Chubb European Group Plc (formerly Chubb European Group Limited)

CHUBB®

Solvency and Financial Condition Report

31 December 2017

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Introduction and Summary

Introduction

This document ("the Solvency and Financial Condition Report", or "SFCR") sets out the solvency and financial condition of Chubb European Group Plc ("CEG" or "the Company") as at 31 December 2017.

The Board of CEG has prepared this report in accordance with Article 51 of Directive 2009/138/EC ("The Solvency II Directive"), implemented in Chapter 3 of the Prudential Regulation Authority ("PRA") Rulebook applying to Solvency II Firms, 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 document 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 CEG, 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

CEG is one of Europe's leading commercial insurance and reinsurance companies and operates a successful underwriting network throughout the UK, Ireland and Continental Europe. The Company offers its clients a broad range of insurance and risk solutions encompassing property & casualty, accident & health and personal lines classes, and underwrote business in 11 out of the 16 Solvency II non-life insurance lines of business, including all of the non-proportional reinsurance classes.

Policies are written under the names "Chubb Europe", "Chubb Global Markets" and "Chubb Tempest Re" which capitalise on the distinctiveness and strength of the Chubb brand and acknowledge the Company's strong insurance platforms, reputation, skill sets, financial strength ratings and consistent management philosophy. Chubb Europe refers to all European managed business, with the exception of Chubb Global Markets ("CGM") which is London market wholesale business and Chubb Tempest Re which is the reinsurance operation.

Headquartered in the UK with branch offices across Europe, CEG and its European Economic Area ("EEA") branches hold cross-border permissions throughout the EEA. CEG is also a 'white listed' surplus lines insurance and reinsurance company in the United States, entitling it to write surplus lines in all US states and US territories. Business is accessed by a variety of distribution channels and the Company has strong relationships with the broker community, its corporate partners and direct markets.

At the start of 2017 the Chubb Group included a number of European insurers in addition to CEG, principally Chubb Insurance Company of Europe SE ("CICE") and Chubb Bermuda International Insurance Ireland Designated Activity Company ("CBII"). In order to optimise operational efficiency, governance and capital, Chubb consolidated CICE and CBII into one entity, CEG, through the operation of a transfer of insurance business and cross border merger ("CBM") on 1 May 2017. CEG (formerly ACE European Group Limited) was subsequently renamed Chubb European Group Limited on 2 May 2017 and converted to Chubb European Group Plc on 9 April 2018.

CEG is a major contributor to the wider group and provided over 11% of the group's overall gross written premium for 2017. CEG's 2017 gross written premiums were £3.3 billion, up 37% in comparison to prior year primarily as a result of the CBM. Net premiums were £1.86 billion.

The Company produced an underwriting profit, on a UK GAAP basis of £118.5 million (2016 £94.8million). This result and associated combined ratio of 93.5% was driven by underwriting performance net, positive (and negative) prior year development reserves offset by losses on catastrophes.

Strong investment performance generated a total return of 2.4% on balances available for investment during 2017. Total UK GAAP pre-tax operating profits amounted to £206.8 million.

Capital Management Summary

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

As at 31December	2017	2016
Eligible Own Funds (£'000)	2,301,588	1,439,849
Standard Formula SCR (£'000)	1,610,694	1,076,184
Solvency ratio %	143%	134%

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 further surplus of some £700 million.

During the period the Solvency Capital Requirement ("SCR") and Own Funds of the Company increased significantly. This occurred primarily as a result of the CBM described above and in detail in section A.1.1. The solvency ratio also improved during the period from both the merger and from the retention of profits.

The Company's own funds were entirely comprised of Tier 1 capital of £2,302 million as at 31 December 2017. There were no changes to the nature of the items of the Company's own funds during the year, other than the increase in share capital and the reconciliation reserve resulting from the CBM. The Company's total eligible own funds of £2,302 million was available to meet the SCR and the total eligible Tier 1 capital of £2,302 million was available to meet Minimum Capital Requirement ("MCR"). Other than £22 million in ring-fenced funds, all Tier 1 capital is permanently available to cover losses.

The primary objectives of CEG 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.

System of Governance Summary

CEG 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 B1.1 of this document, which provide oversight of the Company's diverse business units and functions. The heads of the functions and business units report either to the President or the Chief Business Operations Officer ("CBOO") (except for the Actuarial function, which reports via the Chief Financial Officer ("CFO")), and have

responsibilities defined in accordance with the provisions of the Senior Insurance Managers Regime ("SIMR").

The Board has approved a number of policies, under which responsibilities are also aligned with SIMR, 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 (Third Line) carries out further independent testing and reports outside the First and Second Line structures.

The Board includes several independent non-executive directors to help provide alternative experience and viewpoints 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 CEG carries out.

Risk Profile Summary

CEG is exposed to risks from several sources and classifies individual risk sources across its landscape into six major categories: underwriting, market, credit, liquidity, operational and other. Insurance is Chubb's primary risk category; the 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 changes to the Company's risk sources and areas during the year. Each of these risk categories is described in more detail in section C below.

Valuation for Solvency Purposes Summary

Major differences between the bases, methods and main assumptions used in valuing assets and liabilities for Solvency II purposes compared to the UK GAAP valuation bases are in relation to reclassification and valuation adjustments required to determine technical provisions and insurance related assets such as reinsurance recoverables.

Under UK GAAP, the provision for claims outstanding is calculated using the Management Best Estimate of Ultimate Loss ("MBE") which is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods. In addition, a separate unearned premium reserve ("UPR") is maintained for the portion of premiums written that relates to unexpired terms of policies in force at the balance sheet date. The reinsurers' share of the provisions (reinsurance recoverables) is based on the amounts of outstanding claims and projection for claims incurred but not reported that are expected to be recovered from reinsurers, net of estimated irrecoverable amounts.

The technical provisions valued for Solvency II purposes 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 including both claims and premium provisions. The risk margin is assumed to be the amount required for a third party to take over and meet the (re)insurance obligations and represents the cost of providing eligible own funds equal to the SCR necessary to support these obligations.

The main differences between the Solvency II and UK GAAP Technical Provisions ("TPs") arise from:

- The Solvency II best estimate uses the Actuarial Central Estimate ("ActCE") for all lines of business while the UK GAAP TPs use the MBE;
- Additionally Solvency II best estimates uses a discounted cash flow basis with inclusion of events not in data ("ENIDs"), future expenses and legally obliged business; and

- Solvency II technical provisions include the risk margin; and
- Solvency II considers the full cost or benefit associated with all legally bound (re)insurance contracts, whereas UK GAAP focuses on the earned portion of the contracts only. As a result, Solvency II recognises profits or losses on business that is considered unearned under UK GAAP.

There have been no changes in the bases, methods and main assumptions for the valuation for Solvency II purposes of assets and liabilities in the period.

Directors' Report

Directors

The following have been Directors from 1 January 2017 to the date of this report unless otherwise indicated:

Executive Directors:

M K Hammond

D Jaksic (Resigned 31 December 2017)

A J Kendrick

J Moghrabi (Resigned 31 March 2018)

R P Murray (Resigned 31 May 2017)

J U Rehman

D P Robinson

A M W Shaw

Non-Executive Directors:

M C Bailey

J A Napier (Resigned 17 May 2017)

K N O'Shiel

C E Riley

T C Wade

M J Yardley (Resigned 31 December 2017)

J A Turner (Appointed 02 August 2017)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Solvency and Financial Condition Report, including the attached public quantitative reporting templates, in all material respects in accordance with PRA rules and regulations.

The Solvency II Directive, the Delegated Acts, related Implementation Rules, Technical Standards and Guidelines, as well as PRA 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 Solvency and Financial Condition Report in all material respects in accordance with the PRA Regulatory Framework.

We are satisfied that:

a) throughout the financial year in question, CEG has complied in all material respects with the requirements of the PRA Regulatory Framework applicable to the insurer; and

b) it is reasonable to believe that CEG has continued so to comply subsequently and will continue so to comply in future.

Statement of Disclosure of Information to Auditors

Each of the persons who is a director at the date of this report confirms that they have:

1. Taken all steps that he or she ought to have taken in his or her duty as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On Behalf of the Board



Mark Hammond

Chief Financial Officer

4 May 2018

Report of the External Independent Auditor

Report of the external independent auditors to the Directors of Chubb European Group Plc ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2017, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Company templates S.05.01.02 and S.05.02.01 and S.19.01.21;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to

adopt the going concern basis of accounting for a period of at least twelve months from the date when the Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' section of the Solvency and Financial Condition Report, which describes the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside

London

SE1 2RT

4 May 2018

A. Business and Performance

A.1 Business

Name and Legal Form

CEG is one of Europe's leading commercial insurance and reinsurance companies and operates a successful underwriting network throughout the UK, Ireland and Continental Europe.

The Company offers its customers a broad range of insurance and risk solutions encompassing property & casualty, accident & health and personal lines classes and participated in 11 out of the 16 Solvency II non-life insurance lines of business, and in all of the non-proportional reinsurance classes with the exception of Health in 2017. Policies are written under the brand names "Chubb Europe", "Chubb Global Markets" and "Chubb Tempest Re".

Headquartered in the UK with branch offices across Europe, CEG and its European Economic Area ("EEA") branches hold cross-border permissions throughout the EEA. CEG is also a 'white listed' surplus lines insurance and reinsurance company in the United States, entitling it to write surplus lines in all US states and US territories. Business is accessed by a variety of distribution channels and the company has strong relationships with the broker community, its corporate partners and direct markets.

CEG's registered office address is 100 Leadenhall St, London, EC3A 3BP.

Supervisory Authority

CEG is authorised by the UK's PRA and regulated by both the Financial Conduct Authority ("FCA") and the PRA. The PRA address is The London Markets Insurance Division, 20 Moorgate, London EC2R 6DA, UK.

Group Supervisory Authority

Chubb Limited, of which Chubb INA International Holdings Ltd. (an intermediate holding company) is a member, 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 PRA is a member of the Chubb Group Supervisory College.

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

External Auditor

The Company's Auditor is PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors which maintains offices at 7 More London Riverside, London, SE1 2RT.

Holders of Qualifying Holdings

As at 31 December 2017 CEG was 47.90% owned by Chubb Insurance S.A – N.V, 21.39% by ACE European Holdings Limited, 27.60% by Chubb Insurance Investment Holdings Limited and 3.11% by ACE European Holdings No2 Limited. The ultimate parent of CEG is Chubb Limited. Changes to this structure were made in 2018 as described in section A.1.1.

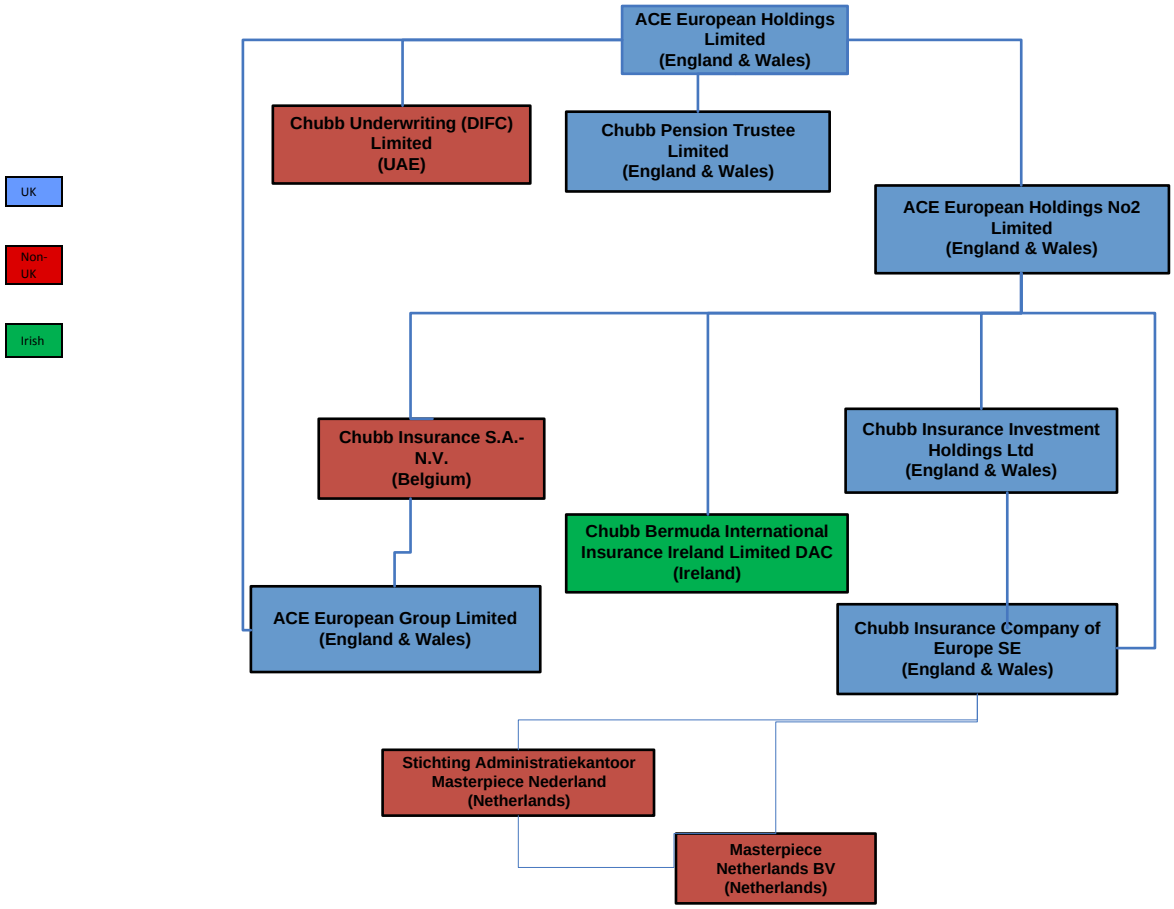
Chubb Limited, headquartered at Bärengasse 32, CH-8001 Zurich, is the Swiss-incorporated holding company of the Chubb Group of Companies. Chubb Limited and its direct and indirect subsidiaries (collectively the Chubb Group of Companies ("The Chubb Group")) are together a global insurance and reinsurance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

A.1.1 Position within the Legal Structure of the European Group

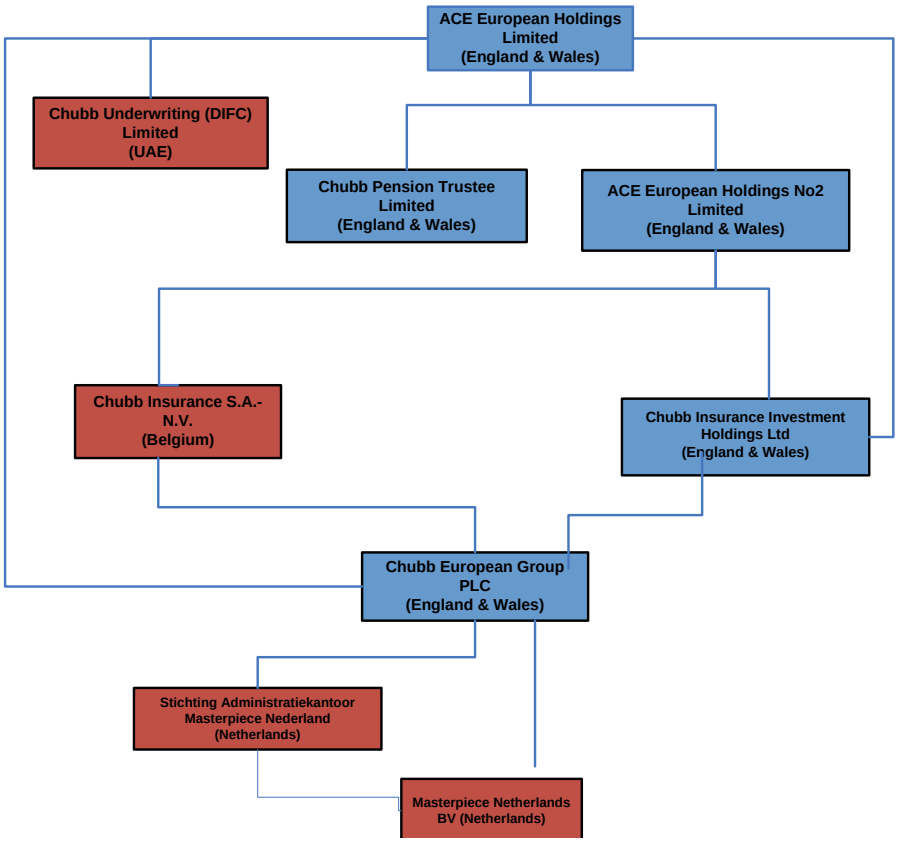
In order to optimise operational efficiency, governance and capital across its European entities, Chubb consolidated two of its European insurance companies, Chubb Insurance Company of Europe SE ("CICE") and Chubb Bermuda International Insurance Ireland Designated Activity Company ("CBII") into ACE European Group Limited ("AEGL") through the operation of a transfer of insurance business and cross border merger ("CBM") on 1 May 2017. Following the CBM, the company was renamed Chubb European Group Limited on 2 May 2017. As described in section 1.4, the Company subsequently changed its name to Chubb European Group Plc on 11 April 2018.

The previous year end and current Group structures are summarised in the simplified charts below, including country of incorporation:

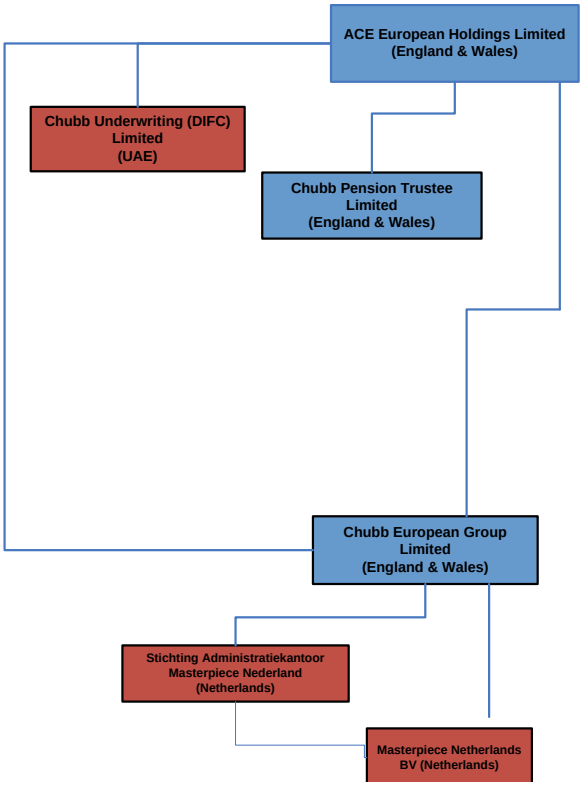
AEHL Group – before CBM



AEHL Group – post CBM



On 11th April 2018 the European Group was simplified further to consolidate the company's direct shareholders. After this date the company is owned entirely by one shareholder, ACE European Holdings Limited. The revised group structure (excluding now dormant entities) from this date is therefore as follows:



A.1.2 Material Related Undertakings

The company has no material related undertakings.

A.1.3 Material Lines of Business and Geographical Areas

The Company writes 11 out of the 16 classes of Solvency II non-life insurance lines of business with a focus on fire and other damage to property, general liability, miscellaneous financial loss and marine, aviation and transport. Together, these classes of business accounted for 88% of CEG's total gross written premiums in 2017. CEG also underwrites a relatively small amount (1% of total GWP) of non-proportional reinsurance business within the Solvency II casualty, marine, aviation and transport and property categories. The majority of business is written in the UK, France, Germany, Italy, the Netherlands and Spain. A small proportion is written in other countries. Further detail of business written by Solvency II lines of business and geographical area is disclosed in section A.2.1.

A.1.4 Significant Business Events

On 23 June 2016 the United Kingdom voted in a national referendum to withdraw from the European Union and on 29 March 2017 invoked Article 50 of the Treaty on European Union, with the leaving date currently set for 29 March 2019. Negotiations regarding the terms of the UK's exit from the EU officially began in June 2017 however the ultimate outcome of the discussions is difficult to predict and it remains unclear whether UK insurers will be permitted to continue to underwrite European risks through the EU Single Market or by an equivalent means.

Chubb's operational plans for Brexit have involved making a number of changes to its corporate structure. CEG converted from a limited company to a public limited company on 9th April 2018, this will be followed by a further legal entity change to a Sociatas Europaea later in the year. (On April 9 2018 Chubb European Group Limited ("CEGL") became a public limited company, known as Chubb European Group Plc.) Chubb has prepared contingency plans in the event that Brexit impedes on CEG's current operational model and business practices, and has stated that, should the UK leave the EU as expected, it intends to locate its European Union headquarters in France. Post-Brexit, Chubb will continue to have a substantial presence in London in addition to its offices and operations across the UK and EU.

Additional information can be found on the Chubb UK website.

A.2 Underwriting Performance

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

The following financial key performance indicators ("KPIs") have been deemed relevant to the company's business. These KPIs are reviewed regularly by the CEG Board.

KPIs	2017	2016
Gross premiums written (£'000)	3,267,474	2,387,951
Net premiums written (£'000)	1,850,711	1,317,987
Underwriting profit (£'000)	118,493	94,814
Combined ratio %*	93.5%	92.5%

** Ratio of net claims incurred, commission and expenses to net premiums earned*

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

The company's KPI summary by Solvency II line of business, for the year ended 31 December 2017 is summarised in the table below:

SII Line of Business for 31 December 2017	Gross premiums written £'000	Net premiums written £'000	Underwriting profit £'000	Combined ratio %
Medical expense	38	38	(14,956)	12976.2%
Income protection *	94,982	65,771	19,621	70.5%
Motor vehicle liability *	117,777	56,395	9,894	82.7%
Marine, aviation and transport *	237,225	135,091	45,711	66.2%
Fire and other damage to property *	1,196,898	616,250	(12,996)	102.2%
General liability *	1,006,605	652,904	(750)	100.1%
Credit and suretyship *	127,002	49,664	26,704	45.2%
Miscellaneous financial loss *	446,826	265,962	45,533	82.9%
Non-proportional casualty	30,097	5,781	(782)	116.4%
Non-proportional marine, aviation and transport	8,833	2,005	875	52.7%
Non-proportional property	1,192	851	(361)	145.2%
Total	**3,267,474**	**1,850,711**	**118,493**	**93.5%**

Each of the Solvency II classes of business marked with an asterisk have net written premiums in excess of £45,000k and in total, account for over 98% of CEG's 2017 net written premiums (98% in 2016). For the purposes of this report, these classes can be considered to be "core" to CEG. The remaining classes of business can be considered "non-core".

CEG's 2017 gross written premiums were up by 37% in comparison to prior year primarily as a result of the merger. Much of this growth can be attributed to Financial Lines, Casualty and HNW business which falls into Solvency II "General liability" previously written in CICE and CBII. Comparative prior year combined gross written premiums were £3,145.0 million. Excluding the impact of the merger, growth in CEG's underlying portfolios was limited, reflecting the difficult underwriting conditions in the UK and European insurance markets for much of the year.

Equivalent data for the year ended 31 December 2016 is summarised in the table below:

SII Line of Business for 31 December 2016	Gross premiums written £'000	Net premiums written £'000	Under-writing profit £'000	Combined ratio %
Medical expense	161	159	(848)	702.0%
Income protection *	82,403	50,126	37,585	27.5%
Workers compensation *	67,063	46,249	1,419	96.8%
Motor vehicle liability	70,837	11,303	(1,620)	116.8%
Other motor	-	-	(420)	2.1%
Marine, aviation and transport*	196,890	112,052	(7,487)	106.5%
Fire and other damage to property *	920,572	465,504	(20,063)	104.5%
General liability *	577,750	321,916	64,553	78.5%
Credit and suretyship *	112,026	46,061	14,733	57.4%
Miscellaneous financial loss *	340,850	262,128	7,063	97.3%
Non-proportional health	-	-	(5)	0.0%
Non-proportional casualty	17,307	2,152	(562)	120.8%
Non-proportional marine, aviation and transport	2,243	392	645	-37.4%
Non-proportional property	(177)	(55)	(179)	1640.1%
Total	**2,387,925**	**1,317,987**	**94,814**	**92.5%**

Note that in 2017, Workers compensation and Other motor business has been reallocated to General liability insurance and Motor vehicle liability respectively.

The company's KPI summary by top six (6) countries, for the year ended 31 December 2017 is summarised in the table below:

For year ended 31 December 2017 Region:	Gross premiums written £'000	Net premiums written £'000	Under-writing profit £'000	Combined ratio %
United Kingdom	1,146,724	632,851	123,729	80.4%
France	419,912	264,512	43,170	84.2%
Germany	351,235	179,887	(59,794)	134.0%
Italy	224,125	149,256	34,919	75.6%
Netherlands	188,747	106,065	40,839	63.1%
Spain	161,259	103,784	21,880	77.7%

The UK has seen a fall in combined ratio in comparison to 2016 mainly due to a positive claim inflow from gross proportional reinsurance business accepted, particularly within the Miscellaneous financial loss line of business. Germany and Italy's combined ratios have both increased over prior year mainly due to an increase in claims incurred in the General Liability class, mostly associated with Financial Lines business.

Equivalent data for the year ended 31 December 2016 is summarised in the table below:

For year ended 31 December 2016 Region:	Gross premiums written £'000	Net premiums written £'000	Under-writing profit £'000	Combined ratio %
United Kingdom	756,988	615,606	304,206	49.7%
France	344,077	225,105	36,006	83.5%
Germany	252,324	126,320	26,350	78.7%
Italy	166,142	115,591	55,964	46.6%
Netherlands	112,548	56,157	774	98.7%
Spain	117,148	70,807	22,492	67.7%

CEG's gross written premiums for 2017 totalled £3,267,474k. The most significant lines of business underwritten by the company were fire and other damage to property, general liability, miscellaneous finance loss and marine, transport and aviation, with gross written premiums for these lines in 2017 amounting to £2,480,404k. 41% of gross written premiums are sourced from the UK, with France and Germany providing 15% and 13% respectively. Italy and the Netherlands complete the top 5, with 8% and 7% of the 2017 premiums respectively. The remaining business is generated in other countries throughout Europe.

CEG purchases reinsurance to mitigate the impact of major events and an undue frequency of smaller losses. A number of the reinsurance programmes operated by CEG during 2017 were with a Chubb company, Chubb Tempest Reinsurance Ltd. CEG also has the benefit, particularly for US and worldwide catastrophe exposures, of reinsurance programmes shared with other Chubb entities, including Syndicate 2488 at Lloyd's. These arrangements result in an increase in the reinsurance purchasing power of Chubb, which ultimately benefits all subsidiaries, including CEG. CEG's reinsurance ceded costs increased by circa 33% in 2017, commensurate with the growth in gross written premiums. There were no significant changes to the company's reinsurance purchasing strategy in 2017.

A number of significant geophysical, meteorological, hydrological and climatological events occurred in 2017, including earthquakes, hurricanes, tropical storms, floods, landslides and wildfires, which are expected to cost the insurance industry a record $135 billion. CEG's exposure to large losses is managed by adherence to clear risk management and underwriting guidelines and the use of reinsurance protection and sophisticated modelling and analysis. The company's catastrophe losses net of reinsurance recoveries and reinstatement premiums during 2017 amounted to £16.1 million (2016: £6.8 million) with the most significant losses emanating from the hurricane trio of Harvey, Irma and Maria and wildfires in Europe.

Prior period reserve releases were £37.2 million (2016: £54.1 million) with positive developments within a number of classes, notably Property, Energy, Casualty, and A&H offsetting some strengthening in Financial Lines. Excluding catastrophe losses and prior period development, the accident year loss ratio for the year was 54.0% (2016: 50.3%), demonstrating the adherence to underwriting discipline and the positive impact of the portfolio review process.

Operating expenses constitute commissions and general administrative expenses. The expense ratio of 40.6% compares favourably to the 45.9% reported in 2016 reflecting the continued strict management of both components and expense related synergies emanating from the merger.

Total reinsurance spend amounted to £1,055,665k, resulting in net written premiums for the year of £1,850,711k. Core lines of business generated net written premiums of £1,842,036k, with non-core lines generating just £8,675k, less than 1% of the total. Incurred losses, net of reinsurance recoveries, amounted to £970,500k, generating an overall loss ratio for the company of 52.9%.

CEG produced an underwriting profit of £118,493k for 2017.

Investment Performance

CEG is committed to protecting and preserving its capital. It operates a conservative investment strategy and has maintained its focus on cash flow management and liquidity to secure its long term position in the insurance market. CEG operates a conservative investment strategy by establishing highly liquid, diversified, high quality portfolios managed by expert external managers. Detailed Chubb group investment guidelines are established for each managed portfolio including Chubb customised benchmarks against which the manager performance is measured.

CEG maintains six active investment grade fixed income portfolios, the core currencies of which are sterling, euro and US dollars. Further passive portfolios are maintained in Switzerland and Turkey to meet local solvency requirements. CEG also allocates a limited proportion of funds available for investment to alternative strategies. These alternative strategies include high-yield bonds, syndicated bank loans, private equity loans and global equities.

Funds allocated to alternative strategies continued to fall comfortably within the established limits and the majority of CEG's investments continued to be allocated to high quality, diversified, actively managed portfolios with exposure to a broad range of sectors. Consistent with previous years, CEG's investment guidelines and external manager positioning restrict exposure to peripheral Eurozone countries. The approximate currency split of CEG's investment portfolios is sterling 40%, euro 36% and US dollars 23%. Other currency investments comprise approximately 1% of the total.

The company's investment income by Solvency II assets class and investment expenses for the year ended 31 December 2017 is summarised in the table below:

	For year ended 31 December 2017	Income	Realised Gain/(Loss)	Unrealised Gain/(Loss)	Other	Total Return
	SII asset class:	£'000	£'000	£'000	£'000	£'000
Investment income by asset class:						
1	Government bonds	42,893	(5,778)	(27,116)	-	10,000
2	Corporate bonds	108,536	(37,760)	2,278	-	73,054
3	Equity securities	1,807	3,101	8,504	-	13,412
4	Collective investment undertakings	493	3,288	6,997	-	10,779
6	Collateralised securities	7,106	(1,517)	(326)	-	5,263
7	Cash and deposits	135	0	96	-	231
8	Mortgages and loans	4,399	(477)	(13)		3,909
O	Other	1,090	(596)	(11,434)		(10,940)
A	Futures		(1,168)	828	-	(341)
E	Forwards		791		-	791
Investment expenses					(16,254)	(16,254)
Total investment return		**166,459**	**(40,116)**	**(20,185)**	**(16,254)**	**89,904**

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

Economic activity in 2017 provided a neutral environment for fixed income investors. Yields on intermediate sovereign bonds rose modestly during the year for sterling, euro and US dollar debt while yields on corporate investment grade bonds remained largely unchanged in the year. For CEG this resulted in total returns of 1.4% for both sterling and euro mandates respectively. In the US, total returns exceeded 4% during the year reflecting significant excess performance generated by the manager through activity strategy.

CEG's alternative investment assets which constitute less than 10% of the total portfolio generated strong absolute returns during 2017. The bulk of this allocation relates to upper tier US dollar high yield bonds which returned over 6% for the year. The modest allocations to equites, bank loans and private equity loans generated total returns of 20.8%, 3.4% and 8.1% respectively.

Overall, CEG generated a total return of 2.4% on balances available for investment during 2017.

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

Overall, strong investment performance generated net UK GAAP investment income of £89,904k, compared to investment income of £120,912k in 2016. This is driven by an overall net unrealised loss of £19,147k in 2017 compared to an unrealised gain of £66,093k in 2016. In regard to unrealised movement in the year, overall yields on investment grade fixed income bonds rose across all core currency bonds compared to 2016, where Sterling and Euro yields fell significantly (CEG holds predominantly Sterling and Euro based portfolios). This more than offsets the reduction in investment expenses of £17,722k and the increase in investment income of £36,510k.

A.3 Performance of Other Activities

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

A.4 Other Information

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

B. System of Governance

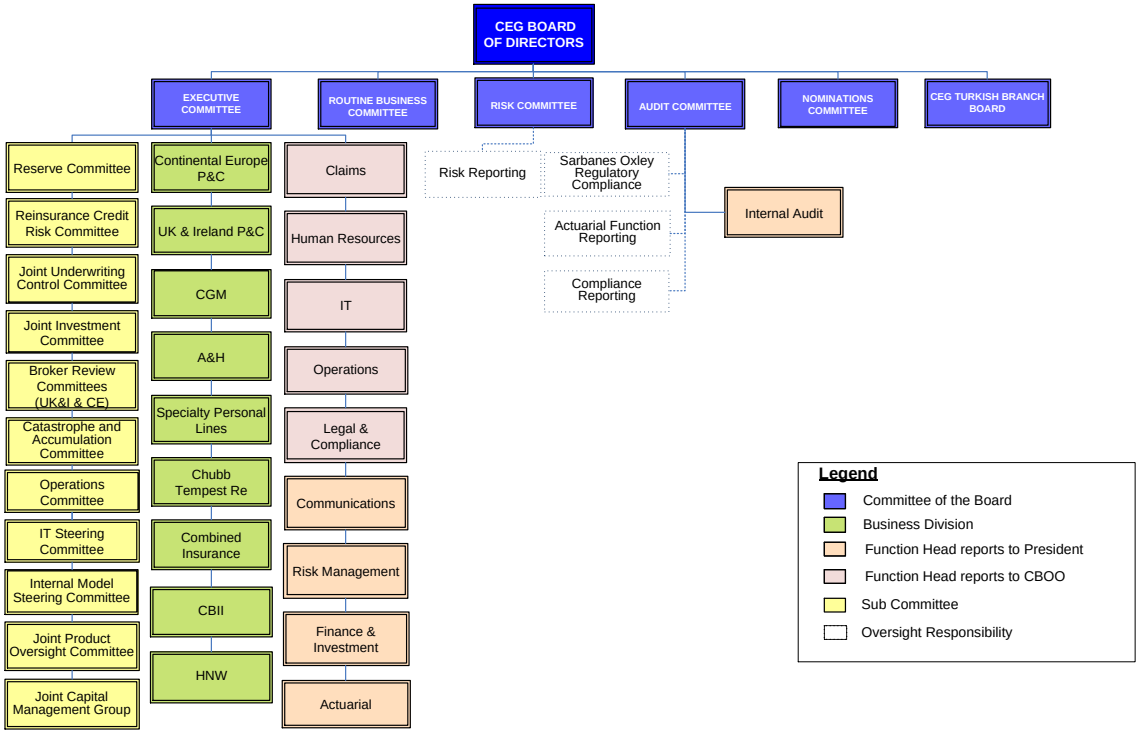
B.1 General Information on the System of Governance

B.1.1 Board and Committees

The Board of Directors ("the Board") has reserved 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. The Board membership comprises five independent Non-Executive Directors ("NEDs") (five in 2016) and five Executive Directors.

The Board has delegated a number of matters to committees. Each of the following committees has formal terms of reference and matters reserved to it. The Risk, Audit and Nomination Committees, include Non-Executive Directors in their membership, and each reports to the Board regularly in respect of its remit.

As at 31 December 2017, CEG's governance structure was as follows:



Audit Committee

The Audit Committee, which is composed exclusively of non-executive directors, 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, Actuarial and Finance functions and Internal Audit on a quarterly basis.

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's role is aimed at providing assurance to the Board and Group management that the internal control systems, agreed by executive management as being appropriate for the prudent management of the business, are operating as designed. At all times the Audit Committee is expected to challenge any aspect of these processes which it considers weak or poor practice.

Risk Committee

The Board has delegated responsibility for the oversight and implementation of its Risk Management Framework to the Risk Committee. The Committee oversees and advises the Board on risk exposures, future risk strategy, the design and implementation of the framework into the business and on solvency and capital matters. It also ensures that business risks and controls are recorded and monitored. It receives regular reports on the company's "Own Risk and Solvency Assessment" metrics, which helps to provide an independent overview of management's assessment of risk and a check against agreed risk appetites. It has oversight of the operation and resourcing of the Risk Management function.

Nominations Committee

The remit of the Nominations Committee is to advise and recommend in connection with appointments to and the structure of the Board, including diversity and independence of composition, Board evaluation, succession planning for the non-executive directors and leadership needs.

Routine Business Committee

The Routine Business Committee meets on an ad hoc basis between formal Board meetings to consider authorisation of routine activity.

Turkish Branch Board

The Turkish Branch Board is a committee that has been established in response to the local regulatory requirements of Turkey. Its role is to act on behalf of the Board in respect only of certain key matters applicable to the company's Turkish branch.

Executive Committee

The Executive Committee comprises all executive directors of CEG and other members of the 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 President in implementing and overseeing operational strategies and decisions determined by the Board. The Executive Committee is responsible for the oversight of support function activities, key steering groups and sub-committees including investment, credit risk, broker review and reserving. All Key Functions are represented on the Executive Committee and provide regular reporting to that committee. Their management heads report either to the President or CBOO (except for the Actuarial function, which reports via the CFO. Management heads also have reporting lines to Group management, enabling them to share group-wide expertise and knowledge.

The chart at B.1.1 identifies the sub-committees of the Executive Committee. During the course of 2017 the following committees were added to them; product Oversight Committee (formerly a Board committee) and the joint Capital Management Group.

Roles and Responsibilities of Key Functions

Compliance Function

Compliance is a 'second line of defence' function which, via the provision of advice, training and business activity monitoring, seeks to ensure that CEG's 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 Audit Committee, which reviews and has 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 assesses emerging and existing risks to the business, 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. Capital modelling is also a function of the Risk Management team. The function provides reporting to the Risk Committee and undertakes specific reviews at the direction of that committee.

Actuarial Function

The Actuarial function includes Catastrophe risk management and a separate Pricing team. The function seeks accurately to assess the reserves required to satisfy known and estimated claims and claim expenses, providing a view of reserves adequacy independent of business line management. The function contributes to portfolio assessment, provision of rating information, and business intelligence. It provides reports to the Audit Committee, to enable that Committee to have adequate insight into reserving activity, as reserves represent such a significant element of the company's financial status. The Chief Actuary reports via the CFO.

Internal Audit Function

Internal Audit is a 'third line of defence' function, which operates independently of regional management, reporting to CEG'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 CEG's assets and ii) conformity to agreed policies, procedures and guidelines. It provides reports to the Audit Committee, which reviews and has oversight of its annual plan and has oversight of the resources available to the function.

B.1.2 Roles and Responsibilities of Other Important Functions

Finance and Investment Function

The Finance function encompasses financial accounting and reporting, financial planning, analysis and communications, taxation, treasury and credit control. In addition to central specialist teams located in London, embedded first line staff members carry out segmental management reporting for business lines, feeding information to the central teams for consolidation purposes. A shared operations centre in Glasgow carries out bulk and routine finance operations.

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. Use is made of Group asset management services based in the United States.

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 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 fraud.

Information Technology ("IT") Function

The IT function is responsible for the delivery of operational, functional and administrative technical systems and services in support of business objectives and ongoing operational and functional needs. It advises on, purchases, maintains and supports the infrastructure and software required to deliver these services. It has oversight of the Information and Cyber security of our business and provides the framework and operational technology to protect the company's information assets. It acts in an advisory and support capacity in respect of external systems and partners. It operates governance via the IT Steering Committee, an Executive sub-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 and other operating systems throughout the region in which the company operates. The function incorporates a project management team. An Operations sub-committee reports to the Executive Committee.

Human Resources Function

Human Resources advises and supports the business in planning for, staffing, training, 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, but is co-located in CEG's head office, and liaises with the business, negotiating shared and one-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.

All function management heads are responsible for CEG'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. Branches in Europe conduct regular operational meetings and feed significant information to the Executive Committee via the President of Continental Europe, who is an Executive Committee member, or via his reporting line to the President.

B.1.3 Any Material Changes in the System of Governance during the Reporting Period

The chart at B.1.1 identifies the sub-committees of the Executive Committee. During the course of 2017 the following committees were added to them; the Product Oversight Committee (formerly a Board committee) and the Joint Capital Management Group.

The Product Oversight Committee has oversight of conduct risk. The remit of the committee extends over all lines of business and it carries out reviews of conduct on the basis of assessed risk to consumers. The membership of the committee includes senior management and it provides regular reports to the Executive Committee.

The purpose of the Joint Capital Management Group is to establish, maintain and review an appropriate capital management policy for the Company, agree a capital management plan and monitor and report the capital requirement and the available capital positions to the Executive Committee and the Board. Its membership comprises the senior financial and capital officers of the company.

B.1.4 Remuneration Policies and Practices

B.1.4.1 Principles of the Remuneration Policy

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

CEG 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 Chubb's Risk Management Framework and not encourage risk-taking that exceeds the level of tolerated risk of Chubb;
- Remuneration must be in line with the business strategy, objectives, values, long term interests and competitive strength of Chubb and the Chubb Group of Companies;
- Remuneration awards must not threaten Chubb's ability to maintain an adequate capital base;
- Remuneration must avoid conflicts of interest in accordance with Chubb's conflict of interest policies;
- Remuneration decisions must not be made and/or approved by a beneficiary of that decision;
- 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;
- Remuneration must be appropriate and proportional to the internal organisation, nature, scale and complexity of the role, function or service being performed; and
- Remuneration must be sustainable according to the financial situation of Chubb as a whole, and justified on the basis of the performance of Chubb, the business unit and the individual concerned.

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 Chubb 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;

- Performance-related variable remuneration should be based upon a combination of performance measures including, but not limited to, the following:
    - Quality of employee performance, including adherence to Chubb's risk management arrangements and Board adopted policies and procedures and protocols.
    - Financial benefit to Chubb.

Termination Payments

Ex-gratia termination payments (unrelated to redundancy situations) shall be quantified subject to performance related considerations 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.1.4.2 Performance Criteria

The award of variable remuneration is discretionary and usually occurs as 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 into 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 four-year period, and 75% of restricted share awards, which vest incrementally over three years.

Performance criteria are set and measured on an individual basis. The performance measurement plans (PMPs) of all Approved Persons (SIMFs and SIFs) in executive roles and Key Function Holders measure performance against criteria including 'Fit and Proper' behaviours, risk management and leadership.

The PMPs also include the following features:

- The individual must proactively identify and manage those risks for which they have responsibility within the Risk Register, including ensuring that effective controls are operating;
- Should these risks fall outside of, or be reasonably expected to fall outside of, Chubb's risk appetite in either the short term or over the strategic horizon, they should be escalated; and
- Senior Insurance Management Function holders will also be assessed against their prescribed responsibilities.

B.1.4.3 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.

B.1.5 Material Transactions with Shareholders, Persons who Exercise a Significant Influence, and With Members of the AMSB

Shareholders

There were no transactions with shareholders who were not members of key management (Executive Committee, Executive Directors and NEDs) in 2017.

Key Management

Key management personnel comprise members of the Board of Directors. All directors received emoluments through CSUKL in respect of their services to Chubb group companies. The cost of these emoluments is incorporated within the management recharges from CSUKL. For disclosure purposes, it is not practical to allocate these amounts to the underlying entities to which the directors provide services. Consequently, the following amounts represent the total emoluments paid by CSUKL to the directors of this company.

Material transactions	2017 £'000	2016 £'000
Aggregate emoluments and benefits	5,486	5,359
Company pension contributions to money purchase pension schemes	27	23
Total	**5,513**	**5,382**

Included in the above amounts paid by CSUKL in respect of the directors of this company, the highest paid director was paid a total of £835,764 (2016: £979,163) in respect of emoluments and benefits. The amount of accrued pension and accrued lump sum in relation to the highest paid director at the end of the year was £Nil (2016: £Nil) and £Nil (2016: £Nil) respectively.

The aggregate emoluments above do not include share based remuneration. All executive directors are entitled to receive shares in Chubb Limited under long-term incentive plans. During the year, seven directors received shares in Chubb Limited under long-term incentive plans and four directors exercised options over the shares of Chubb Limited. The highest paid director exercised share options during the year.

Until 31 March 2002, retirement benefits accrued under the ACE London Pension Scheme to one current director under the final salary section. Disclosures relating to this scheme are contained within the financial statements for CSUKL. From 1 April 2002, pension benefits are accruing to one current director under the Chubb European Group UK Pension Plan (Stakeholder scheme).

B.2 Fit and Proper Requirements

B.2.1 Specific Fit and Proper Requirements

The Chubb Code of Conduct sets out our five core values, which underpins the foundation upon which CEG's business 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 a Chubb workplace or in the course of Chubb business.

Following the implementation of the Solvency II Directive in 2016 the FCA and the PRA introduced the Senior Insurance Managers' Regime ("SIMR") which, amongst other things, contains the rules and requirements for assessing fitness and propriety of the relevant individuals who are running the business. CEG has adopted a policy (the "Fit and Proper Policy") that sets out at a high level how CEG intends to meet the regulators' expectations for assessing fitness and propriety of relevant individuals.

In the assessment of whether a person is 'fit', consideration has to be given to the person's competence and capability to undertake the role, including professional and formal qualifications; and knowledge and relevant experience in the context of the respective duties allocated to that person.

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

- 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 a 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 particular role;
- Whether the person has demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities previously or in their current role;
- Whether a person has been convicted of, or dismissed or suspended from employment for drug or alcohol abuses or other abusive acts 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.

Human Resources is responsible for conducting Fit and Proper assessments in accordance with this Policy and for giving assurance to management that the persons in scope of the policy are Fit and Proper to carry out

their roles. Human Resources are also responsible for ensuring that there is a documented and up to date Fit and Proper Procedure in place.

Each role is required to have a Role Profile**.** Role Profiles capture the specific requirements of a role, including the skills, knowledge and expertise appropriate for approved persons and key function holders. Profiles are reviewed when roles are filled and periodically thereafter, including in connection with the assessment of an employee's performance according to his or her Performance Management Plan.

The Compliance function is responsible for keeping a log of all Approved Persons. Compliance is also responsible for notifying relevant regulators with regards to changes to the identity of SIMR Approved Persons, Notified NEDs and Key Function Holders including providing information as to whether the replacement is based on that person no longer fulfilling Fit and Proper requirements, whether the person has breached Conduct Standards applicable to that person, and disciplinary action taken when a breach of Conduct Standards has occurred.

In addition to the above, Compliance is responsible for ongoing monitoring of compliance with, and the effectiveness of, CEG's Fit and Proper arrangements.

B.2.2 Assessment Process

An individual's fitness and propriety is defined as equating to their suitability to oversee, manage or perform a Key Function, regulated activity or be an Approved Person. Different roles and levels of responsibility require a different set of qualities, for example qualifications and experience. In addition to this, due to the level of trust required to perform certain activities and the obligations imposed by regulators upon financial services firms, employees must also demonstrate a number of personal qualities such as honesty and integrity.

The Chubb Fit and Proper process covers the Fit and Proper Assessment of all Approved Persons, Notified NEDs and Key Function Holders:

1. **Role Profiles –** the Line Manager, when recruiting, must work with the respective Head of HR to ensure the role is fit for purpose and contains the appropriate Fit and Proper Behaviours – which are documented in the role profile.
2. **Interviews –** all interviewers are requested to complete a Competency Based Interview feedback form, which contains specific requirements for assessing Fitness & Propriety, they include:
    - Skills Gap Analysis
    - How this hire complements the Chubb business strategy, activity & market in which Chubb operates
    - How the appointment was agreed
3. **Pre-employment Screening** – the following checks are conducted for all Key Function Holders, Notified NEDs and Approved Persons:

	LEVEL 1	**LEVEL 2**	**LEVEL 3**
Applicable to:	· Work experience.	· Most roles (those not in levels 1 or 3).	· Roles G32 and above; · All Audit and Actuarial · Finance roles G26 and · Legal and Compliance · NEDs.
Consists of:			
1. Credit Check	1. 5 years	1. 5 years	1. 5 years
2. Sanctions Check	2. Yes	2. Yes	2. Yes
3. Previous Employment/ Qualifications/ Gap investigation	3. 3 years	3. 5 years	3. 10 years
4. Directorship check	4. No	4. No	4. Yes
5. Basic Criminal Records Check	5. No	5. For all T&C Level 2&3 roles	5. For all T&C Level 2&3 roles
6. Regulatory Checks*	6. No	6. SIMR roles only	6. SIMR roles only

4. **Performance Management –** all Approved Persons, Notified NEDs and Key Function Holders will be set a 'Fit & Proper' objective over and above their other business goals. This is assessed at the mid-year and end of year review.

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

The Chubb Group is a global underwriting franchise 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, assessing 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 Chubb

As an insurer, Chubb 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 Chubb's business goals and objectives. Risk Management does not strive to eliminate risk but rather manage and profit from risk where possible and prudent.

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

"ERM is the process to identify, assess, and mitigate those risks that, if manifested mainly over the next 36 months, might impact Chubb'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 Chubb's overall high level business goals requires adherence to a structured ERM programme and strategy based on an understanding and articulation of such key elements as risk profile, risk appetite and risk culture. The above ERM mission statement recognises the importance of the effective management of conduct risk as part of its strategic objectives, in terms of its long term financial stability and its obligations to its customers. It also outlines the goals which Chubb seeks to accomplish through ERM; the ERM framework describes the extent to which ERM is embedded in every aspect of the organisation.

Specifically, the Risk Management Framework incorporates the following processes:

- **Internal and external risks**: Risk identification to 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**: Risk assessment to identify and quantify the accumulation of exposure to individual counterparties, products or industry sectors, particularly those that materially extend across or correlate between different areas across the company.
- **Risk modelling**: Risk evaluation through the use of data-sets, analytical tools, metrics and processes that help the company make informed underwriting, investment and risk management decisions.
- **Risk mitigation**: The internal controls operated at all levels of the company to mitigate risks within accepted levels, expressed through corporate policies, processes and procedures.
- **Governance**: The roles and responsibilities that establish and coordinate risk guidelines that reflect the company's appetite for risk, monitor exposure accumulations, and ensure effective internal risk management communication.
- **Disclosure**: The risk reporting relating to risk governance, processes, and initiatives as well as solvency assessments internally to senior management, executives and the Board of Directors.

- **Decision making**: The risk response of the information provided to management through the Risk Management Framework processes that support decision-making, such as risk transfer, additional risk controls, and risk acceptance relative to risk appetite or risk termination.

The company classifies individual risk sources across its landscape into four major reporting categories: Insurance, Financial, Operational and Strategic. 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.

The Risk Management Framework includes utilisation of a risk register process to identify and assess the inherent risk arising from each risk source, as well as the impact of subsequent risk management actions designed to mitigate risk to an acceptable residual level consistent with risk appetite. The process also includes the identification of emerging risks and clash risks.

B.3.2 Risk Governance

Governance and oversight exercised by Chubb 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 follows within Chubb:

- **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 (i.e. the Risk Committee and Risk Management division); and its implementation, conducting its own independent analysis and risk monitoring (i.e. risk management and compliance).
- The 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 produces quarterly papers for the Risk Committee, including but not limited to the quarterly risk report. The quarterly risk report is designed to provide the Executive Committee, 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.3.3 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, CEG has established a formal Own Risk and Solvency Assessment (ORSA) process which sets out the list of activities that CEG 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 CEG. An overview of the key elements which make up the ORSA is shown below.



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 ORSA capital is calculated based on capital needed to:

- meet regulatory requirements based on the Standard Formula; and
- mitigate against risks that management wants to quantify over and above the Standard Formula capital requirement.

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 Executive Committee, 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: change in risk profile; substantial changes in business structure or strategy; request from the Board; and responses to external events.

B.3.4 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 2017 supports the adequacy of the current capital and liquidity positions adopted by the company.

B.4 Internal Control System

B.4.1 Internal Control System

CEG maintains extensive systems of controls over financial and other risks. An Internal Control Policy sets out the responsibilities and standards required to facilitate an effective system of internal control and to monitor its effectiveness. There are 5 key components within the Internal control framework:

1. **Control Environment** – Sets the tone of the organisation, influencing the control consciousness of its people.
2. **Risk Assessment** – The identification and analysis of relevant risks to the achievement of CEG's objectives.
3. **Control Activities** – Proper governance and documented Board of Directors adopted policies help ensure management directives are carried out and necessary actions are taken to address CEG's risks.
4. **Information & Communication** – An efficient flow of information throughout the organisation is necessary for informed business decision making and external reporting.
5. **Monitoring & Assurance** – The assessment of the quality of the Internal Control system's performance over time.

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

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 CEG's ultimate holding company as well as local requirements and good practice. Each key function's head of management is responsible for the satisfactory design and operation of controls over risks applicable to that function. All employees have a role in maintaining the appropriate culture of internal control and are required to be knowledgeable of and comply with the Internal Control Policy and any related group or local Policies and Procedures.

Internal controls are tested by the Internal Audit function according to a cycle agreed by the Audit Committee, and by the External Auditor in the course of the Auditor's reviews of statutory and other financial reporting. Weaknesses and misstatements are identified to the Audit 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. A Head of Compliance, with defined SIMR responsibilities, reports (via the General Counsel, who oversees the Legal & Compliance functions) to the CBOO. The function also has a reporting line to the Audit Committee, providing them with regular reports of activity, outcomes and progress against the Compliance plan. The Committee has oversight of the resourcing of the plan.

The Compliance function comprises 34 members, who operate via a "hub and spoke" model, with specialists in the London head office who have UK and region-wide responsibilities, and dedicated local Compliance Officers based in offices throughout Continental Europe responsible for compliance activities in a given territory. They support the delivery of the regional Compliance Plan and perform the core compliance

activities including compliance monitoring, advising, training and project support for their countries and country clusters.

The London team is organised into the following groups:

- **Compliance Advice and Regulatory Services Team**, which provides advice and guidance to all business units in Europe in relation to their regulatory and compliance obligations, and monitors trends and developments in the regulatory environment. This team also oversees Compliance training and the regulatory governance regime. **Compliance Training** is responsible for developing 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.
- **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. CEG's approach in Europe continues to evolve with the implementation of the Conduct Risk and Global Business Compliance Frameworks.
- **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 Programmes team**, which manages compliance related work programmes such as implementing company-wide frameworks and helps maintain standards and updating of Compliance policy frameworks and procedural guidelines. It is also responsible for the gathering of Compliance Management information and formal reporting requirements to key Governance Committees. The Compliance Programmes team are the central co-ordinating hub for all material compliance activities and for determining resource allocation in concert with the Compliance Management team.

The Head of Compliance develops and maintains an annual Compliance Plan (developed alongside the work of the other assurance functions, where relevant, and agreed with the Executive and Audit Committees) which aligns Compliance function activities with the identified aims of the regulators of the insurance business in the areas in which CEG 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 CEG Compliance team operates under the Global 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

B.5.1 Internal Audit Function

The Internal Audit function is a 'third line of defence' assurance function (see section B.1.2 for details) 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 Audit Committee.

The team is based principally in London, but carries out audits throughout the geographical areas in which CEG operates. Operational, Information Technology and Financial Audit teams perform audits and control walkthroughs of CEG's operations, identifying key risk exposures and assessing the design and effectiveness of risk management, controls, and governance processes for these risk 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 head office based team described above, the function has access to the following Group resources:

- Global Financial Compliance Team, which coordinates global reporting of the status of internal controls over financial reporting including Sarbanes Oxley compliance. This team reports into the Chief Auditor of Chubb.
- Global Fraud Unit, which investigates potential frauds involving employees and business partners. The Unit also monitors anti-fraud programmes and increases fraud risk awareness among management and employees and performs proactive fraud audits. This team reports into the General Counsel of Chubb Limited.

Internal Audit is entitled 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 by the Audit Committee and approved by the Board. The Audit 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

CEG'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. 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 are subject to all ethical principles outlined in the Chubb Code of Conduct.

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

CEG'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 Committee on Internal Audit quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every three years.

B.6 Actuarial Function

The Chief Actuary, as head of the Actuarial Function, is responsible to the Board, reports functionally and administratively to the Chief Financial Officer, and has an additional reporting line to the Audit Committee. The function does not make underwriting or reinsurance purchase decisions and 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, Catastrophe Risk Management, Planning, Portfolio Management, Ceded Reinsurance Analysis, Business Intelligence and Regulatory Reporting) described below. 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 its 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 function provides information to the Reserve Committee, an Executive sub-committte, which meets quarterly and arrives at a view of reserves, which is then discussed with management, the Audit Committee and 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; comparing best estimate against experience; reviewing sufficiency of reserves; calculation of a range of reasonable estimates; arranging appropriately independent external review and peer review of assumptions and calculations.

Pricing: The role of pricing and planning is kept separate from reserving and supports underwriters in the management and segmentation of their portfolios and the implementation and maintenance of a pricing framework appropriate to each line of business.

Catastrophe Risk Management: The Catastrophe Risk Management function provides management with information and tools to empower them to understand, quantify and manage their catastrophe exposures. It monitors natural and man-made insurance risk concentration against benchmark risk appetite.

Portfolio Management: Members of the Actuarial Function work with the underwriters to understand the drivers of the performance of the book.

Ceded Reinsurance Analysis: The Actuarial Function supports the business by assisting with the analysis and pricing of ceded reinsurance.

Business Intelligence: The function supports a number of bespoke financial systems and develops systems for data management and reporting.

B.7 Outsourcing

CEG outsources certain internal administrative functions 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.

B.7.1 Outsourcing Policy

Outsourcing of all regulated activities is carried out in accordance with an Outsourcing policy. This policy identifies the executive accountable for each stage of completion and approval of the processes connected with outsourcing arrangements, as set out in the policy. These are:

- The completion of a cost benefit analysis
- The completion of a risk assessment that considers financial, operational, conduct and other risks
- The conduct of a due diligence exercise that establishes the performance capabilities of the service provider, and that a satisfactory control environment exists in that provider's operation
- The completion of an appropriate contract, to include performance standards and information requirements
- Ongoing monitoring, in accordance with risk assessments, against contractual terms and continuing risks
- Resolution of any identified adverse incidents
- Periodic reconsideration of the arrangement, using the above criteria
- Consideration of the aggregate risks from outsourcing

The business lines and Claims functions carry out periodic risk-based performance audits of the services provided, and manage any necessary remediation activity arising from those audits.

Compliance by the business with this policy is continuously monitored by the Compliance function.

Aggregated outsourcing risk is monitored by the Risk Management function.

The Internal Audit functions may include periodic assessments of outsourcing arrangements in its activities as part of its risk-based audit plans, as approved by the Audit Committee.

B.7.2 Activities that Represents Important Outsourcing Agreements

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:

Outsourced Function	Provider	Nature of Service	Jurisdiction
Information Technology ("IT")	CSUKL (intra-group)	Provision of IT support & development services	UK
Actuarial	CSUKL (intra-group)	Provision of actuarial services	UK
Treasury	CSUKL (intra-group)	Provision of treasury services	UK
Compliance	CSUKL (intra-group)	Provision of compliance services	UK
Internal Audit	CSUKL (intra-group)	Provision of internal audit services	UK
Underwriting Operations	EXL Service Ltd (Noida, Delhi)	Provision of premium processing services	UK&I
Underwriting Operations	EXL Service Ltd (Noida, Delhi)	Provision of renewal preparation services	UK&I
Claims Operations	EXL Service Ltd (Noida, Delhi)	Provision of claims operation services including FNOL notification and indexing	UK&I
Finance	EXL Service Ltd (Noida, Delhi)	Accounts Payable	All Europe
Finance	EXL Service Ltd (Noida, Delhi)	Financial Reconciliations	All Europe
Finance	EXL Service Ltd (Noida, Delhi)	Provision of credit control services	All Europe
Finance	EXL Service Ltd (Noida, Delhi)	Provision of transfers and payments services	All Europe
Treasury	Western Asset Management Company	Provision of investment management services	All Europe
Treasury	Pacific Investment Management Company	Provision of investment management services	All Europe
Treasury	Blackrock	Provision of investment management services	All Europe
Treasury	Goldman Sachs Asset Management Limited	Provision of investment management services	All Europe
Treasury	Wellington	Provision of investment management services	All Europe
Treasury	State Street Bank and Trust Company	Provision of investment custody services	All Europe

B.8 Adequacy of System of Governance

CEG 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 B1.1 of this document, which provide oversight over the company's diverse business units and functions. The heads of the functions and business units report either to the President or the Chief Business Operations Officer ("CBOO") (except for the Actuarial and Internal Audit functions, which report via the Chief Financial Officer ("CFO")), and have responsibilities defined in accordance with the provisions of the Senior Insurance Managers Regime ("SIMR").

The Board has approved a number of policies, under which responsibilities are also aligned with SIMR, 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 (Third Line) carries out further independent testing and reports outside of the First and Second Line structures.

The Board includes as members several independent 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 CEG carries out.

B.9 Any Other Information

All material infromation regarding CEG's sysytem 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.

The table below shows the breakdown of the SCR as calculated by the Standard Formula. From a capital perspective, reserving risk is the single largest risk source facing CEG followed by market and premium risk. Credit risk is a significantly smaller contributor to the total capital requirement than premium or reserve risk. This is predominantly due to the high credit quality of CEG's reinsurers.

Risk	Capital Requirement £'000
Underwriting	**1,013,888**
Non-life	997,451
Health	16,437
Counterparty Default	**113,435**
Market	**742,185**
Undiversified Basic SCR	**1,869,508**
Operational Risk	**164,559**
Undiversified SCR	**2,034,067**
Diversification credit	(423,374)
Total SCR	**1,610,694**

C.1 Underwriting Risk

C.1.1 Risk Description

The principal risks from the company's 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 claims compared to expectations, inadequate reinsurance protection and inadequate reserving.

C.1.2 Risk Measures and Mitigation

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 and line sizes are continually monitored. Each underwriter is given an authority based on technical expertise and experience to bind risks that fall within specified classes of insurance and specified maximum limits. Underwriting activity is also monitored by the Joint Underwriting Control Committee.
- Formal price monitoring procedures are in place and form part of the standard management statistics. These procedures contribute to the quarterly actuarial review whereby the loss outcome of the underwriting activity is continually re-assessed and considered by the Reserve Committee.
- With such a large and diverse book, it is vital that the aggregate exposures be continually monitored and adjustments made to the underwriting profile as appropriate. Chubb operates a dedicated catastrophe management function independent of underwriting management, whose responsibility is to model aggregate risk and assist with the pricing of this risk, providing a key control to the underwriting process.
- 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.3.2.1 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 CRO, the Risk Committee, the Board or the business.
- The company has no material exposure to off-balance sheet items.

Underwriting risk represents 53% of the undiversified SCR as at 31 December 2017, where this is driven by non-catastrophe reserving and premium risk and catastrophe risk where applicable.

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 catastrophies 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 CEG pay in premiums for the covered risks.

CEG regularly review its reinsurance protections and corresponding property catastrophe exposures. This may or may not lead to the purchase of additional reinsurance prior to a programs renewal date. In addition, prior to each renewal date, the Company considers how much, if any, coverage it intends to buy and may make material changes to the current structure in light of various factors, including modeled probable maximum loss assessment at various return periods, reinsurance pricing, our risk tolerance and exposures and various other structuring considerations.

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

C.1.2.2 Transfer of Risks to Special Purpose Vehicles ("SPVs") and Fully Funded Principle

The Global Catastrophe Reinsurance programme accesses capacity from traditional reinsurers on an excess of loss basis as well as certain authorised reinsurers that have been set up as third party owned SPVs in either Bermuda or Guernsey. These reinsurance entities are subject to rigorous regulatory oversight from their local regulatory authority, being either the Bermuda Monetary Authority or Guernsey Financial Services Commission.

Each of the third party owned SPV reinsurers are fully collateralised by virtue of a separate Trust Account with named assets deposited to that account at least equal to 100% to 110% of the reinsurers obligations to that Reinsurance Agreement at all times. Assets in Trust are held for the use of the beneficiary to pay or reimburse under the Reinsurance Agreement for any losses or loss expenses paid but not recovered from the reinsurer, or for unearned premiums due from the reinsurer if not otherwise paid.

C.1.3 Risk Concentration

The tables below outline the gross written premium based on Solvency II line of business and region, as at 31 December 2017. As the company writes a diverse book of business across a number of underwriting classes and regions, there are no material concentrations of risk as at 31 December 2017.

Gross Written Premium based on SII Line of Business as at 31 December 2017

SII Line of Business:	Gross premiums written	Percentage of total gross written premium
Medical expense	38	0%
Income protection	94,982	3%
Motor vehicle liability	117,777	4%
Marine, aviation and transport	237,225	7%
Fire and other damage to property	1,196,898	37%
General liability	1,006,605	31%
Credit and suretyship	127,002	4%
Miscellaneous financial loss	446,826	14%
Non-proportional casualty	30,097	1%
Non-proportional marine, aviation and transport	8,833	0%
Non-proportional property	1,192	0%
Total	**3,267,474**	**100%**

Gross Written Premium based on Geographical Regions as at 31 December 2017

Region:	Gross written premium £'000	Percentage of total gross written premium
United Kingdom	1,146,724	35%
France	419,912	13%
Germany	351,235	11%
Italy	224,125	7%
Netherlands	188,747	6%
Spain	161,276	5%
Other countries	775	0%
Total	**3,267,474**	**76%**

Gross Technical Provisions based on SII Line of Business as at 31 December 2017

SII Line of Business:	Gross technical provisions £'000	Percentage of total technical provisions
Medical expense	54	0%
Income protection	28,895	1%
Motor vehicle liability	156,873	3%
Marine, aviation and transport	408,205	7%
Fire and other damage to property	722,325	13%
General liability	3,678,427	65%
Credit and suretyship	88,557	2%
Assistance	651	0%
Miscellaneous financial loss	389,795	7%
Non-proportional health	1,747	0%
Non-proportional casualty	149,445	3%
Non-proportional marine, aviation and transport	59,297	1%
Non-proportional property	1,283	0%
Total	**5,685,553**	**100%**

C.1.4 Risk Sensitivity

There is inherent uncertainty in the ultimate cost of claims for which the company uses a variety of different actuarial techniques to estimate the provision for claims outstanding. If the net claims ratio for the year had been higher by 1%, then the profit for the financial year would have been lower by £18.3 million (2016: £12.6 million) and shareholders' funds would have been lower by £18.3 million (2016: £12.6 million). If the net claims ratio had been lower by 1%, then the profit for the financial year would have been higher by £18.3 million (2016: £12.6 million) and shareholders' funds would have been higher by £18.3 million (2016: £12.6 million).

Market Risk

C.1.5 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 potential losses from adverse movements in market prices such as interest rates and foreign exchange rates. Other financial risks particularly, credit and liquidity risks are covered below in sections C.3 and C.4 respectively.

C.1.6 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 Executive 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.
- 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, 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.
- The company's exposure to equity price risk is moderated through the asset allocation policy, which limits this category of asset and the investment guidelines. The investment guidelines restrict individual equity holdings relative to the size of the portfolio and the benchmark constituents. No equities were held by the company during the year.
- 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 Risk Management, with the scope of the assessments focused on particular areas as initiated by the CRO, the 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 CRO, the Risk Committee, the Board or the business.

Market risk comprises of 39% of the undiversified SCR as at 31 December 2017.

C.1.7 Prudent Person Principle

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 invests in some derivative instruments. All other assets are held by counterparties through vehicles that are subject to a regulated financial market.

Risk Concentration

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.

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 on a quarterly basis.

The table below outlines the Solvency II value of the financial investments as at 31 December 2017.

Financial investments	Solvency II value £'000
Equities	48,427
Government bonds	1,856,058
Corporate bonds	2,857,187
Collateralised securities	175,815
Collective investment undertakings	241,508
Derivatives	1,143
Total investments	**5,180,138**

C.1.8 Risk Sensitivity

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 the downside risk within the fixed interest portfolio of £4,959 million at external managers as at 31 December 2017 (2016: £2,870 million), an increase of 100 basis points in interest yields across all portfolios consecutively (principally sterling, euro and US dollars) 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 £228.3 million and accordingly decrease total shareholders' funds by £182.5 million.

All equity holdings of £48.3 million (2016: £42.2 million) are listed and represent 1% (2016: 1%) of the total investment portfolio. If the value of all equity markets in which the company invests decreased by 10%, with all other variables held constant, the total investment return would decrease by £4.8 million and the total shareholders' funds would decrease by £3.8 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 2017 average euro/sterling rate of €1.146/£1 is down on the prior period (2016: €1.238/£1) and the US dollar/sterling rate of US$1.277/£1 is down on the prior period (2016: US$1.375/£1). If sterling weakened by

10% against all currencies (primarily the euro and US dollar) and all other variables remained constant, the profit before tax for the year would have been £2.9 million less than the amount reported. This amount is calculated as 10% of the profits arising from non-sterling business. This is significantly lower than the actual foreign exchange loss in the current period as a result of various inter-branch currency balances that are in the process of being re-aligned. As a consequence, foreign exchange gains or losses in the profit and loss account are in the future expected to be less sensitive to changes in currency exchange rates.

The impact of a change in credit spread on profit for the financial year and shareholders' funds has been assessed. A 1% increase in the credit spread will result in a decrease in profit of £94,269k and accordingly decrease total shareholders' funds by £75,415k.

C.2 Credit Risk

C.2.1 Risk Description

The company is exposed to credit risk, where material sources of this risk arise from investment in asset portfolios, 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.2.2 Risk Measures and Mitigation

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, setting maximum counterparty exposures and setting minimum weighted credit and individual issuer credit quality.
- The company operates a Reinsurance Security Committee. 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 Reinsurance Security Committee is supported by the Reinsurance Credit Risk Committee and the Broker Review Committees.
- 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 CRO, the Risk Committee, the Board or the business.

Counterparty default risk represents 6% of the undiversified SCR as at 31 December 2017, where this is considers credit risk exposures associated within cash at bank investments and reinsurers. Credit risk exposures associated with investments is considered implicitly within the market risk calculations.

C.2.2.1 Intra Group Reinsurance Credit Risk Mitigation

The use of reinsurance, which is the primary mitigation technique used to mitigate its exposure to losses, is considered under Group risk. Internal reinsurance within Chubb in particular leads to the risk of reinsurance concentration and exhaustion. The main two internal reinsurers are Chubb Tempest Re (CTRe) and ACE INA Overseas Insurance Company Limited ("AIOIC"). The latest exposure information is monitored quarterly within the intra group credit risk management information against the intra group Risk Appetite statement within Chubb. In Q4 2015, CTRe set up a Trust Fund of £790,033k (US$1bn) on behalf of the company to mitigate the intra group credit risk. The Trust Fund is in addition to the existing floating charge arrangement.

In accordance with the Trust agreement, the Trust Fund amount can only be reduced either by the CEG capital going up or CEG's exposure to Chubb Group entities going down. The exposure to CTRe and other Chubb Group affiliates is monitored through the quarterly intra group credit risk management information and the asset portfolio is monitored through the quarterly investment risk management information.

Whilst there is technically no current requirement to maintain an amount in the Trust Fund (due to the capital position of CEG), the Trust is currently valued at £704,233,285.

Risk Concentration

The assets bearing credit risk are:

Asset Category:	Solvency II value £'000	Percentage of total Solvency II value
Investments	5,180,138	62%
Reinsurance recoverables	2,773,840	33%
Reinsurance receivables	89,520	1%
Receivables (trade, not insurance)	179,462	2%
Insurance and intermediaries receivables	84,901	1%
Total assets bearing credit risk	**8,307,861**	**100%**

The Standard and Poor's credit ratings for the investments net of accrued interest of £61,120k, and including restricted assets of £14,172k.

Asset Category:	Investments (£'000)
AAA	714,029
AA	1,857,165
A	1,055,611
BBB	1,140,140
Below BBB or unrated	478,206
Total	**5,245,151**

The average credit quality of investment portfolios using Standard and Poor's ratings remained high throughout the year and at year end was "A". This is comparable to the previous year ("A"). CEG had £48.3 million equity holdings at 2017 year end (2016: £42.2 million).

Where appropriate the company seeks to obtain collateral from counterparties to mitigate the credit risk exposure from insurance and reinsurance receivables. At 31 December 2017 the collateral provided to the company totalled £330.7 million (2016: £651.3 million). This balance is represented by Letters of Credit – 80.0% (2016: 62.4%), trust funds – 18.9 % (2016: 36.1%), cash – 1.1% (2016: 1.4%) and floating charge – 0.0% (2016: 0.0%).

The maximum exposure of receivables to credit risk at the balance sheet date is the carrying value less any collateral obtained from counterparties. For the purpose of this disclosure 'receivables' comprises 'Reinsurers' share of technical provisions', 'Debtors arising out of direct insurance operations' and 'Debtors arising from reinsurance operations'. At the balance sheet date the maximum exposure of receivables to credit risk was £3,851.7 million (2016: £2,928.0 million).

The company is exposed to credit risk concentration from internal reinsurance. Refer to Section C.3.2.1 for internal reinsurance risk mitigation technique.

C.2.3 Risk Sensitivity

There are no sensitivity tests in respect to credit risk and this risk is predominantly impacted by concentrations of risk. Sensitivity in respect to credit spread risk is covered in section c.2.5 Risk Sensitivity.

C.3 Liquidity Risk

C.3.1 Risk Description

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

C.3.2 Risk Measures and Mitigation

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 predominantly held in readily realisable investments.
- The company also benefits from Chubb Limited Group letter of credit facilities which are available to meet certain funding needs, although no such facilities are currently utilised by the company.
- 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 CRO, the Risk Committee, the Board or the business.

Liquidity risk is not explicitly measured as part of the Standard Formula SCR.

C.3.3 Risk Concentration

The bulk of CEG's investment portfolio is held in highly liquid instruments. As at 31 December 2017, 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.

C.3.4 Risk Sensitivity

Liquidity is assessed through the stress and scenario testing framework. The liquidity test measures the potential impact on liquidity in the aftermath of an event. The stress testing carried out throughout 2017 supports the adequacy of the liquidity positions adopted by the company.

C.3.5 Expected Profit Included in Future Premium ("EPIFP")

The EPIFP as at 31 December 2017 is £243,760k.

C.4 Operational Risk

C.4.1 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.4.2 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 SCR 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 CRO, the Risk Committee, the Board or the business.

Operational risk comprises of 9% of the undiversified SCR as at 31 December 2017.

C.4.3 Risk Concentration

There are no risk concentrations in respect of operational risk.

C.4.4 Risk Sensitivity

Operational risk is assessed through the stress and scenario testing framework. The stress testing carried out throughout 2017, 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.5 Other Risks

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 Limited Group. This could include direct or indirect financial loss and operational, reputational or regulatory issues. As a strategically important member of the Chubb Limited 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.

C.6 Any Other Information on Risk Profile

The potential risks to the company arising from the expected UK's exit from the EU are identified and considered within the company's risk management framework. A number of tools are in place to measure, mitigate and monitor the associated risks including but not limited to the established Brexit Management Office which co-ordinates and manages all Brexit related activities and risk assessments performed by the Risk Management Function.

D. Valuation for Solvency Purposes

D.1 Assets

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

As at 31 December 2017	Solvency II 2017 £'000	UK GAAP 2017 £'000	Variance 2017 £'000
Deferred acquisition costs	0	190,296	(190,296)
Deferred tax assets	8,447	0	8,447
Intangible asset – software	0	38,774	(38,774)
Property, plant and equipment held for own use	10,817	10,826	(8)
Investments (and assets held for index-linked and unit-linked contracts)	5,180,138	5,245,151	(65,013)
Loans and Mortgages	111,961	0	111,961
Reinsurance recoverables	2,773,840	3,217,379	(443,539)
Insurance and intermediaries receivables	84,901	723,529	(638,628)
Reinsurance receivables	89,520	240,815	(151,295)
Receivables (trade, not insurance)	179,462	181,923	(2,461)
Cash and cash equivalents	167,674	169,722	(2,048)
Other assets	936	63,047	(62,111)
Total assets	**8,607,696**	**10,081,460**	**(1,473,764)**

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

D.1.1 Deferred Acquisition Costs ("DAC")

Acquisition costs are deferred under UK GAAP and expensed in line with the earning of the corresponding premiums. However under SII, intangible insurance assets such as DAC are ascribed a value only when they can be sold separately and when there are quoted prices in an active market for the same or similar assets. The company has no intangible assets which meet these criteria and so all potential intangible assets (including DAC) are valued at nil.

D.1.2 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.

The rates enacted, or substantively enacted, at the reporting date are used to value the deferred tax assets and liabilities.

Deferred tax assets ("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 continues to be taxed based on UK GAAP accounting principles, differences between Solvency II and UK 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 UK 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.

D.1.3 Intangible Assets - Software

Intangible assets are software costs that are amortised under UK GAAP and written-off on a straight line basis over their estimated useful lives. However under SII, intangible assets are ascribed a value only when they can be sold separately and when there are quoted prices in an active market for the same or similar assets. The company has no intangible assets which meet these criteria and so all intangible assets are valued at nil.

D.1.4 Property, Plant and Equipment held for Own Use

Under solvency II basis, where it is found that an active market exists amounts are presented at fair value, which is the independently assessed market value, or a suitable proxy. In the unlikely event that no market value or suitable proxy exists, a value of nil is ascribed.

This differs from UK GAAP which follows a depreciated cost model.

D.1.5 Investments

Investments comprise the following:

As at 31 December 2017	Solvency II 2017 £'000	UK GAAP 2017 £'000	Variance 2017 £'000
Equities	48,427	48,337	90
Government bonds	1,856,058	1,851,703	4,355
Corporate bonds	2,857,187	2,819,832	37,355
Collateralised securities	175,815	175,213	602
Collective investment undertakings	241,508	236,962	4,545
Derivatives	1,143	1,143	0
Total investments	**5,180,138**	**5,133,190**	**46,948**

Investments (excluding derivatives)

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

For quoted investments where there is an active market, the fair value is their quoted bid price at the balance sheet date. For quoted investments where there is no active market, the fair value is determined by reference to prices for similar assets in active markets.

In relation to investments for which pricing is unobservable, the fair value is obtained from models and / or third parties. Valuation models are approved prior to use by the Chubb Group's specialist asset management function and are reviewed on a quarterly basis for ongoing appropriateness.

Within this account line, assets such as Government Bonds have an active market and therefore the fair value is based on the quoted market prices.

For investments that trade in less active markets, including corporate securities, prices are sought from independent specialist third parties (e.g. IDC and Bloomberg). The significant inputs to pricing used by these

third parties include, but are not limited to, yield curves, credit risks and spreads, measures of volatility, and prepayment speeds.

Significant uncertainty would be considered to exist in relation to pricing based on unobservable inputs. However, for CEG this uncertainty is considered to be immaterial as the exposure to these types of assets is insignificant – typically less than 0.5% of the investment portfolio.

Deposits (non-cash equivalent) are deposits that cannot be used to make payments at any time without any kind of significant restriction or penalty. Deposits are valued using the effective interest rate method. These are typically deposits which are not redeemable on demand, but within a period of less than 3 months, with only an insignificant change in fair value.

In addition, certain parts of CEG's investment portfolio are restricted in that they can only be used to settle specific liabilities. An example of this is where CEG writes inwards assumed business and cedant requires some form of collateral as credit risk mitigation. This collateral is issued through facilities with partner banks. Where there are excess assets in these facilities which may not be immediately available back to CEG they are deducted from CEG's balance sheet. This amounted to £15,163k at 31 December 2017.

The difference between SII value and UK GAAP value for investments is as a result of the following:

As at 31 December 2017	Variance £'000
Accrued interest included in "Other Assets under UK GAAP (see section D.1.10)	61,120
Restricted assets	(14,172)
Total	**46,948**

D.1.5.1 Derivatives

Derivative financial instruments are used to hedge the company's exposure to foreign exchange risk and interest rate risk arising from investing activities.

For both UK GAAP and Solvency II purposes, derivative financial instruments are measured on initial recognition, and subsequently, at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques as appropriate. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

D.1.6 Loans and mortgages

This balance classifies a bank loan portfolio measured at fair value.

D.1.7 Reinsurance Recoverables

For Solvency II, this balance includes the reinsurers' share of the claims provisions and the reinsurers' share of the premium provision.

The Solvency II basis for the valuation of technical provisions is fundamentally different to that for UK GAAP purposes. Refer to section D.2 for further details on Technical Provisions.

D.1.8 Insurance, Reinsurance and Intermediaries Receivables

The UK GAAP valuation basis recognises all receivables due under insurance contracts. However, for Solvency II, where receivables are considered to be not yet due they are included within the technical provisions for Solvency II purposes. Refer to section D.2 for further details on Technical Provisions.

D.1.9 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.1.10 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. However, the difference of £2k represents cash overdraft gross up as cash overdraft is not netted under Solvency II basis (see section D.3.5 for cash overdraft).

D.1.11 Any other assets, not elsewhere shown

These balances largely represent prepayments and are therefore representative of services paid for but not supplied. The valuation is considered to be representative of fair value. The difference between Solvency II value and UK GAAP value is as a result of accrued interest on investments that were included in other assets under UK GAAP. However under Solvency II regime this is reclassified to investments (see section D.1.5.1).

D.1.12 Changes to Valuation of Assets in the Period

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

D.1.13 Major Sources of Estimation Uncertainty

Major sources of estimation uncertainty are related to the recognition of deferred tax assets (refer to section D.1.2 for details) and reinsurance recoverables (refer to sections D.1.6 and D.2.4 for details).

D.2 Technical Provisions

The value of technical provisions for solvency purposes, as at 31 December 2017, based on Solvency lines of business was as follows:

SII Line of Business:	Gross premium provision	Gross claims provision	Gross best estimate	Ceded premium provision	Ceded claims provision	Net best estimate	Risk margin	Total Gross	Total Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Medical expense	0	52	52	0	(5)	57	2	**54**	**59**
Income protection	(367)	27,840	27,472	572	10,081	16,819	1,423	**28,895**	**18,242**
Motor vehicle liability	21,872	131,969	153,841	10,366	89,468	54,008	3,032	**156,873**	**57,040**
Marine, aviation and transport	1,002	393,594	394,596	-2,131	225,797	170,929	13,609	**408,205**	**184,538**
Fire and other damage to property	(53,270)	754,606	701,336	1,716	533,505	166,114	20,989	**722,325**	**187,103**
General liability	92,044	3,458,455	3,550,499	24,435	1,428,058	2,098,006	127,928	**3,678,427**	**2,225,933**
Credit and suretyship	9,568	73,723	83,290	2,808	37,494	42,988	5,267	**88,557**	**48,255**
Assistance	232	404	636	-15	283	368	16	**651**	**383**
Miscellaneous financial loss	(31,508)	399,701	368,192	10,348	243,668	114,177	21,603	**389,795**	**135,779**
Non-proportional health	0	1,693	1,693	0	1,267	426	54	**1,747**	**479**
Non-proportional casualty	(20,371)	166,696	146,325	(23,486)	149,238	20,573	3,121	**149,445**	**23,693**
Non-proportional marine, aviation and transport	(1,161)	57,343	56,183	(2,495)	31,379	27,299	3,114	**59,297**	**30,412**
Non-proportional property	(1,215)	2,396	1,181	(729)	2,215	(305)	102	**1,283**	**(203)**
Total	**16,825**	**5,468,471**	**5,485,296**	**21,391**	**2,752,449**	**2,711,456**	**200,257**	**5,685,553**	**2,911,714**

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 for a commercial external party to take over and meet the (re)insurance obligations and represents the cost of providing eligible own funds equal to the SCR necessary to support these obligations.

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 technical provisions calculation considers all future cashflows relating to all in force polices as well as bound but not yet incepted policies, including:

- All expenses, inflation and claim payments in line with policy terms and conditions, including reported but not paid claims from the UK GAAP balance sheet.
- All premiums from policyholders and all premiums to reinsurers, including reported but not received or not yet due premiums from the UK GAAP balance sheet.
- Financial guarantees and contractual options; however these are considered to be immaterial in the context of CEG's overall technical provisions and so no additional allowance is held in respect of this.

The claim payment estimates, including the cost of claims handling costs, which are used in the claims and premium provision calculations, are based on the latest Actuarial Central Estimates ("ActCE") of ultimate claim cost. ActCE are a core part of Chubb's GAAP reserving process. The intended purpose of the ActCE is to provide management with an actuarial assessment of liabilities.

ActCE are adjusted upwards for Solvency II Technical Provisions purposes in recognition that Events Not in Data may not be captured within the core ActCE actuarial analysis. This acknowledges that the best estimate of claim costs may be from a distribution of claim outcomes that is wider than allowed for in the ActCE calculation, particularly in respect of adverse outcomes. The statistical calculation of this adjustment is underpinned by the assumption that events beyond 1 in 100 return periods are not allowed for in the initial analysis.

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. It reflects recoveries for reported loss events, either recorded on Chubb's systems or estimated, plus statistical recovery estimates for not yet reported loss events. The reinsurers' share further allows for the estimated irrecoverable amounts, estimated using a transition matrix between S&P ratings to project the closing rating of each reinsurer and associated probability of default at each future time point. This methodology is applied to reinsurance counterparty default risk only, as premium creditors are not considered to be material.

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 class of business level so that different cashflow timing characteristics for each class are recognised. The analyses are based on statistical methods applied to the past data for each item, or data for closely related items.

Discounting of cashflows is performed at a currency level using the European Insurance and Occupational Pensions Authority ("EIOPA") provided yield curves.

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 in raising capital to fund the SCR relating to the transferred liabilities until such time as they are fully run-off.

The SCR at time zero for use in the risk margin calculation is derived from the standard formula capital assessment consistent with a run-off scenario, excluding any allowance for future business not currently included within the Technical Provisions. Non-reinsurance counterparty default risk and all market risk are excluded as a matching asset portfolio is assumed. Future period SCRs are then calculated using a simplified proportional method applied to a variant of the SCR at time zero, where cat and lapse risk are nil (since there would be minimal remaining future exposure after one year). Under this method the SCR reduces in line with the reduction in the technical provisions. Future SCRs are discounted at the prescribed EIOPA rate. The assumed cost of capital is 6% pa as prescribed by EIOPA.

D.2.4 Actuarial Methodologies and Assumptions

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

Gross Ultimate Claims

The gross ultimate claims are projected using a combination of:

- Paid and Reported Chain ladder ("CL")
- Initial Expected Loss Ratio "IELR"
- Reported Bornhuetter-Ferguson Method ("BF")
- Average Cost Per Claim
- Cape Cod Method
- Frequency/Severity Approach
- Expert Judgement.

The actual selected method may vary by origin year and line of business. For example for long-tailed classes a lack of data in the most recent origin years may require significant weight to be given to the IELR. For the maturing origin years where loss experience has begun to emerge a BF approach may be taken. Mature underwriting years may be heavily weighted towards the experience and based on the CL. In addition, expert judgement is applied across these methods in the selection of assumptions; selection of the ultimate loss and the selection of the results based on one or more of these reserving methods.

The projection is carried out in converted US dollar across all reserving lines. The projection is undertaken by origin year cohort and carried out separately for attritional, large and catastrophe claims.

For each of the claims identified as Major Issues claims (typically claims/events with significant uncertainty in the gross loss amount), the claims department provides a best estimate view of the ultimate loss for booking purposes. Any costs of claims "incurred but not reported" reserve ("IBNR") generated as part of this process may be allowed for in addition to that generated by the methods listed above.

There may also be occasions where a large loss is not booked in time for the data capture of the analysis or it occurs during the period of the analysis. In this case consideration is given as to whether to include an explicit estimate for the loss as additional IBNR.

Net Ultimate Claims

This is covered in the 'Reinsurance' section below.

Salvage and Subrogation

The claims data used for estimating the gross ultimate claims are net of salvage and subrogation recoveries. There is therefore no explicit allowance for these recoveries in the estimation of gross ultimate claims for any claim type but there is an implicit allowance for salvage and subrogation recoveries in the projection methods used for estimating the gross reserves.

Premium Projection

For Chubb Europe the ultimate premium assessments are performed by the actuarial function typically using an actuarial method from the Gross Ultimate section above. The ultimate premium for the current year may alternatively be set by reference to the latest Financial Planning/Forecasting analysis.

For CGM the ultimate premium for the latest three underwriting years is obtained from the underwriters who set it by reference to the Expected Premium Income ("EPI"). For earlier underwriting years, EPI is taken to be the ultimate premium.

Expert judgement is applied across these methods in the selection of assumptions, selection of the ultimate premium and the selection of the results based on one or more of these projection methods.

Options and Guarantees

CEG consider the financial impact of options and guarantees to be immaterial. Hence no impact from options and guarantees has been allowed for in the technical provision valuation. Essentially, CEG is not aware of any policyholder options in the business written. The guarantees within the contracts written are mainly in respect of profit sharing via profit commission, return of premium and no claims bonuses upon renewal, the cost of which are implicitly included in the BEL.

Events Not in Data ("ENIDs")

A truncated distribution approach has been used to estimate the uplift factor for each reserving class to allow for ENIDs. The same factor is applied to the claims and premium provision.

Expenses

CEG has identified and allowed for expenses in accordance with the EIOPA and other regulatory guidelines. These expenses are considered to be incurred in servicing existing policies during their lifetime. The main expense categories include:

- Administrative expenses including overhead costs
- Acquisition expenses
- Claims management expenses including claims handling expenses
- Investment management expenses.

Inflation is implicitly included in expense assumptions in so much as the premiums and claims to which the calculated expense ratios are applied contain an inflationary allowance.

Bad Debt

This is estimated using a methodology which takes the S&P rating as the starting point. A transition matrix between S&P ratings is used to project the closing rating of each reinsurer and associated probability of default at each future time point. Expected default rates are applied to the best estimate of ceded claims reserves to estimate the bad debt provision for inclusion in Solvency II technical provisions. This methodology is applied to reinsurance counterparty default risk only as premium creditors are not considered to be material.

Discounting

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

Contract Boundaries

The following are considered to be the main sources of inwards bound but not incepted (legally obliged) business:

- Pipeline business – relates to policies where there is a delay between the written date and the date of inception that crosses over the balance sheet valuation date.
- Quota Share reinsurance – relates to policies where the quota share treaty (typically for a 1 year term) has been written but the underlying policies to be written by the insured during the term have not yet either been written or incepted .
- Tacit renewals – annual policies that renew automatically unless the Insured or CEG have given notice of cancellation the required 2 or 3 months before the anniversary date.

There is also an allowance for contractual obligations relating to outwards reinsurance contracts. Where a reinsurance contract has a minimum premium (typically excess of loss) and is contractually bound (whether or not it has incepted) then the full contractual minimum premium cost is allowed for, even where this exceeds the reinsurance cost in relation to the corresponding inwards policies included within the Technical Provisions.

Risk Margin

Refer to section D.2.3 for details.

Reinsurance

Net ultimate claim and premium amounts are calculated using a deterministic approach, based on applying netting down factors to gross ultimates. This approach is justifiable since:

- It is commonly used by other participants in the market;
- The netting down factors are supported by detailed modelling of the reinsurance programme; and
- The reinsurance data is considered appropriate, complete and accurate.

Reinsurance recoverables are calculated as part of the core reserving and technical provisions calculation exercises. The core reserving exercise uses a netting down approach applied to the best estimate ultimate gross claim and premium amounts to determine the reinsurance amounts for each component. These calculated reinsurance components flow into the Technical Provisions alongside the gross components.

Reinsurance recoveries on specific individual claims are based on detailed review of the underlying reinsurance programmes. In respect of general reserves, the assessment of recoveries may be performed separately for each type of reinsurance (facultative, quota share, excess of loss risks attaching during basis, excess of losses occurring during basis, whole account) or else at an aggregate level for the granular reserve

portfolio being considered. Reinsurance recoveries are assessed using a combination of expert judgment, emerging experience and initial expected recovery ratios from the pricing/planning team.

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

The estimates of ultimate premiums and claims relate to an uncertain future process. The actual outcome could differ materially from the estimates presented in this report, in particular the ultimate claim amounts.

To project the ultimate level of claims, assumptions are made about the future, including claims events which have not yet occurred, future economic conditions and court awards yet to be made. One of the key assumptions underlying the standard actuarial techniques referred to in this report is that the past experience is stable and provides a good indication of future claims experience.

There are a variety of reasons why this may not hold, for example:

- Past changes in:
    - the nature of the business written within a class;
    - policy coverages; and
    - claims handling procedures, which have not been explicitly factored into our assumptions.
- Future changes in:
    - socio-economic conditions;
    - underlying claims frequency and/or severity;
    - underlying legislation;
    - court interpretation of policy wordings or coverages; and
    - claims payment and reporting patterns.

As a result, the actual outcome of the ultimate claims or premiums could differ substantially from the assumptions made. The reserve risk charge provides a measure of the amount of uncertainty in relation to reserves. Notwithstanding this, given the diverse nature of the book and size of CEG's business, there is no notable uncertainty in the gross reserves beyond that expected for a large P&C insurer. Further, the extensive external and intra-group reinsurance protections in place reduce gross uncertainty materially.

Whilst claims reserves (earned and unearned) are significant element of SII technical provisions, there are other areas of uncertainty such as future expenses and risk margin.

The allowance for future administrative expenses (including overhead costs), acquisition expenses and claims management expenses (including claims handling expenses) on a SII basis introduces an element of uncertainty as there are many factors which could influence the size of each.

In addition a key assumption in the calculation of the risk margin is the assumed run off of the SCR over future time periods. A change in this assumption could have a material impact on the quantum of the risk margin.

D.2.6 Solvency II and UK GAAP Valuation Differences of the Technical Provisions by Material Line of Business

The table below shows a reconciliation of the UK GAAP valuation of insurance contract liabilities to the Solvency II technical provisions, split by line of business, as at 31 December 2017:

SII Line of Business:	Gross UK GAAP TPs £'000	Solvency II adjustments £'000	Gross BEL £'000	Add risk margin £'000	Gross TPs £'000	Reinsurance recoverables £'000	Net TPs £'000
Medical expense	48	4	52	2	**54**	(5)	**59**
Income protection	50,008	(22,536)	27,472	1,423	**28,895**	10,653	**18,242**
Motor vehicle liability	237,564	(83,723)	153,841	3,032	**156,873**	99,834	**57,040**
Marine, aviation and transport	666,740	(272,145)	394,596	13,609	**408,205**	223,667	**184,538**
Fire and other damage to property	1,153,817	(452,481)	701,336	20,989	**722,325**	535,222	**187,103**
General liability	4,178,775	(628,275)	3,550,499	127,928	**3,678,427**	1,452,493	**2,225,933**
Credit and suretyship	172,675	(89,385)	83,290	5,267	**88,557**	40,303	**48,255**
Assistance	-	636	636	16	**651**	268	**383**
Miscellaneous financial loss	441,482	(73,290)	368,192	21,603	**389,795**	254,016	**135,779**
Non-proportional health	-	1,693	1,693	54	**1,747**	1,267	**479**
Non-proportional casualty	116,520	29,805	146,325	3,121	**149,445**	125,752	**23,693**
Non-proportional marine, aviation and transport	(2,271)	58,454	56,183	3,114	**59,297**	28,884	**30,412**
Non-proportional property	(55,316)	56,497	1,181	102	**1,283**	1,486	**(203)**
Total	**6,960,043**	**(1,474,747)**	**5,485,296**	**200,257**	**5,685,553**	**2,773,840**	**2,911,714**

The main differences between the Solvency II and UK GAAP liabilities arise from:

- The Solvency II best estimate uses the Actuarial Central Estimate ("ActCE") for all line of business while the UK GAAP TPs use the Management Best Estimate of Ultimate Loss ("MBE"). Under UK GAAP, the provision for claims outstanding is calculated using the Management Best Estimate of Ultimate Loss ("MBE") which is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the IBNR at the balance sheet date based on statistical methods. In addition, a separate unearned premium reserve ("UPR") is maintained for a portion of premiums written in the year that relates to unexpired terms of policies in force at the balance sheet date. The reinsurers' share of the provisions (reinsurance recoverables) is based on the amounts of outstanding claims and projection for claims incurred but not reported, net of estimated irrecoverable amounts.

  The technical provisions valued for Solvency II purposes 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 including both claims and premium provisions. The risk margin is assumed to be the amount required for a third party to take over and meet the (re)insurance obligations and represents the cost of providing eligible own funds equal to the Solvency Capital Requirement ("SCR") necessary to support these obligations.
- Additionally SII best estimates uses a discounted cash flow basis with inclusion of events not in data (ENIDs), future expenses and legally obliged business

- Solvency II technical provisions include the risk margin

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:

As at 31 December 2017	Solvency II 2017 £'000	UK GAAP 2017 £'000	Variance 2017 £'000
Pension benefit obligations	6,325	6,325	0
Deposits from reinsurers	8,652	8,652	0
Deferred tax liabilities	30,499	8,523	21,977
Derivatives	294	293	1
Debts owed to credit institutions	144,189	146,237	(2,048)
Insurance and intermediaries payables	(8,111)	3,729	(11,840)
Reinsurance payables	42,984	265,262	(222,278)
Payables (trade, not insurance)	187,972	191,269	(3,298)
Any other liabilities, not elsewhere shown	85,760	85,760	0
Total other liabilities	**498,564**	**716,050**	**(217,487)**

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

D.3.1 Pension Benefit Obligations

Consistent with both FRS 17 and IAS 19, the defined benefit pension surplus / liability is the fair value of the scheme assets less the fair value of the scheme liabilities.

In the absence of an appropriate fair value for the scheme liabilities, the present value, based on discounted future cash flows, is considered to be a suitable proxy.

The present value of the scheme liabilities is calculated by independent actuaries using the projected unit credit method. The obligation is measured as the present value of future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the same currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the relation pension liability.

If the fair value of the plan assets exceeds the present value of the pension liabilities, the resultant asset is limited to a ceiling defined as the present value of economic benefits available in the form of reductions in contributions to the plan or future refunds from the plan.

Therefore there is no difference between the UK GAAP value and the SII value.

D.3.2 Deposits from Reinsurers

The UK 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.3.3 Deferred Tax Liabilities

See 'deferred taxation' in section D.1.2 for details.

D.3.4 Derivatives

See 'Derivatives' in section D.1.5.2 for details.

D.3.5 Debts owed to Credit Institutions

The UK GAAP balance sheet value represents the 'immediate' liability in relation to overdrawn balances. This is considered equivalent to a fair value i.e. Solvency II value. However, the difference between the UK GAAP and SII value represents cash overdraft gross up of £2k (see section D.1.9 for details).

D.3.6 Insurance and Intermediaries Payables

The UK GAAP valuation basis recognises all payables due under insurance contracts. However, for Solvency II, where payables are considered to be not yet due they are included within the technical provisions for Solvency II purposes.

As at 31 December 2017, all insurance and intermediaries payables were deemed as not yet due and therefore included within technical provisions under the Solvency II valuation basis.

D.3.7 Reinsurance Payables

Similar to the above, reinsurance payables which are due or 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.3.8 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.

D.3.9 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.3.10 Changes to Valuation of Other Liabilities in the Reporting Period

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

D.3.11 Major Sources of Estimation Uncertainty Associated with the Value of Other Liabilities

Major sources of estimation uncertainty are related to the valuation of pension benefit obligations (refer to section D.3.1 for details) and reinsurance payables (refer to sections D.3.7 and D.2 for details).

D.4 Alternative Methods of Valuation

Certain financial investments are valued using alternative methods for valuation. Refer to section D.1.5 for details.

D.5 Any Other Information

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)

CEG 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 practice of the company to consider the distribution of any surplus capital through dividends to its ultimate parent company.

From a prudential perspective, CEG is regulated by the PRA and is subjected to insurance solvency regulations that specify the minimum amount and type of capital that must be held. Accordingly CEG's regulatory capital requirement will be set according to the Solvency II standard formula (unless the ORSA capital is higher).

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.

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

E.1.2 Policies and Processes

The Company holds own funds mostly in Tier 1 (except for DTA that is classified as Tier 3, however this is a net liability as at 31 December 2017). The calculation procoess 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 represent net assets valued on a Solvency II basis and comprised of:

Own Funds	Tier 1 unrestricted 2017 £'000	Tier 3 2017 £'000	Total 2017 £'000	Tier 1 unrestricted 2016 £'000	Tier 3 2016 £'000	Total 2016 £'000
Represented by:						
Ordinary share capital	786,120	-	**786,120**	544,741	-	**544,741**
Share premium	682,834	-	**682,834**	-	-	**0**
Reconciliation reserve	832,633	-	**832,633**	871,957	-	**871,957**
Deferred tax assets	-	0	**0**	-	23,151	**23,151**
Total basic own funds	**2,301,588**	**0**	**2,301,588**	**1,416,698**	**23,151**	**1,439,849**

Ordinary share capital comprises allocated, called up and fully paid ordinary shares of as at 31 December 2017. Dividends on ordinary shares are cancellable at any time prior to payment and therefore are classified as Tier 1 under Solvency II regime. On 1 May 2017, the Company issued an additional 241,378,735 shares at a nominal value of £1 per share, taking Ordinary share capital from 544,741k to 786,120k. The shares were issued in exchange for the net assets of CICE and CBII, with the difference between the net asset value and the nominal value of the shares being treated as Share Premium.

The key elements of the reconciliation reserve are as follows:

Reconciliation Reserve As at 31 December 2017	Tier 1 2017 £'000
Total assets (section D.1)	8,607,696
Less total liabilities (sections D2 and D3)	(6,184,117)
Excess of assets over liabilities	2,423,579
Share capital	(786,120)
Share premium	(682,834)
Foreseeable dividend	(100,000)
Ring-fenced funds	(21,991)
Total reconciliation reserve	**832,633**

The company's own funds are wholly eligible to meet the Solvency Capital Requirements and Minimum Capital Requirement. Other than £21,991k in ring-fenced funds, all Tier 1 capital is permanently available to cover losses. £100m foreseeable dividend is deducted from the reserve as discussed at Board meeting on 3 May 2018.

E.1.4 Eligible Own Funds to cover SCR by Tier

The total Tier 1 own funds of 2,301,588k are eligible to cover SCR. CEG has sufficient eligible own funds to cover SCR as the coverage ratio for the SCR is 143%.

E.1.5 Eligible Own Funds to cover MCR by Tier

The total Tier 1 own funds of £2,301,588k are eligible to cover MCR. CEG has sufficient eligible own funds to cover MCR as the coverage ratio for the MCR is 484%.

Reconciliation of the UK GAAP Equity to Solvency II eligible Own Funds

Solvency II own funds represent the excess of Solvency II assets over liabilities, adjusted for 'non-available' own funds (where applicable). The reconciliation of the UK GAAP valuation of shareholders' equity to the Solvency II valuation of own funds is shown here:

As at 31 December 2017	2017 £'000
UK GAAP shareholders' fund	**2,405,368**
Revaluation of insurance contracts	84,849
Adjustments to intangible and fixed assets	(38,783)
Deferred tax adjustments	(13,685)
Restricted assets	(14,172)
SII Excess of assets over liabilities	**2,423,579**
Foreseeable dividend	(100,000)
Ring-fenced funds	(21,991)
Solvency II eligible own funds	**2,301,588**

Material differences between UK GAAP shareholders' funds and Solvency II are explained below:

Revaluation of Insurance Contracts

The valuation basis for insurance contract assets and liabilities differs between UK GAAP and Solvency II. The main individual drivers of the difference of the movement are the change from a management best estimate to an actuarial central estimate, the impact of discounting and the inclusion of a risk margin.

The changes to convert from UKGAAP to Solvency II are as follows:

As at 31 December 2017	2017 £'000
Change in earned reserves	(127,045)
Change in earned bad debts	(7,719)
Allowance for UPR and UANR, removal of DAC	(73,270)
RI premium for contractual minimums	22,982
Profit on un-incepted business	(40,352)
Total discounting credit	(59,701)
Risk margin	200,257
Total	**(84,849)**

For further details on the treatment of insurance contracts under Solvency II, refer to section D.2.

Adjustments to Intangible and Fixed Assets

Refer to sections D.1.3 and D.1.4 for details.

Deferred Tax Adjustment

On the Solvency II basis, 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.

As the company continues to be taxed based on UK GAAP accounting principles, differences between Solvency II and UK GAAP valuation bases are subject to deferred tax.

Restricted Assets

Refer to section D.1.5 for details.

Ring Fenced Funds

CEG lodges assets with regulators in certain jurisdictions in order to underwrite. Some of these assets are not available to settle losses in the ordinary course of business either in the relevant jurisdiction or across CEG. These comprise funds relating to Citibank LOC, and Turkey and Swiss Portfolios.

E.1.6 Restrictions Affecting Availability and Transferability of Owns Funds

Management has identified restrictions manifesting in two ways; assets which are only available to settle a discrete population of liabilities and assets which are supporting the underwriting of a particular block of business. Such assets are identified through an established process as part of current GAAP reporting by the treasury team.

Management has identified restricted assets relate to collateral placed explicitly or to back letters of credit which are required by certain reinsurance cedants to mitigate credit risk. Such assets can be recognised within Own Funds to the extent that they are matching liabilities.

Management has also identified that in certain jurisdictions that CEG operates in there is a local requirement to hold or 'tie' assets either for the benefit of a particular group of policyholders or to meet local regulatory requirements (and therefore be for the benefit of all policyholders (re)insured through a local operation). Such restrictions have been identified as relating to operations in Switzerland and Turkey. These assets have been classified as being ring fenced funds and, on the grounds of materiality, have been excluded from the determination of Own Funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 ***Solvency Capital Requirement***

CEG applies the standard formula approach for the Solvency Capital Requirement (SCR) calculation. The SCR as at 31 December 2017 and its split by risk modules are summarised as follows:

As at 31 December 2017	Risk Category	£'000
	Lines 1 - 8 net of loss absorbing capacity of technical provisions	147,084
(1a)	Interest Rate Risk	
(1b)	Equity Risk	81,296
(1c)	Property Risk	-
(1d)	Spread Risk	326,041
(1e)	Concentration Risk	-
(1f)	Currency Risk	490,479
(1g)	Diversification within market risk	(302,714)
(1)	**Total Market Risk [sum (1a) - (1g)]**	**742,185**
(2a)	Type 1 (Reinsurer Default, etc.)	68,704
(2b)	Type 2 (Intermediary / Policyholder Default, etc.)	52,406
(2c)	Diversification within Counterparty Default Risk	(7,676)
(2)	**Total Counterparty Default Risk [sum (2a) - (2c)]**	**113,435**
(3)	**Total Life Underwriting Risk**	**-**
(4a)	Health SLT Risk	-
(4b)	Health Non SLT Risk	12,954
(4c)	Health Catastrophe Risk	7,384
(4d)	Diversification within Health Underwriting Risk	(3,902)
(4)	**Total Health Underwriting Risk [sum (4a) - (4d)]**	**16,437**
(5a)	Non-life Premium and Reserve Risk (excl. Catastrophe Risk)	951,297
(5b)	Non-life catastrophe Risk	123,454
(5c)	Lapse Risk	126,417
(5d)	Diversification within Non-Life Underwriting Risk	(203,717)

(5)	**Total Non-Life Underwriting Risk [sum (5a) - (5d)]**	**997,451**
(6)	**Total Before Diversification Between Risk Categories [(1) + (2) + (3) + (4) + (5)]**	1,869,508
(7)	**Diversification Between Risk Categories**	(423,374)
(8)	**Intangible asset risk**	-
(9)	**BSCR net of loss absorbing capacity of technical provisions [(6) + (7) + (8)]**	**1,446,135**
(10)	BSCR gross of loss absorbing capacity of technical provisions	1,446,135
(11)	Total Operational Risk	164,559
(12)	Loss absorbing capacity of technical provisions	-
(13)	Loss absorbing capacity of deferred tax	-
(14)	**Solvency Capital Requirement excluding capital add-on [(10) + (11) + (12) + (13)]**	**1,610,694**
(15)	Capital add-on	-
(16)	**Solvency Capital Requirement including capital add-on [(14) + (15)]**	**1,610,694**

The final amount is still subject to supervisory assessment.

The CEG 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, CEG has applied the simplification for the Risk Mitigating Effect of reinsurance to simplify the calculation and the 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. We believe this simplified calculation is proportionate to the nature, scale and complexity of the risks as the reinsurance related type 1 counterparty default risk contributes to less than 5% of the overall undiversified SCR.
- Type 1 Counterparty Default Risk calculation: In line with Article 112 of the Delegated Acts, CEG has applied the simplification for the risk adjusted value of collateral to take into account the economic effect of the collateral.

The CEG standard formula SCR has not used undertaking-specific parameters pursuant to Article 104(7) of Directive 2009/138/EC.

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 TPs and net written premiums in the last 12 months, split by Solvency II lines of business.

As at 31 December	Net (of reinsurance/ SP) best estimate and TP calculated as a whole (£'000)	Net (of reinsurance) written premiums in the last 12 months (£'000)
Medical expense insurance and proportional reinsurance	57	94
Income protection insurance and proportional reinsurance	16,819	60,878
Motor vehicle liability insurance and proportional reinsurance	54,008	37,800
Marine, aviation and transport insurance and proportional reinsurance	170,929	129,175
Fire and other damage to property insurance and proportional reinsurance	166,114	569,492
General liability insurance and proportional reinsurance	2,098,006	545,493
Credit and surety ship insurance and proportional reinsurance	42,988	49,701
Assistance and proportional reinsurance	368	0
Miscellaneous financial loss insurance and proportional reinsurance	114,177	279,943
Non-proportional health reinsurance	426	0
Non-proportional casualty reinsurance	20,573	4,327
Non-proportional marine, aviation and transport reinsurance	27,299	1,340
Non-proportional property reinsurance	0	468

The MCR is based on factors applied to the net premiums written amounts in the previous 12 months and the net best estimate technical provisions both split by Solvency II class of business. The charge for premium and technical provision elements are then summed to derive a total charge.

CEG uses the Standard Formula to calculate its MCR. The resulting MCR based on the above inputs is £475,274k. The following table shows the MCR calculation:

Overall MCR Calculation	2017 £'000	2016 £'000
Linear MCR	475,742	294,000
SCR	1,610,694	1,076,184
MCR cap	724,812	484,283
MCR floor	402,673	269,046
Combined MCR	475,742	294,000
Absolute floor of the MCR	3,332	3,332
Minimum Capital Requirement	**475,742**	**294,000**

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 2017 (£000)	As at 31 December 2017 (£000)	Movement (£'000)
(1a)	**Lines 1 - 8 net of loss absorbing capacity of technical provisions** Interest Rate Risk	88,944	147,084	58,139
(1b)	Equity Risk	82,380	81,296	(1,083)
(1c)	Property Risk	-	-	-
(1d)	Spread Risk	247,856	326,041	78,185
(1e)	Concentration Risk	-	-	-
(1f)	Currency Risk	321,895	490,479	168,583
(1g)	Diversification within market risk	(213,970)	(302,714)	(88,744)
(1)	**Total Market Risk [sum (1a) - (1g)]**	**527,105**	**742,185**	**215,080**
(2a)	Type 1 (Reinsurer Default, etc.)	85,180	68,704	(16,476)
(2b)	Type 2 (Intermediary / Policyholder Default, etc.)	23,294	52,406	29,112
(2c)	Diversification within Counterparty Default Risk	(4,674)	(7,676)	(3,002)
(2)	**Total Counterparty Default Risk [sum (2a) - (2c)]**	**103,800**	**113,435**	**9,635**
(3)	**Total Life Underwriting Risk**	-	-	-
(4a)	Health SLT Risk	-	-	-
(4b)	Health Non SLT Risk	15,319	12,954	(2,365)
(4c)	Health Catastrophe Risk	6,410	7,384	974
(4d)	Diversification within Health Underwriting Risk	(3,705)	(3,902)	(197)
(4)	**Total Health Underwriting Risk [sum (4a) - (4d)]**	**18,024**	**16,437**	**(1,588)**
(5a)	Non-life Premium and Reserve Risk (excl. Catastrophe Risk)	563,685	951,297	387,612
(5b)	Non-life catastrophe Risk	128,210	123,454	(4,756)
(5c)	Lapse Risk	65,299	126,417	61,118
(5d)	Diversification within Non-Life Underwriting Risk	(145,167)	(203,717)	(58,550)
(5)	**Total Non-Life Underwriting Risk [sum (5a) - (5d)]**	**612,027**	**997,451**	**385,424**
(6)	**Total Before Diversification Between Risk**	1,260,957	1,869,508	608,551

	Categories [(1) + (2) + (3) + (4) + (5)]			
(7)	Diversification Between Risk Categories	(301,067)	(423,374)	(122,307)
(8)	Intangible asset risk	-	-	-
(9)	**BSCR net of loss absorbing capacity of technical provisions [(6) + (7) + (8)]**	**959,891**	**1,446,135**	**486,244**
(10)	BSCR gross of loss absorbing capacity of technical provisions	959,891	1,446,135	486,244
(11)	**Total Operational Risk**	116,294	164,559	48,265
(12)	Loss absorbing capacity of technical provisions	-	-	-
(13)	Loss absorbing capacity of deferred tax	-	-	-
(14)	**Solvency Capital Requirement excluding capital add-on [(10) + (11) + (12) + (13)]**	**1,076,184**	**1,610,694**	**534,509**
(15)	Capital add-on	-	-	-
(16)	**Solvency Capital Requirement including capital add-on [(14) + (15)]**	**1,076,184**	**1,610,694**	**534,509**

As at 31 December 2017, the CEG SCR is measured at £1,610,694k, which is around a 50% increase from the SCR as at 1 January 2017, which was measured at £1,076,184k.

The most material change to the SCR is driven by the merger of CICE and CBII onto the balance sheet of CEG as described in section A1.1. The pro-forma SCR figure as at 1 January 2017 would have been £1,635,785k had CEG existed as a combined entity at that time. The comparable movement on a like-for-like basis for the combined CEG is therefore a reduction of £25,091k, which is 1.5% of the opening SCR. The below comparisons at the risk category level are on this basis.

- Underwriting Risk, which is the sum of Non-life Underwriting Risk and Health Underwriting Risk, has remained stable, with a minimal level of movement from £1,013,717k to £1,013,888k, reflecting the relatively stable underwriting risk exposure.

- Market Risk has reduced from £792,073k to £742,185k, which is mainly driven by the removal of a charge previously associated with certain UK pension schemes not sponsored by CEG. This charge is no longer required to be reflected in the standard formula of the company. The impact of this change is a reduction of the 1 January 2017 Market Risk from £792,073k to £699,317k. The increase from £699,317k to £742,185k is driven by exposure movements in Equity Risk and Currency Risk associated with non-GBP net assets.

- Counterparty Default Risk has reduced from £120,867k to £113,435k, and Operational Risk has reduced from £167,558k to £164,559k. Stable risk exposure has led to immaterial movements only for these risks.

The MCR has changed from £294,000k as at 1 January 2017 to £475,742k as at 31 December 2017. The main reason for the changes is largely due to the legal entity integration discussed in section A.

E.3 Use of Duration-based Equity Risk Sub-module in the Calculation of the SCR

In the CEG standard formula SCR calculation, the equity risk charge is derived using a factor based approach. The duration-based equity risk sub-module option set out in Article 304 of Directive is not used.

E.4 Differences between the Standard Formula and the Internal Model

There is no approved internal model for CEG at this time. A comparison between the standard formula and the internal model will be carried out if and when an approved internal model is in place.

E.5 Non-compliance with the SCR and MCR

CEG has sufficient eligible own funds to cover both the SCR and MCR. The coverage ratios for the SCR and MCR are 143% and 484% respectively.

As at 31 December 2017	SCR	MCR
Eligible Own Funds (£'000)	2,301,588	2,301,588
Capital Requirements (£'000)	1,610,694	475,742
Coverage ratio	143%	484%

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.6 Undertaking-Specific-Parameters ("USP") and Matching Adjustments

Not applicable as USP and matching adjustments are not applied to the CEG SCR calculation.

Chubb European Group Limited

Solvency and Financial Condition Report

Disclosures

31 December

2017

(Monetary amounts in GBP thousands)

General information

Undertaking name	Chubb European Group Limited
Undertaking identification code	BKXMDK2SNJRE6CGF8838
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2017
Currency used for reporting	GBP
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	8,447
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	10,817
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	5,180,138
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	48,427
R0110	*Equities - listed*	48,427
R0120	*Equities - unlisted*	0
R0130	*Bonds*	4,889,060
R0140	*Government Bonds*	1,856,058
R0150	*Corporate Bonds*	2,857,187
R0160	*Structured notes*	0
R0170	*Collateralised securities*	175,815
R0180	*Collective Investments Undertakings*	241,508
R0190	*Derivatives*	1,143
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	111,961
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	111,961
R0270	Reinsurance recoverables from:	2,773,840
R0280	*Non-life and health similar to non-life*	2,773,840
R0290	*Non-life excluding health*	2,761,924
R0300	*Health similar to non-life*	11,916
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	84,901
R0370	Reinsurance receivables	89,520
R0380	Receivables (trade, not insurance)	179,462
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	167,674
R0420	Any other assets, not elsewhere shown	936
R0500	**Total assets**	8,607,696

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	5,685,553
R0520	*Technical provisions - non-life (excluding health)*	5,654,858
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	5,456,078
R0550	*Risk margin*	198,779
R0560	*Technical provisions - health (similar to non-life)*	30,696
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	29,218
R0590	*Risk margin*	1,478
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	6,325
R0770	Deposits from reinsurers	8,652
R0780	Deferred tax liabilities	30,499
R0790	Derivatives	294
R0800	Debts owed to credit institutions	144,189
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	-8,111
R0830	Reinsurance payables	42,984
R0840	Payables (trade, not insurance)	187,972
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	85,760
R0900	**Total liabilities**	6,184,117
R1000	**Excess of assets over liabilities**	2,423,579

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	94,968	0	64,304	0	146,383	1,002,198	897,017	97,500	0	0	434,807					2,737,177
R0120	Gross - Proportional reinsurance accepted	38	14	0	53,472	0	90,842	194,700	109,588	29,501	0	0	12,020					490,174
R0130	Gross - Non-proportional reinsurance accepted													0	30,097	8,833	1,192	40,122
R0140	Reinsurers' share	0	29,211	0	61,382	0	102,134	580,648	353,701	77,337	0	0	180,865	0	24,316	6,827	341	1,416,763
R0200	Net	38	65,771	0	56,395	0	135,091	616,250	652,904	49,664	0	0	265,962	0	5,781	2,005	851	1,850,711
	Premiums earned																	
R0210	Gross - Direct Business	6	95,352	0	64,281	0	141,374	979,765	917,014	102,791	0	0	420,338					2,720,921
R0220	Gross - Proportional reinsurance accepted	110	14	0	53,814	0	92,837	200,269	112,219	26,821	0	0	12,539					498,622
R0230	Gross - Non-proportional reinsurance accepted													0	24,704	7,919	1,059	33,682
R0240	Reinsurers' share	0	28,910	0	60,960	0	98,858	587,051	368,595	80,867	0	0	167,063	0	19,942	6,068	260	1,418,574
R0300	Net	116	66,455	0	57,134	0	135,353	592,984	660,638	48,745	0	0	265,814	0	4,762	1,851	799	1,834,651
	Claims incurred																	
R0310	Gross - Direct Business	1,849	36,936	0	38,479	0	54,140	588,203	512,272	25,182	0	0	143,555					1,400,616
R0320	Gross - Proportional reinsurance accepted	-13	-2	0	39,159	0	28,046	92,494	50,164	9,030	0	0	4,355					223,233
R0330	Gross - Non-proportional reinsurance accepted													0	27,506	10,060	271	37,837
R0340	Reinsurers' share	0	10,077	0	52,197	0	48,770	376,649	236,664	21,494	0	0	42,859	0	24,781	9,161	-747	821,905
R0400	Net	1,837	26,858	0	25,441	0	33,417	304,048	325,771	12,718	0	0	105,050	0	2,725	899	1,018	839,781
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	13,237	20,834	0	22,537	0	57,972	309,586	344,143	9,952	0	0	118,661	0	2,880	102	152	900,055
R1200	**Other expenses**																	
R1300	**Total expenses**																	900,055

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			FR	DE	IE	NL	ES	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	954,353	396,758	340,699	217,606	179,732	148,761	2,237,908
R0120	Gross - Proportional reinsurance accepted	154,591	23,154	10,535	6,536	9,016	12,498	216,330
R0130	Gross - Non-proportional reinsurance accepted	37,780	1	1	-17	0	17	37,781
R0140	Reinsurers' share	513,873	155,400	171,348	74,869	82,682	57,491	1,055,665
R0200	Net	632,851	264,512	179,887	149,256	106,065	103,784	1,436,355
	Premiums earned							
R0210	Gross - Direct Business	972,412	404,222	330,936	209,859	181,590	140,542	2,239,561
R0220	Gross - Proportional reinsurance accepted	162,458	23,311	10,941	7,360	8,230	16,550	228,850
R0230	Gross - Non-proportional reinsurance accepted	31,532	1	1	-17	0	17	31,533
R0240	Reinsurers' share	534,815	154,357	165,924	73,835	79,158	59,208	1,067,296
R0300	Net	631,587	273,177	175,954	143,368	110,661	97,901	1,432,647
	Claims incurred							
R0310	Gross - Direct Business	671,274	209,727	242,423	75,619	63,323	54,291	1,316,658
R0320	Gross - Proportional reinsurance accepted	-35,591	3,968	-9,410	8,658	-346	-2,676	-35,397
R0330	Gross - Non-proportional reinsurance accepted	37,270	206	41	-257	4	-30	37,235
R0340	Reinsurers' share	269,652	67,871	37,823	10,036	17,336	10,400	413,117
R0400	Net	403,302	146,030	195,230	73,984	45,646	41,186	905,379
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	104,556	83,976	40,517	34,465	24,177	34,835	322,526
R1200	**Other expenses**							312,739
R1300	**Total expenses**							635,265

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	-367	0	21,872	0	1,002	-53,270	92,044	9,568	0	232	-31,508	0	-20,371	-1,161	-1,215	16,825
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	572		10,366		-2,131	1,716	24,435	2,808	0	-15	10,348	0	-23,486	-2,495	-729	21,391
R0150	**Net Best Estimate of Premium Provisions**	0	-940	0	11,506	0	3,132	-54,986	67,609	6,759	0	246	-41,857	0	3,115	1,335	-486	-4,566
	Claims provisions																	
R0160	Gross	52	27,840	0	131,969	0	393,594	754,606	3,458,455	73,723	0	404	399,701	1,693	166,696	57,343	2,396	5,468,471
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-5	10,081		89,468		225,797	533,505	1,428,058	37,494	0	283	243,668	1,267	149,238	31,379	2,215	2,752,449
R0250	**Net Best Estimate of Claims Provisions**	57	17,759	0	42,502	0	167,797	221,101	2,030,396	36,228	0	121	156,033	426	17,458	25,964	181	2,716,022
R0260	**Total best estimate - gross**	52	27,472	0	153,841	0	394,596	701,336	3,550,499	83,290	0	636	368,192	1,693	146,325	56,183	1,181	5,485,296
R0270	**Total best estimate - net**	57	16,819	0	54,008	0	170,929	166,114	2,098,006	42,988	0	368	114,177	426	20,573	27,299	-305	2,711,456
R0280	**Risk margin**	2	1,423		3,032		13,609	20,989	127,928	5,267	0	16	21,603	54	3,121	3,114	102	200,257
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0		0		0	0	0	0	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0		0		0	0	0	0	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0		0		0	0	0	0	0	0	0	0	0	0	0	0
R0320	**Technical provisions - total**	54	28,895	0	156,873	0	408,205	722,325	3,678,427	88,557	0	651	389,795	1,747	149,445	59,297	1,283	5,685,553
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-5	10,653	0	99,834	0	223,667	535,222	1,452,493	40,303	0	268	254,016	1,267	125,752	28,884	1,486	2,773,840
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	59	18,242	0	57,040	0	184,538	187,103	2,225,933	48,255	0	383	135,779	479	23,693	30,412	-203	2,911,714

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											52,821	52,821	52,821
R0160	2008	380,272	484,725	209,461	150,911	117,202	92,213	41,410	60,267	29,739	18,798		18,798	1,584,997
R0170	2009	437,174	487,755	232,251	154,062	88,773	54,431	55,221	70,946	25,508			25,508	1,606,123
R0180	2010	474,179	525,223	315,490	173,720	101,374	105,205	22,387	32,514				32,514	1,750,093
R0190	2011	425,916	588,029	236,353	185,764	97,151	49,027	35,364					35,364	1,617,603
R0200	2012	420,443	488,220	317,596	170,633	91,979	108,482						108,482	1,597,353
R0210	2013	461,676	438,138	211,964	95,940	101,326							101,326	1,309,044
R0220	2014	518,954	501,100	186,927	91,384								91,384	1,298,365
R0230	2015	584,211	458,029	239,940									239,940	1,282,179
R0240	2016	589,511	665,886										665,886	1,255,397
R0250	2017	544,752											544,752	544,752
R0260												Total	1,916,774	13,898,726

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											504,586	444,744
R0160	2008	0	0	0	0	0	0	0	0	191,136	160,507		144,221
R0170	2009	0	0	0	0	0	0	0	225,311	178,432			163,773
R0180	2010	0	0	0	0	0	0	212,533	165,088				155,080
R0190	2011	0	0	0	0	0	277,603	214,684					199,231
R0200	2012	0	0	0	0	500,536	370,878						360,490
R0210	2013	0	0	0	525,280	381,199							369,240
R0220	2014	0	0	691,468	563,960								543,445
R0230	2015	0	975,775	731,835									715,587
R0240	2016	1,445,774	960,174										937,460
R0250	2017	1,357,000											1,324,517
R0260												Total	5,357,787

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	786,120	786,120		0	
R0030	Share premium account related to ordinary share capital	682,834	682,834		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	832,633	832,633			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	2,301,588	2,301,588	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	2,301,588	2,301,588	0	0	0
R0510	Total available own funds to meet the MCR	2,301,588	2,301,588	0	0	
R0540	Total eligible own funds to meet the SCR	2,301,588	2,301,588	0	0	0
R0550	Total eligible own funds to meet the MCR	2,301,588	2,301,588	0	0	
R0580	**SCR**	1,610,694				
R0600	**MCR**	475,742				
R0620	**Ratio of Eligible own funds to SCR**	142.89%				
R0640	**Ratio of Eligible own funds to MCR**	483.79%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	2,423,579				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges	100,000				
R0730	Other basic own fund items	1,468,954				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	21,991				
R0760	**Reconciliation reserve**	832,633				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	243,760				
R0790	**Total Expected profits included in future premiums (EPIFP)**	243,760				

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Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	742,185		
R0020	Counterparty default risk	113,435		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	16,437		
R0050	Non-life underwriting risk	997,451		
R0060	Diversification	-423,374		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	1,446,135		
	Calculation of Solvency Capital Requirement	C0100		
R0130	Operational risk	164,559		
R0140	Loss-absorbing capacity of technical provisions	0		
R0150	Loss-absorbing capacity of deferred taxes	0		
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200	**Solvency Capital Requirement excluding capital add-on**	1,610,694		
R0210	Capital add-ons already set	0		
R0220	**Solvency capital requirement**	1,610,694		
	Other information on SCR			
R0400	Capital requirement for duration-based equity risk sub-module	0		
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0		

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	475,742

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	57	94
R0030	Income protection insurance and proportional reinsurance	16,819	60,878
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	54,008	37,800
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	170,929	129,175
R0080	Fire and other damage to property insurance and proportional reinsurance	166,114	569,492
R0090	General liability insurance and proportional reinsurance	2,098,006	545,493
R0100	Credit and suretyship insurance and proportional reinsurance	42,988	49,701
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	368	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	114,177	279,943
R0140	Non-proportional health reinsurance	426	0
R0150	Non-proportional casualty reinsurance	20,573	4,327
R0160	Non-proportional marine, aviation and transport reinsurance	27,299	1,340
R0170	Non-proportional property reinsurance	0	468

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	475,742
R0310	SCR	1,610,694
R0320	MCR cap	724,812
R0330	MCR floor	402,673
R0340	Combined MCR	475,742
R0350	Absolute floor of the MCR	3,332
R0400	**Minimum Capital Requirement**	475,742