits on exposure to individuals to minimise any concentration risk.
- The investment guidelines include restrictions relating to the maximum weighted average duration of the portfolio. The restriction is stated by reference to the permissible duration variance compared to the customised benchmark index by which the external investment managers' performance is assessed. The benchmarks have been established to provide comparable duration to the insurance liabilities.
- Additionally, investment guidelines are set allowing managers to invest a portion of the individual portfolios in securities not denominated in the designated core currency of the portfolio. The investment management agreements stipulate that the majority of any exposure to non-core currencies must be hedged to reduce mismatching risk, and these allocations are reviewed by the Investment Committee.

- The Solvency Capital Requirement as calculated by the Standard Formula includes an assessment and quantification of the market risk exposure.
- Risk and control assessments are carried out throughout the year by management and staff which are subject to review and challenge by Risk Management for the on-going monitoring of the risk profile of the company.
- Specific targeted risk assessments are carried out throughout the year by Risk Management focussed on particular areas as initiated by the Risk management Function, the Audit and Risk Committee, the Board or the business.

Market risk represents 76% of the undiversified SCR as at 31 December 2020. This is driven by the currency risk capital requirement, where CLE holds surplus assets in GBP rather than the risk free EUR.

### **C.2.3 Risk Concentration including Future Risk Concentration Anticipated over the Business Planning Period**

There have been no material changes in the risk concentration over the last 12 months.

Future concentrations of risk anticipated over the business planning period are identified and monitored through the on-going risk process, in particular, the Risk Appetite Statement Management Information. Although all assets are currently invested in investment grade fixed income securities, there are no material concerns regarding the concentrations of risk as the level of security associated with these securities is higher than that for alternative assets.

### **C.2.4 Prudent Person Principle and Assets held by the Company**

CLE's investment objectives include providing for capital flexibility, maintaining balance sheet strength, and holding high credit quality investment portfolios. Liquidity is prudently managed to ensure financial obligations, particularly the ability to pay claims, are met as they fall due under normal circumstances as well as during times of stress.

The majority of funds held are allocated within their investment portfolio. In addition, CLE maintains balances in interest bearing bank accounts but funds for which no immediate need is identified are generally allocated to the investment portfolios when available.

The bulk of CLE's investment portfolio is held in highly liquid instruments, where a significant portion of the portfolio is held in cash, cash equivalent or highly rated sovereign fixed income securities as shown in the table in section D.1.3.

The assets held by the company are compliant with the Solvency II Directive, specifically, the **prudent person principle** as applied to market risks. The assets held are appropriately understood and the associated risks have been identified, measured and taken into account in the company's overall solvency needs assessment. The assets held to meet the MCR and SCR meet the required security, quality, liquidity and availability. The duration of the assets is closely matched to the liabilities. The company does not invest in derivative instruments. All assets are held by counterparties through vehicles that are subject to a regulated financial market.

### **C.2.5 Risk Sensitivity**

The company carries out stress tests as part of the ORSA process to test the resilience of CLE's solvency to the material market risks. CLE carried out stresses on interest rates and currency fluctuations. The analysis showed that CLE's solvency position is resilient to market risk.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. To illustrate

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the downside risk within the other financial investments portfolio of €78.3 million at external managers as at 31 December 2020 (2019: €69 million), an increase of 100 basis points in interest yields across the portfolio consecutively has been calculated. Such an increase would decrease the market value of the investment portfolio and lead to a decrease in the total investment return of €12.3 million (2019: €10.8 million) and accordingly decrease total shareholder's funds by €9.8 million (2019: €8.7 million).

Sensitivity analysis for currency risk illustrates how a change in the value of Sterling against other currencies impacts the profit and loss results and balance sheet components. For the profit and loss account, the average euro/sterling rate of €1.129/£1 is down on the prior period (2019:€1.134/£1). Had sterling weakened by 10% against all currencies (primarily the euro) and all other variables remained constant, the profit before tax for the year would have been €0.1m less than the amount reported. For the monetary components of the balance sheet, the year-end rates used to convert euro to sterling have decreased by 8% to €1.103/£1 (2019:€1.134/£1). Assuming sterling had weakened by 10% against all currencies (primarily the euro) and all other variables remained constant, the effect of translating year end foreign branch net assets based on these parameters would have no impact in the current year due to offsetting balance sheet asset / liability amounts denominated in foreign currencies.

### **C.3 Credit Risk**

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#### **C.3.1 Risk Description**

The company is exposed to credit risk (counterparty default risk), where material sources of this risk arise from investment in asset portfolio, use of reinsurance and involvement with other counterparties. The company relies on both external reinsurance providers and internal reinsurance providers within the Chubb group. Risks associated within where risks associated with internal reinsurance are discussed further within Group Risk.

#### **C.3.2 Risk Measures and Mitigation Techniques over the Current and Business Planning Period**

A number of measures are in place to measure, mitigate and monitor credit risk. Examples include, but are not limited to, the following:

- The investment guidelines seek to limit the credit risk of each of the portfolios through specifying eligible/ineligible investments, establishing maximum counterparty exposures and setting minimum weighted credit and individual issuer credit quality.
- Reinsurance guidelines are in place to seek to limit the credit risk associated with reinsurance through specifying approved/unapproved reinsurers, setting minimum individual issuer credit quality and setting maximum counterparty exposures by credit quality.
- The Solvency Capital Requirement as calculated by the Standard Formula includes an assessment and quantification of the credit risk exposure within the market risk and counterparty default risk calculations.
- Risk and control assessments are carried out throughout the year by management and staff which are subject to review and challenge by Risk Management for the on-going monitoring of the risk profile of the company.
- Specific targeted risk assessments are carried out throughout the year by Risk Management focused on particular areas as initiated by the Risk Management Function, the Audit and Risk Committee, the Board or the business.

- As at 31 December 2020, there are no material risk exposures or changes required to the risk mitigation techniques anticipated over the business planning period as those currently in place remain appropriate.
- The average Standard and Poor's credit rating for reinsurance recoverables and reinsurance receivables is AA as at 31 December 2020. This is unchanged from 31 December 2020.
- Where appropriate the company seeks to obtain collateral from counterparties to mitigate the credit risk exposure from insurance activities. At 31 December 2020 the collateral provided to the company totalled €78.8 million (2019: €64.3 million) of which €21.7 million is represented by a Letter of Credit and €57.1 million represented in the form of a Trust from Chubb Tempest Re. There are also two unlimited guarantees from Combined Insurance Company of America in respect of any fines and regulatory penalties that may be imposed.

Counterparty default risk represents 2.2% of the undiversified SCR as at 31 December 2020, where this considers credit risk exposures within cash at bank and reinsurers. Credit risk exposures associated with investments is considered implicitly within the market risk calculations.

### C.3.3 Risk Concentration including Future Risk Concentration Anticipated over the Business Planning Period

The assets bearing credit risk are:

<b>Asset Category:</b>	<b>Solvency II value €'000</b>	<b>Percentage of total Solvency II value</b>
Investments	79,274	45%
Reinsurance recoverables	80,927	46%
Reinsurance receivables	5,939	3%
Insurance and intermediaries receivables	4,757	3%
Receivables (trade, not insurance)	5,670	3%
<b>Total assets bearing credit risk</b>	<b>176,566</b>	<b>100%</b>

The Standard and Poor's credit ratings for investments net of accrued interest of € of €882k are as follows:

<b>Asset Category:</b>	<b>Investments €'000</b>
AAA	872
AA	49,129
A	12,578
BBB	15,593
Below BBB or unrated	220
<b>Total</b>	<b>78,392</b>

There have been no material changes in the risk concentration over the last 12 months. In addition, there are no changes in future concentrations of risk anticipated over the business planning period.

### **C.3.4 Risk Sensitivity**

The company carries out stress tests as part of the ORSA process to test the resilience of CLE's solvency to the material credit risks. CLE carried out stresses on credit rating downgrade of key reinsurance counterparties which results in approximately a 21.7% increase in the SCR. The analysis showed that CLE's solvency position is resilient to credit risk. Sensitivity in respect to credit spread risk is covered in section C.2.5 Risk Sensitivity.

## **C.4 Liquidity Risk**

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### **C.4.1 Risk Description**

Liquidity risk is the potential that the company is unable to meet its payment obligations as they fall due.

### **C.4.2 Risk Measures and Mitigation Techniques over the Current and Business Planning Period**

A number of measures are in place to measure, mitigate and monitor liquidity risk in addition to those described above for market risk. Examples include, but are not limited to, the following:

- The company maintains funds in the form of cash or cash equivalents to meet known cash flow needs.
- The asset allocation policy and the investment guidelines are structured in order to ensure that funds are held in investment grade fixed income securities, the proceeds of which are readily realisable.
- The company also benefits from Chubb Group letter of credit facilities which are available to meet certain funding needs.
- The company participates in a notional pooling programme with other Chubb Limited Group companies enabling the company to access immediate short term liquidity.
- Risk and control assessments are carried out throughout the year by management and staff which are subject to review and challenge by Risk Management for the on-going monitoring of the risk profile of the company.
- Specific targeted risk assessments are carried out throughout the year by Risk Management focused on particular areas as initiated by the Risk Management Function, the Audit and Risk Committee, the Board or the business.
- Specific targeted risk assessments are carried out throughout the year by Risk Management focused on particular areas as initiated by the Risk Management Function, the Audit and Risk Committee, the Board or the business.
- As at 31 December 2020, there are no material risk exposures or changes required to the risk mitigation techniques anticipated over the business planning period as those currently in place remain appropriate.

Liquidity risk is not explicitly measured as part of the Standard Formula SCR, however, it is considered when determining the appropriate level of ORSA capital. As at 31 December 2020 a significant portion of the company's investment portfolio is held in cash, cash equivalent or highly rated sovereign fixed income securities which provides a material margin over and above planned operating cashflows.

### **C.4.3 Risk Concentration including Future Risk Concentration Anticipated over the Business Planning Period**

The bulk of CLE's investment portfolio is held in highly liquid instruments. As at 31 December 2020 a significant portion of the company's investment portfolio is held in cash, cash equivalent or highly rated sovereign fixed income securities which provides a material margin over and above planned operating cash flows.

There have been no material changes in the risk concentration over the last 12 months. Future concentrations of risk anticipated over the business planning period are identified and monitored through the on-going risk process, in particular, the Risk Appetite Statement Management Information. As the company remains in line with the asset allocation policy and investment guidelines, and no additional concerns have been raised through the risk process, there are no material concentrations of risk anticipated over the business planning period.

### **C.4.4 Risk Sensitivity**

The company carries out stress tests as part of the ORSA process to test the resilience of CLE's liquidity to the material risks. The liquidity test measures potential impact on liquidity in the aftermath of an event. The stress testing carried out throughout 2020 supports the adequacy of the liquidity positions adopted by the company.

## **C.5 Operational Risk**

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### **C.5.1 Risk Description**

Operational risk is the possibility of loss resulting from inadequate or failed internal processes, people or systems, or from external events other than those falling within strategic risk as defined below. Significant operational risk sources include claims processing, IT security, outsourcing and vendor management, business continuity, fraud, and regulatory compliance (including conduct risk).

### **C.5.2 Risk Measures and Mitigation**

A number of measures are in place to measure, mitigate and monitor operational risk. Examples include, but are not limited to, the following:

- A number of company-wide frameworks have been established and implemented to identify, measure, mitigate and monitor operational risks across the company. The frameworks range from information security risk and business continuity risk to conduct risk.
- Operating guidelines established for each business function across the company seek to minimise operational risks arising from internal processes or systems.
- Corporate policies established including the Code of Conduct, recruitment, learning and development, disciplinary and grievance, diversity and equal opportunities seek to minimise people-related operational risks. These policies are supported through a company-wide performance management process and on-going company-wide training.
- The Solvency Capital Requirement as calculated by the Standard Formula includes an assessment and quantification of the operational risk exposure.
- Risk and control assessments are carried out throughout the year by management and staff which are subject to review and challenge by Risk Management for the on-going monitoring of the risk profile of the company.
- Specific targeted risk assessments are carried out throughout the year by Risk Management focused on particular areas as initiated by the Risk Management Function, the Audit and Risk Committee, the Board or the business.
- As at 31 December 2020, there are no material risk exposures or changes required to the risk mitigation techniques anticipated over the business planning period as those currently in place remain appropriate.

Operational risk represents 3.0% the undiversified SCR as at 31 December 2020.

### **C.5.3 Risk Concentration**

There are no risk concentrations in respect of operational risk.

### **C.5.4 Risk Sensitivity**

Operational risk is assessed through the ORSA process. The stress testing carried out throughout 2020, which includes a number of operational risk events, supports the adequacy of the current capital and liquidity positions adopted by the company in the event of adverse operational events.



## **C.6 Other Material Risks**

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The company's risk profile also considers strategic and group risks.

Strategic risk refers to the outcome from sub-optimal decisions that may be made or not made in respect of strategic planning, execution of strategy or responsiveness to changes in industry or competitive landscapes.

The Board is responsible for the management of strategic risks by approving the strategic and annual plans. The Board also receives updates on the execution of the plan with reports produced to monitor and track business performance against the approved plan.

Group risk is the potential impact on the company of risks arising in other parts of the Chubb Group. This could include direct or indirect financial loss and operational, reputational or regulatory issues. As a strategically important member of the Chubb Group, the company uses Group resources in a number of areas, including IT and asset management, as well as reinsurance and capital support.

Group risk is assessed, monitored and reported as part of the company's risk management processes. Additionally, contractual intra-group arrangements are governed in an appropriate arms-length manner. They involve formal contracts, equitable and transparent transfer pricing, and full respect for the integrity thereof, as well as all laws and regulations facing the legal entities in question.

The use of reinsurance, which is primary mitigation technique used to meet the business plan, is considered under Group risk. Internal reinsurance within Chubb in particular leads to the risk of reinsurance concentration and exhaustion. The main internal reinsurer is CTLRe and the exposure to this reinsurer is monitored through the on-going risk process.

There exists a letter of support from Group outlining Group's commitment to the company to provide a capital injection in order to maintain the regulatory SCR, if necessary. Collateral arrangements to offset the credit risk associated with the CTLRe were also established in 2017.

The company carries out stress tests as part of the ORSA process to test the resilience of CLE's solvency to the material credit risks. CLE carried out stresses on credit rating downgrade and default of CTR. The analysis showed that CLE's solvency position is resilient to a 3 notch credit rating downgrade of CTR and the impact on the solvency position of a CTR default has been accepted by Management in light of the letter of support and collateral arrangements in place.

## **C.7 Any other Information**

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CLE does not hold infrastructure investments and does not sell variable annuities.

## **C.8 Infrastructure Investments and Variable annuities**

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CLE does not hold infrastructure investments and does not sell variable annuities

## D. Valuation for Solvency Purposes

### D.1 Assets

The valuation of the assets on the Solvency II balance sheet is as follows:

	Solvency II	French GAAP	Variance
As at 31 December	2020	2020	2020
	€'000	€'000	€'000
Deferred acquisition costs	-	0	-
Deferred tax assets	371	-	371
Investments (and assets held for index-linked and unit-linked contracts)	79,274	66,673	12,601
Reinsurance recoverables	80,927	135,168	-54,242
Insurance and intermediaries receivables	4,757	4,757	0
Reinsurance receivables	5,939	5,939	0
Receivables (trade, not insurance)	5,670	5,670	0
Cash and cash equivalents	6,497	6,497	0
<b>Total assets</b>	<b>183,434</b>	<b>225,586</b>	<b>-54,231</b>

The valuation for Solvency II purposes by material class of assets is as follows:

#### D.1.1 Deferred Tax Assets and Liabilities

Under Solvency II, provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Under French GAAP, no allowances are made for deferred tax assets at all. The commentary below however is focussed on the deferred tax impact of Solvency II adjustments, since these are significant.

The rates enacted, or substantively enacted, at the reporting date are used to value the deferred tax assets ("DTAs") and liabilities. DTAs are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

The principal temporary differences arise from valuation differences arising under the Solvency II regime for the technical provisions. As the company used French GAAP accounting principles in 2020, differences between Solvency II and French GAAP valuation bases are subject to deferred tax. Other temporary differences arise from the depreciation of property and equipment.

A material DTA arises on the conversion from French GAAP to Solvency II. This DTA naturally unwinds over a short period as it relates to timing differences in the recognition of profit between the two bases rather than the accumulation of past losses. Given the biggest valuation difference is the creation of risk margin under Solvency II, this DTA will reverse proportionally over the settlement period of the outstanding losses.

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### D.1.2 Investments

Investments comprise the following:

	<b>Solvency II</b>	<b>French GAAP</b>	<b>Variance</b>
<b>As at 31 December</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Government bonds	48,322	40,641	7,681
Corporate bonds	30,952	26,032	4,920
Collateralised securities	0	0	0
Collective investment undertakings	0	0	0
<b>Total investments</b>	<b>79,274</b>	<b>66,673</b>	<b>12,601</b>

Investments are recognised at fair value with any transaction costs being expensed as incurred. The fair value is inclusive of any interest accrued thereon.

Within this account line, bonds have an active market and therefore the fair value is the latest quoted market price as at the reporting date.

Collective investment undertakings and collateralised securities are measured at fair value and for Solvency II is per the latest quoted market values as at the reporting date.

The difference between Solvency II and French GAAP is the unrealised gain and losses and the accrued interest on fixed income securities that is recognised in the investments value under Solvency II but not in French GAAP.

### D.1.3 Reinsurance Recoverables

This balance includes the reinsurers' share of the claims provisions and the reinsurers' share of the premium provision.

### D.1.4 Insurance, Reinsurance & Intermediaries Receivables

Insurance, Reinsurance and Intermediaries receivables are recognised at fair value less any provision for impairment. Any impairment of a receivable will be recognised if there is evidence that the company will not be able to collect the amounts receivable according to the original terms of the receivable.

### **D.1.5 Receivables (Trade, not Insurance)**

These balances largely represent amounts receivable from fellow Group Companies. The amounts presented are considered to be representative of fair value as these are the amounts which must be received in order to settle the obligation.

### **D.1.6 Cash and Cash Equivalents**

Cash at bank and in hand are repayable on demand and as such their carrying values are equivalent to fair values.

### **D.1.7 Changes to Valuation of Assets in the Period**

There have been no changes to CLE's methodology for recognition and valuation of assets during the reporting period under Solvency II.

### **D.1.8 Major Sources of Estimation Uncertainty**

Major sources of estimation uncertainty are related to the recognition of deferred tax assets (refer to section D.1.1 for details) and reinsurance recoverables (refer to sections D.1.4 & D.2.4 for details).

## **D.2 Technical Provisions**

The value of technical provisions for solvency purposes, as at 31 December 2020, based on Solvency lines of business was as follows:

<b>SII Line of Business:</b>	<b>Gross best estimate</b>	<b>Ceded best estimate</b>	<b>Net best estimate</b>	<b>Add gross risk margin</b>	<b>Add net risk margin</b>	<b>Gross TPs</b>	<b>Net TPs</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Health insurance	1,160	1,378	(218)	2,218	1,655	3,379	1,437
Other life insurance	89,534	79,548	9,985	28,757	2,109	118,291	12,094
Life reinsurance	4	-	4	-	-	4	4
<b>Total</b>	<b>90,698</b>	<b>80,927</b>	<b>9,771</b>	<b>30,976</b>	<b>3,793</b>	<b>121,674</b>	<b>13,535</b>

### **D.2.1 Summary**

The technical provisions are calculated as a best estimate and a risk margin. The best estimate is based on probability-weighted cashflows with consideration for the time value of money, and considers all cash inflows and outflows. The risk margin is assumed to be the amount required to take over and meet the (re)insurance obligations, and represents the cost of providing eligible own funds equal to SCR necessary to support these obligations.

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The technical provisions are calculated gross of reinsurance with appropriate allowance for reinsurance recoveries.

- Consideration is given to the time delay between recoveries and direct payments.
- An allowance is made for potential default of counterparties.

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

### **D.2.2 Best Estimate Liabilities (“BEL”)**

The best estimate liabilities (“BEL”) for the majority of CLE’s products have been calculated using a gross premium methodology, whereby the BEL is calculated as the present value of the probability-weighted average of future cashflows.

For some of CLE’s products, alternative valuation methods are used instead of using a gross premium reserving model. There are some long-term products valued using manual reserves and some short term products valued using an unearned premium reserve (“UPR”).

The BEL considers all future cashflows relating to all in force policies as well as bound but not yet incepted policies, including:

- Future premiums, allowing for escalation
- Benefit payments, including death, sickness, disability and maturity benefits
- Expenses relating to the in-force business, with an allowance for expense inflation
- Commission payments in relation to the in-force business

The mortality and lapse estimates, which are used in the benefit and premium provision calculations, are based on the latest Actuarial experience investigations. Regular experience studies are carried out on product lines with sufficient credible data to ensure that actual experience is in line with expectations. No prudent margins are added to the best estimate basis to form the overall assumptions used for valuing the long term business provisions. The basis is continually reviewed and discussed with the Chief Actuary prior to being submitted to the Board for approval.

The expense assumptions are based on identifying costs in respect of maintaining the enforce book and allowing for any appropriate inflationary costs.

The reinsurers’ share of the Claims and Premium Provisions is based on the current and historic reinsurance programmes in place for each class of business.

The cashflow projections take account of all cash inflows and outflows that comprise the claims and premium provisions. Where deemed appropriate the cashflows take account of delays in reinsurance cashflows relative to the outwards cashflows. Cashflow analyses are performed at a granular product level so that different cashflow timing characteristics for each product are recognised. The analyses are based on statistical methods applied to the past data for each item, or data for closely related items.

In line with the Solvency II directive, all liability cashflows are discounted using term-dependent discount rates as published by EIOPA.

### **D.2.3 Risk Margin**

The risk margin is calculated using the cost-of-capital approach. This means that the risk margin is calculated as the present value, at a risk free rate of interest, of the expected cost incurred by the reference undertaking in raising capital to fund the SCR relating to the transferred liabilities until such time as they are fully run-off.

It is assumed that all market risk is hedgeable, that is, the reference undertaking is assumed to invest in such a way that there is no residual market risk.

The SCR of non-hedgeable risks at each future point in time is multiplied by 6% and the discounted using the EUR discount curve for the valuation date as provided by EIOPA. This represents the additional cost of capital above the risk free rate that the reference undertaking would require to take on the risks associated with the insurance contracts.

CLE has adopted a simplified approach to the projection of its SCR through a series of risk drivers to project the run-off of the initial Solvency Capital over the lifetime of the existing business. Expert judgement has been applied to the choice of risk drivers detailed in the table below:

SCR Component	Varies by	Risk Driver	Justification
Life catastrophe risk	Short-term business	No driver used – assumed to be 0 after current year.	This is catastrophe risk only for short term business so no policies should be in force beyond the first year.
	Long-term life business	Net (of reinsurance) sum assured for the long-term life business	<p>The valuation date catastrophe risk capital can be closely approximated as</p> <p><i>Net Sum At Risk * stress to mortality rates.</i></p> <p>Net Sum At Risk is equal to Net Sum Assured less Net BEL.</p> <p>Given that for CLE's business, the sum assured is much greater than the Net BEL, Net Sum Assured has been used as the simplified risk driver for catastrophe risk.</p>
Life mortality risk	TAF	Present value of death benefits for TAF business	<p>The life mortality risk stress is a constant 15% percentage shock to mortality rates, which results in the present value of the stressed death benefits being 15% higher than the base death benefits, subject to the second order impact of a faster policy count run-off in the stress scenario.</p> <p>The mortality risk capital requirement is, subject to this second order impact, therefore constant as a percentage of the present value of death benefit outgo</p>
	Other long-term life	Present value of retained death benefits for other long-term life business	As above.

SCR Component	Varies by	Risk Driver	Justification
Life lapse risk	TAF	Premiums in-force on TAF business	<p>The lapse risk capital is expected to be positively related to:</p> <ol style="list-style-type: none"> <li>1. Volume of business in-force; and</li> <li>2. Duration of in-force cashflows.</li> </ol> <p>This is because, all else being equal, a greater volume of business will result in a greater lapse risk capital charge. Also, in a low interest rate environment, the BEL of policies with cashflows that have a longer duration will, all else being equal, be more greatly affected by a shock to lapse rates than policies of shorter durations, as the impact of the lapse shock is compounded such that long-dated cashflows are affected the most.</p> <p>Projecting the lapse risk capital with premiums in force will make allowance for 1 above, but does not make allowance for the reducing duration to which the in-force cashflows will be subject over the course of the projection. Therefore projecting the lapse risk capital requirement with premiums in-force is likely to slightly overstate the “true” projected figure. Given this, and given that there are no obvious simplifications that capture the progression of lapse risk capital more accurately without significantly increased complexity, we are therefore satisfied that this simplification is appropriate.</p> <p>It is assumed that the same lapse stress direction will be the most onerous throughout the lifetime of the contracts.</p> <p>Given the different run-off patterns of TAF and UIB, with UIB policies generally having longer terms than TAF policies, TAF lapse risk capital has been projected separately from UIB (and other).</p>
	Other long-term life	Premiums in-force on other long-term life business	Justification as per above.
Life disability risk	N/A	Run-off linearly until the final termination date for the Sweden Modular book.	The life morbidity risk capital arises only from the Sweden Modular business and is not material.

SCR Component	Varies by	Risk Driver	Justification
Life longevity risk	N/A	Premiums in-force on long-term life business (other than TAF)	<p>The longevity risk on life business relates to the risk of policyholders living longer to claim any disability benefits, or return of premium benefits payable on maturity.</p> <p>The longevity risk will therefore be proportional to the potential benefits payable on claim.</p> <p>Given the mix of lump sum benefits and monthly regular benefits, the relative size of the amount of risk is determined to be proportional to premiums, which should reflect benefit size and likelihood of claim.</p> <p>Given life longevity risk is not particularly material for CLE, this simplified risk driver is proportionate to the risk.</p>
Life expense risk	N/A	Present value of future expenses for life business	The life expense stress consists of an increase of 10% to expenses and a 1% increase to future expense inflation. We believe that the impact of such a stress would be likely to be roughly in proportion to the present value of future expenses.
Health mortality risk	N/A	Present value of retained benefits for health business	Justification as per above.
Health longevity risk	N/A	Premiums in-force on long-term health business	<p>The longevity risk on health business relates to the risk of policyholders living longer to claim critical illness and disability benefits. The longevity risk will therefore be proportional to the potential benefits payable on claim.</p> <p>Given the mix of lump sum benefits and monthly regular benefits, the relative size of the amount of risk is determined to be proportional to premiums, which should reflect benefit size and likelihood of claim.</p> <p>Given health longevity risk is not particularly material for CLE, this simplified risk driver is proportionate to the risk.</p>
Health disability-morbidity	N/A	Present value of retained benefits for health business	<p>The health disability-morbidity risk is directly related to the amount of benefits payable under the health policies.</p> <p>Therefore, it is assumed that the health disability-morbidity risk will run-off in line with the present value of benefits for the health business.</p>



SCR Component	Varies by	Risk Driver	Justification
Health catastrophe	N/A	Net (of reinsurance) total benefits for the long-term health business	<p>The health catastrophe risk is directly related to the amount of benefits payable under the health policies, though with different events applying to different policies.</p> <p>Given the low materiality of health catastrophe risk for CLE, this simplified approach of aggregating the run-off, as opposed to splitting out different components, is proportionate to the risk.</p>
Health lapse risk	N/A	Premiums in-force on long-term health business	<p>Justification as per above.</p> <p>It is assumed that the same lapse stress direction will be the most onerous throughout the lifetime of the contacts.</p>
Health expense risk	N/A	Present value of future expenses for life business	Justification as per life expense risk above.
Counterparty default risk	N/A	Reinsurance recoverables	The majority of the counterparty default risk is in respect of the risk of reinsurer default, and the counterparty default risk capital requirement is correlated to the loss given default, of which the reinsurance recoverable is a significant component.
Operational risk	N/A	Projected premiums	Operational risk is calculated in future years based on projected future premiums and the formula set out in the Delegated Acts.

#### **D.2.4 Methods and Assumptions**

The methods and assumptions described below are consistent across all lines of business unless explicitly stated otherwise.

##### ***Premium and Benefit Projections***

###### ***Unearned Premium Reserves (“UPRs”)***

A small number of policies (c.2000) use a UPR approach to determine the BEL. The additional model build and run time required to include these in the Solvency II cash flow models would not be justified by the expected change in the BEL.

###### ***Incurred But Not Reported Claims Reserves (“IBNRs”)***

IBNR reserves are calculated as follows:

- For Norway Group Life business that inceptioned in 2011 and 2012, different IBNR factors are applied to the earned premium depending on the nature of the cover and time elapsed after the cover start date. These factors were supplied by the reinsurer and cross-checked against paid development ratios observed on a major Norwegian association scheme.
- For Norway Group Life business that inceptioned in 2013 or later, IBNR claims are estimated as the difference between the expected claims during the period (based on the most recent best estimate loss ratios) and any actual claims paid or reported during the period.
- For other Group Life business, IBNR percentages are based on the latest loss ratios, which are informed by those used in pricing and, in some cases, supplemented by experience, allowing for an assumed claims reporting delay which varies depending on the nature of the cover.
- For all YRT business, the allowance for IBNR claims is based on the average expected loss ratio from the pricing basis, with an assumed claims reporting delay.
- For TAF and UIB business, the IBNR is calculated by looking at the past distribution of claims and the respective reporting delays in order to measure the expected claims during the period.

###### ***Manual Reserves***

The products valued using a manual reserve have very low policy counts (<100) and the additional model build and run time required to include these in the Solvency II cash flow models would not be justified by the expected change.

##### ***Options & Guarantees***

CLE consider the financial impact of options and guarantees to be immaterial. The guarantees within the contracts written are mainly in respect of death and maturity the cost of which are included in the BEL.

There is one group of policies that offer surrender values. This is broadly equal in value to the BEL and has not been model explicitly.

###### ***Events Not in Data (“ENIDs”)***

No explicit adjustments have been made to the mortality, morbidity or lapse assumptions to reflect the impact of ENIDs. Over a significant range of outcomes ENIDs cancel each other out or do not have a significant impact on the level of reserves.

##### ***Investment Expenses***

A best estimate reserve in relation to investment expenses on assets backing the BEL is calculated separately to the policy expenses. This calculated as a fixed proportion of the net BEL in each projection period, where this has been grossed up approximately to allow for the best estimate reserve for investment expenses – these are then discounted using the GBP discount rate.

##### ***Discounting***

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Discounting of cashflows is performed at a currency level using yield curves provided by EIOPA.

### ***Contract Boundaries***

Due to the nature of its business, the contract boundary for the vast majority of its insurance contracts is well defined. For life and health contracts that have a fixed termination date, the contract boundary is assumed to be the earlier of the termination date and the date of any claim that results in termination of the policy. For business with no fixed termination date, there is no fixed contract boundary and cashflows are projected until the point at which policyholders have assumed to claim.

CLE has a small volume of term assurance business with a guaranteed insurability option ("GIO"), under which policyholders are entitled, at termination date of their existing policy, to take out further life cover on standard terms without underwriting. As CLE does not have the right to review the benefits payable under this renewal of cover arising from the GIO, a manual reserve is held that represents the portion of claims under renewed cover that CLE would not expect to pay out if it were permitted to underwrite the renewal of life cover and fully reflected the risk in pricing. Therefore the contract boundary for policies with a GIO is assumed to be beyond the termination date of the policyholders existing contract.

### ***Reinsurance***

Where applicable, allowance is made for any amounts payable to or from internal or external reinsurers under current reinsurance arrangements. For all of CLE's products the reinsurance recoverables have been calculated using the same method as the BEL.

All existing external reinsurance treaties are structured as 'risk premium' arrangements.

Reinsurance premiums for internal reinsurance arrangements are calculated on an original terms basis with the reinsurance premiums being a percentage of the policyholder premium.

An allowance is made for a reinsurer default via a deduction to reinsurer recoverables. Given that the reinsurance arrangements in place are relatively standard in nature, with the majority of the reinsurance being on a quota share basis and the high credit rating of the reinsurers, CLE has chosen to undertake a simplified approach. The simplified approach is in accordance with Article 61 of the Delegated Acts.

## ***D.2.5 Level of Uncertainty associated with the Value of the Technical Provisions***

The main areas of uncertainty are:

- How future experience will emerge compared to the best estimate assumptions used to calculate the technical provisions. The key assumptions are mortality rates, lapse rates and interest rates. A 20% increase in the assumed mortality and morbidity rates results in approximately 10.6% increase in technical provisions. In contrast a reduction in lapse rate of 50% results in approximately 7.6% increase in technical provisions. Experience is monitored on a regular basis to ensure the uncertainty is well understood.
- For some product lines there is limited or no credible experience data available, so the assumptions have been set using expert judgement and peer group benchmarking.

## ***D.2.6 Solvency II and GAAP valuation differences of the technical provisions by material line of business***

As outlined in Summary and Introduction section, the French GAAP now uses Solvency II valuation assumptions and methodologies.

### **D.2.7 Recoverables from Reinsurance Contracts and SPVs**

Refer to “Reinsurance” in Section D.2.4 Methods and assumptions.

## **D.3 Other Liabilities**

The valuation of liabilities in the Solvency II balance sheet is as follows:

	<b>Solvency II</b>	<b>French GAAP</b>	<b>Variance</b>
<b>As at 31 December</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Deposits from reinsurers	128	128	0
Deferred tax liabilities	1,550	0	1,550
Reinsurance payables	0	0	0
Payables (trade, not insurance)	0	0	0
Any other liabilities, not elsewhere shown	271	271	0
<b>Total other liabilities</b>	<b>1,950</b>	<b>399</b>	<b>1,550</b>

The valuation for Solvency II purposes by material class of other liabilities is as follows:

### **D.3.1 Deposits from Reinsurers**

The French GAAP balance sheet value represents the amount that would be due back to the reinsurer ‘on demand’. This is considered to be representative of the fair value of the liability and therefore the same value is attributed for Solvency II purposes.

### **D.3.2 Deferred Tax Liabilities**

See ‘Deferred taxation’ in section D.1.1 above.

### **D.3.3 Reinsurance Payables**

Similar to the above, reinsurance payables which are due / overdue continue to be presented separately on the SII balance sheet as a liability. Amounts not yet due are considered a future cash flow and are included as part of technical provisions.

### **D.3.4 Payables (Trade, not Insurance)**

The balance predominantly relates to general accounts payable and current tax liabilities. As these are the amounts required to be paid to settle the obligations they are considered consistent with a fair value.

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#### ***D.3.5 Any Other Liabilities, not elsewhere shown***

The balance predominantly relates to expense accruals. As this is the amount required to be paid to settle the obligations it is considered consistent with a fair value.

#### ***D.3.6 Changes to Valuation of Other Liabilities in the Reporting Period***

There have been no changes to CLEC's methodology for valuing other liabilities in the period.

#### ***D.3.7 Major Sources of Estimation Uncertainty Associated with the Value of Other Liabilities***

Major sources of estimation uncertainty are related to the valuation of reinsurance payables (refer to sections D.3.3 & D.2 for details).

### **D.4 Alternative Methods of Valuation**

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Alternative methods of valuation are not used by CLE.

### **D.5 Any Other Information**

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All material information regarding the valuation of assets and liabilities for solvency purposes has been disclosed in sections D1-D3 above.

## E. Capital Management

### E.1 Own Funds

#### E.1.1 Capital Management Objectives (including Own Funds)

CLE assesses its capital needs on a risk management basis and maintains an efficient capital structure consistent with the company's risk profile and business requirements, and to meet regulatory requirements. The company seeks to maintain financial strength and capital adequacy to support business growth and meet the requirements of policyholders, rating agencies and regulators, whilst retaining financial flexibility by ensuring substantial levels of liquidity. Once the capital needs have been met, it is the policy of the company to distribute any surplus capital through dividends to its ultimate parent company.

From a prudential perspective, CLE is regulated by the ACPR and is subjected to insurance solvency regulations that specify the minimum amount and type of capital that must be held. Accordingly CLE's regulatory capital requirements are set according to the Solvency II standard formula.

The primary objectives of the company in managing capital can be summarised as follows:

- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to manage exposures to key risks;
- to maintain financial strength to support new business growth;
- to generate a return to shareholders; and
- to retain financial flexibility by maintaining strong liquidity.

#### E.1.2 Policies and Processes

The company holds own funds entirely in Tier 1. The calculation process is therefore straightforward as own funds are valued based on the Solvency II valuation principles for assets and liabilities documented above. The company will restrict any small amounts of own funds that are not available to policyholders generally. Larger amounts will be recognised as a ring-fenced fund.

There has been no material change to the policies and processes for managing own funds over the reporting period.

#### E.1.3 Summary of Own Funds

The company's own funds represents net assets valued on a Solvency II basis and comprised of:

Own Funds	Tier 1 unrestricted	Tier 1 unrestricted
	2020	2019
As at 31 December	€'000	€'000
Represented by:		
Ordinary share capital	6,128	6,128
Reconciliation reserve	58,758	52,461
<b>Total basic own funds</b>	<b>64,886</b>	<b>58,392</b>

Ordinary share capital comprises allocated, called up and fully paid ordinary shares of as at 31 December 2020. Dividends on ordinary shares are cancellable at any time prior to payment and therefore are classified as Tier 1 under Solvency II regime.

The key elements of the reconciliation reserves are as follows:

<b>Reconciliation Reserve</b>	<b>Tier 1</b>
<b>As at 31 December 2020</b>	<b>2020</b>
	<b>€'000</b>
Total assets (section D.1)	183,434
Less total liabilities (sections D2 and D3)	118,548
Excess of assets over liabilities	<b>64,886</b>
Share capital	-6,128
<b>Total reconciliation reserve</b>	<b>58,758</b>

The company's own funds are wholly eligible to meet the Solvency Capital Requirements and Minimum Capital Requirement. Furthermore, all Tier 1 capital is permanently available to cover losses.

#### **E.1.4 Eligible Own Funds to cover SCR by Tier**

The total Tier 1 own funds of are eligible to cover SCR. CLE has sufficient eligible own funds to cover SCR.

#### **E.1.5 Eligible Own Funds to cover MCR by Tier**

The total Tier 1 own funds of are eligible to cover MCR. CLE has sufficient eligible own funds to cover MCR. The on-going coverage rate for MCR 941%.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

### E.2.1 Solvency Capital Requirement

CLE applies the standard formula approach for the Solvency Capital Requirement ("SCR") calculation.

The SCR as at 31 December 2020 and its split by risk modules are summarised as follows:

As at 31 December 2020	Risk Category	EUR
(1a)	<b>Lines 1 - 8 net of loss absorbing capacity of technical provisions</b>	9,596
	Interest Rate Risk	
(1b)	Equity Risk	
(1c)	Property Risk	
(1d)	Spread Risk	3,157
(1e)	Concentration Risk	
(1f)	Currency Risk	19,057
(1g)	Diversification within market risk	(7,587)
<b>(1)</b>	<b>Total Market Risk</b> <b>[ sum (1a) - (1g) ]</b>	<b>24,223</b>
(2a)	Type 1 (Reinsurer Default, etc)	883
(2b)	Type 2 (Intermediary / Policyholder Default, etc)	23
(2c)	Diversification within Counterparty Default Risk	(6)
<b>(2)</b>	<b>Total Counterparty Default Risk</b> <b>[ sum (2a) - (2c) ]</b>	<b>900</b>
<b>(3)</b>	<b>Total Life Underwriting Risk</b>	<b>2,966</b>
(4a)	Health SLT Risk	2,865
(4b)	Health Non SLT Risk	
(4c)	Health Catastrophe Risk	11
(4d)	Diversification within Health Underwriting Risk	(8)
	<b>Total Health Underwriting Risk</b>	

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<b>(4)</b>	<b>[ sum (4a) - (4d) ]</b>	<b>2,867</b>
(5a)	Non-life Premium and Reserve Risk (ex Catastrophe Risk)	
(5b)	Non-life catastrophe Risk	
(5c)	Lapse Risk	
(5d)	Diversification within Non-Life Underwriting Risk	
<b>(5)</b>	<b>Total Non-Life Underwriting Risk</b> <b>[ sum (5a) - (5d) ]</b>	
<b>(6)</b>	<b>Total Before Diversification Between Risk Categories [ (1) + (2) + (3) + (4) + (5) ]</b>	<b>30,956</b>
<b>(7)</b>	<b>Diversification Between Risk Categories</b>	<b>(4,631)</b>
<b>(8)</b>	<b>Intangible asset risk</b>	
<b>(9)</b>	<b>BSCR net of loss absorbing capacity of technical provisions [ (6) + (7) + (8) ]</b>	<b>26,325</b>
<b>(10)</b>	<b>BSCR gross of loss absorbing capacity of technical provisions</b>	<b>26,325</b>
<b>(11)</b>	<b>Total Operational Risk</b>	<b>1,242</b>
<b>(12)</b>	<b>Loss absorbing capacity of technical provisions</b>	
<b>(13)</b>	<b>Loss absorbing capacity of deferred tax</b>	
<b>(14)</b>	<b>Solvency Capital Requirement excluding capital add-on [ (10) + (11) + (12) + (13) ]</b>	<b>27,567</b>
<b>(15)</b>	<b>Capital add-on</b>	
<b>(16)</b>	<b>Solvency Capital Requirement including capital add-on [ (14) + (15) ]</b>	<b>27,567</b>

The CLE standard formula SCR has used simplified calculations in the following areas:

- Type 1 Counterparty Default Risk calculation: In line with Article 107 of the Delegated Acts, CLE has applied the simplification for the Risk Mitigating Effect of reinsurance to simplify the calculation and inputs required for the calculation. This derives a Gross Underwriting Risk SCR from which the Net Underwriting Risk SCR is deducted in order to estimate the allowance of reinsurance on the SCR. This amount is then apportioned across the current reinsurance exposures in line with the outstanding recoverables.
- Type 1 Counterparty Default Risk calculation: In line with Article 112 of the Delegated Acts, CLE has applied the simplification for the risk adjusted value of collateral to take into account for the economic effect of the collateral.

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### E.2.2 Minimum Capital Requirement

The table below shows the input information to the Minimum Capital Requirement ("MCR"). The figures are the net best estimate TP and net written premiums in the last 12 months.

As at 31 December 2018		Net (of reinsurance/SPV) best estimate and TP calculated as a whole (€'000)
		(EUR BASE CURRENCY)
Obligations with profit participation - guaranteed benefits		-
Obligations with profit participation - future discretionary benefits		-
Index-linked and unit-linked insurance obligations		-
Other life (re)insurance and health (re)insurance obligations		9,771
Total capital at risk for all life (re)insurance obligations		775,503

The MCR calculation takes into account the capital at risk, and the life technical provisions. CLE does not write any with-profits, unit-linked or index-linked business and therefore only the relevant portions of the MCR calculation are carried out.

CLE uses the Standard Formula to calculate its MCR. The resulting MCR based on the above inputs is €6,892k.

		2020 €'000
Overall MCR Calculation		
Linear MCR		748
SCR		27,567
MCR cap		12,405
MCR floor		6,892
Combined MCR		6,892
Absolute floor of the MCR		3,700
<b>Minimum Capital Requirement</b>		<b>6,892</b>

### E.2.3 Material changes over the reporting period

The movement of SCR over the reporting period is as follows:

Risk Category		As at 1 January 2020 (€'000)	As at 31 December 2020 (€'000)	Movement (€'000)
(1a)	<b>Lines 1 - 8 net of loss absorbing capacity of technical provisions</b>			
	Interest Rate Risk	8,519	9,596	1,077
(1b)	Equity Risk	-	-	
(1c)	Property Risk	-	-	-
(1d)	Spread Risk	3,170	3,157	(13)
(1e)	Concentration Risk	-	-	
(1f)	Currency Risk	17,757	19,057	1,301
(1g)	Diversification within market risk	(7,047)	(7,587)	(541)
<b>(1)</b>	<b>Total Market Risk</b> <b>[ sum (1a) - (1g) ]</b>	<b>22,399</b>	<b>24,223</b>	<b>1,824</b>
(2a)	Type 1 (Reinsurer Default, etc)	1,063	883	(180)
(2b)	Type 2 (Intermediary / Policyholder Default, etc)	55	23	(33)
(2c)	Diversification within Counterparty Default Risk	(13)	(6)	8
<b>(2)</b>	<b>Total Counterparty Default Risk</b> <b>[ sum (2a) - (2c) ]</b>	<b>1,105</b>	<b>900</b>	<b>(205)</b>
<b>(3)</b>	<b>Total Life Underwriting Risk</b>	<b>2,670</b>	<b>2,966</b>	<b>296</b>
(4a)	Health SLT Risk	3,181	2,865	(316)
(4b)	Health Non SLT Risk	-	-	
(4c)	Health Catastrophe Risk	12	11	(2)
(4d)	Diversification within Health Underwriting Risk	(9)	(8)	1
	<b>Total Health Underwriting Risk</b>			

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(4)	[ sum (4a) - (4d) ]	3,184	2,867	(317)
(5a)	Non-life Premium and Reserve Risk (ex Catastrophe Risk)	-	-	-
(5b)	Non-life catastrophe Risk	-	-	-
(5c)	Lapse Risk	-	-	-
(5d)	Diversification within Non-Life Underwriting Risk	-	-	-
(5)	<b>Total Non-Life Underwriting Risk</b> [ sum (5a) - (5d) ]	-	-	-
(6)	<b>Total Before Diversification Between Risk Categories [ (1) + (2) + (3) + (4) + (5) ]</b>	29,358	30,956	1,599
(7)	<b>Diversification Between Risk Categories</b>	(4,749)	(4,631)	117
(8)	<b>Intangible asset risk</b>	-	-	
(9)	<b>BSCR net of loss absorbing capacity of technical provisions [ (6) + (7) + (8) ]</b>	24,609	26,325	1,716
(10)	<b>BSCR gross of loss absorbing capacity of technical provisions</b>	24,609	26,325	1,716
(11)	<b>Total Operational Risk</b>	1,199	1,242	43
(12)	<b>Loss absorbing capacity of technical provisions</b>	-	-	
(13)	<b>Loss absorbing capacity of deferred tax</b>	-	-	
(14)	<b>Solvency Capital Requirement excluding capital add-on [ (10) + (11) + (12) + (13) ]</b>	25,808	27,567	1,759
(15)	<b>Capital add-on</b>	-	-	
(16)	<b>Solvency Capital Requirement including capital add-on [ (14) + (15) ]</b>	25,808	27,567	1,759

The main reasons for the changes are as follows:

- Increase in market risk SCR module due to increase in market value of assets by c. €8,658k due to the low interest rate environment.
- Increase in life underwriting SCR module primarily arising as a result of higher projected expenses following an increase in best estimate expense assumptions.

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The MCR has changed from €6,452k as at 1 January 2019 to €6,892k as at 31 December 2020. This is proportional to the change in SCR.

#### **Use of Duration-Based Equity Risk Sub-Module in the Calculation of the SCR**

CLE currently has no equity holdings and therefore the use of duration based equity risk sub-module is deemed not applicable.

#### **E.3 Differences between the Standard Formula and any Internal Model used**

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There is no approved internal model for CLE at this time.

#### **E.4 Non-Compliance with the SCR and MCR**

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CLE has sufficient eligible own funds to cover both the SCR and MCR. The coverage ratios for the SCR and MCR are 235% and 941% respectively.

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<b>As at 31 December 2020</b>	<b>SCR</b>	<b>MCR</b>
Eligible Own Funds (€'000)	64,886	64,885.78
Capital Requirements (€'000)	27,567	6,892
Coverage ratio	235%	941%

The coverage ratios for the SCR & MCR are monitored on an ongoing basis with final reporting on solvency positions included in the quarterly ORSAs.

#### **E.5 Any Other Information**

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All material information regarding capital management has been disclosed in sections E.1 to E.5 above.

# Balance sheet

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
Intangible assets	R0030	
Deferred tax assets	R0040	371
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	79,274
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	79,274
Government Bonds	R0140	48,322
Corporate Bonds	R0150	30,952
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	80,927
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	80,927
Health similar to life	R0320	1,378
Life excluding health and index-linked and unit-linked	R0330	79,548
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	4,757
Reinsurance receivables	R0370	5,939
Receivables (trade, not insurance)	R0380	5,670
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	6,497
Any other assets, not elsewhere shown	R0420	
<b>Total assets</b>	<b>R0500</b>	<b>183,434</b>

<b>Liabilities</b>		
Technical provisions - non-life	R0510	
Technical provisions - non-life (excluding health)	R0520	
TP calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	
TP calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	94,461
Technical provisions - health (similar to life)	R0610	2,815
TP calculated as a whole	R0620	
Best Estimate	R0630	1,160
Risk margin	R0640	1,655
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	91,646
TP calculated as a whole	R0660	
Best Estimate	R0670	89,538
Risk margin	R0680	2,109
Technical provisions - index-linked and unit-linked	R0690	
TP calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	128
Deferred tax liabilities	R0780	1,550
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	7,994
Payables (trade, not insurance)	R0840	14,143
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	271
<b>Total liabilities</b>	R0900	118,548
<b>Excess of assets over liabilities</b>	R1000	64,886



### Premiums, claims and expenses by line of business

[illegible]

**S.05.02.01 - 02**

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations	Top 5 countries (by amount of gross premiums written) - life obligations	Top 5 countries (by amount of gross premiums written) - life obligations	Top 5 countries (by amount of gross premiums written) - life obligations	Top 5 countries (by amount of gross premiums written) - life obligations	Total Top 5 and home country
		C0220	C0160	C0170	C0180	C0190	C0200	C0280
	R1400		ES	FI	GB	NL	SE	
<b>Premiums written</b>								
Gross	R1410							0
Reinsurers' share	R1420	619	1,755	488	4,788	19,753	2,928	30,331
Net	R1500	488	1,002	359	3,852	19,743	2,654	28,098
<b>Premiums earned</b>								
Gross	R1510							0
Reinsurers' share	R1520	619	1,755	488	4,788	19,753	2,928	30,331
Net	R1600	488	1,002	359	3,852	19,743	2,654	28,098
<b>Claims incurred</b>								
Gross	R1610							0
Reinsurers' share	R1620	242	482	174	4,462	16,421	1,913	23,694
Net	R1700	223	315	161	2,197	16,491	1,697	21,084
<b>Changes in other technical provisions</b>								
Gross	R1710							0
Reinsurers' share	R1720							0
Net	R1800							0
Expenses incurred	R1900							0
Other expenses	R2500							3,476
Total expenses	R2600							3,476

S.12.01.02 - 01  
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, ind. Unit-Linked)	Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)		
			Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees				Contracts with options or guarantees						
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010									0	0					0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020									0	0						
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030	0		0	0		78,551	10,983	0	4	89,538		1,160				1,160
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080						76,031	3,518		0	79,548		1,378	0	0	0	1,378
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0		0	0		2,520	7,465	0	4	9,989		-218	0	0	0	-218
Risk Margin	R0100	0	0			2,109			0	0	2,109	1,655					1,655
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110									0	0					0	0
Best estimate	R0120									0	0					0	0
Risk margin	R0130									0	0				0	0	0
Technical provisions - total	R0200	0	0			91,643			0	4	91,646	2,815			0	0	2,815

**S.23.01.01 - 01**
**Own funds**

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35</b>						
Ordinary share capital (gross of own shares)	R0010	6,128	6,128			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	58,758	58,758			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
<b>Deductions</b>						
Deductions for participations in financial and credit institutions	R0230					
<b>Total basic own funds after deductions</b>	<b>R0290</b>	<b>64,886</b>	<b>64,886</b>			
<b>Ancillary own funds</b>						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
<b>Total ancillary own funds</b>	<b>R0400</b>					
<b>Available and eligible own funds</b>						
Total available own funds to meet the SCR	R0500	64,886	64,886			
Total available own funds to meet the MCR	R0510	64,886	64,886			
Total eligible own funds to meet the SCR	R0540	64,886	64,886	0	0	0
Total eligible own funds to meet the MCR	R0550	64,886	64,886	0	0	
<b>SCR</b>	<b>R0580</b>	<b>27,567</b>				
<b>MCR</b>	<b>R0600</b>	<b>6,892</b>				
<b>Ratio of Eligible own funds to SCR</b>	<b>R0620</b>	<b>2.35</b>				
<b>Ratio of Eligible own funds to MCR</b>	<b>R0640</b>	<b>9.41</b>				

**S.23.01.01 - 02****Own funds**

C0060		
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	R0700	64,886
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	6,128
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
<b>Reconciliation reserve</b>	<b>R0760</b>	<b>58,758</b>
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) - Life business	R0770	871
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
<b>Total Expected profits included in future premiums (EPIFP)</b>	<b>R0790</b>	<b>871</b>

### S.25.01.21

#### Solvency Capital Requirement (for undertakings on Standard Formula)

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	24,223		
Counterparty default risk	R0020	900		
Life underwriting risk	R0030	2,966		
Health underwriting risk	R0040	2,867		
Non-life underwriting risk	R0050			
Diversification	R0060	-4,631		
Intangible asset risk	R0070			
<b>Basic Solvency Capital Requirement</b>	<b>R0100</b>	<b>26,325</b>		

		C0100
Operational risk	R0130	1,242
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
<b>Solvency capital requirement excluding capital add-on</b>	<b>R0200</b>	<b>27,567</b>
Capital add-on already set	R0210	
Solvency capital requirement	R0220	27,567
<b>Other information on SCR</b>		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

		C0109
Approach based on average tax rate	R0590	

		C0130
LAC DT	R0640	
LAC DT justified by reversion of deferred tax liabilities	R0650	
LAC DT justified by reference to probable future taxable economic profit	R0660	
LAC DT justified by carry back, current year	R0670	
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	

S.28.01.01 - 01

Minimum Capital Requirement (Only life or only non-life insurance or reinsurance activity)

Linear formula component for non-life insurance and reinsurance obligations

		C0010	
MCRNL Result	R0010		
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040	
MCRL Result	R0200		748
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	9,771	
Total capital at risk for all life (re)insurance obligations	R0250		775,503

Overall MCR calculation

		C0070	
Linear MCR	R0300		748
SCR	R0310		27,567
MCR cap	R0320		12,405
MCR floor	R0330		6,892
Combined MCR	R0340		6,892
Absolute floor of the MCR	R0350		3,700
Minimum Capital Requirement	R0400		6,892