Chubb European Group SE (formerly Chubb European Group Plc)

Solvency and Financial Condition Report

31 December 2018

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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 SE ("CEG " or "the Company") as at 31 December 2018.

The Board of CEG has prepared this report in accordance with Article 51 of Directive 2009/138/EC ("The Solvency II Directive"), Commission Delegated Regulation (EU) 2015/35 and the European Insurance and Occupational Pensions Authority ("EIOPA") guidelines on Reporting and Disclosure. On 1 January 2019 CEG successfully redomiciled from the UK to France and now operates under the supervision of the French Prudential Supervision and Resolution Authority ("ACPR").

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 12 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 name 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 Chubb's London market wholesale business and Chubb Tempest Re which is the reinsurance operation.

Headquartered in the UK in 2018 with branch offices across Europe, CEG and its European Economic Area ("EEA") branches hold cross-border permissions throughout the EEA. On 1 January 2019 CEG successfully redomiciled from the UK to France and now operates under the supervision of the French Prudential Supervision and Resolution Authority ("ACPR"). The company can be found in the ACPR's published register of insurers and has its registered offices at La Tour Carpe Diem, 31 Place des Corolles, Esplanade Nord, 92400 Courbevoie, France. The UK branch of the company continues to be subject to limited regulation by the Prudential Regulation Authority ("PRA"). Additional Brexit related information can be found at www.Chubb.com/Brexit.

As part of the Company's Brexit planning, CEG (formerly Chubb European Group Limited) was converted to Chubb European Group Plc on 9 April 2018 and further converted to Chubb European Group SE on 19 July 2018. CEG received a new company registration number SE000116 (formerly 01112892) on 19 July 2018 as a result of its conversion from a public limited company ("plc") to a European Company or Societas Europaea ("SE"). On 1 January 2019, CEG redomiciled from the UK to France and the Company number changed to 450 327 374 RCS Nanterre.

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 is a major contributor to the Chubb Group, generating almost 12% of the group's overall gross written premium in 2018.

CEG reported gross and net written premiums for 2018 of £3,386 million and £2,013 million respectively. Gross and net written premiums were up 3.6% and 8.8% respectively in comparison to the prior year.

The company produced an underwriting profit, on a UK GAAP basis, of £154.4 million and an associated combined ratio of 91.9%.

Poor investment performance generated a net UK GAAP investment loss of £25.6 million. Total UK GAAP pre-tax operating profits amounted to £68.9 million.

Capital Management Summary

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

As at 31 December	2018	2017
Eligible Own Funds (£'000)	2,193,459	2,301,588
Standard Formula SCR (£'000)	1,637,383	1,610,694
Solvency ratio %	134%	143%

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 £500 million. Whilst the Company remained profitable in 2018, this surplus is lower than in 2017 due to dividends of £430 million paid in the period. The solvency ratio has therefore reduced in the period from 143% to 134% following the return of a portion of the this excess capital.

The Company's own funds are comprised of Tier 1 capital of £2,193 million as at 31 December 2018. There were no changes to the nature of the items of the Company's own funds during the year. The Company's total eligible own funds of £2,193 million was available to meet the SCR and the total eligible Tier 1 capital of £2,193 million was available to meet Minimum Capital Requirement ("MCR") of £494,097k, which has a coverage ratio of 444% (2017: 484%). Other than £7 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.

The Company's re-domicile to France does not materially impact CEG's Solvency or the management of capital.

The most notable change is the switch of CEG's regulatory functional currency from sterling to Euros. The increase in SCR occurred primarily due to the anticipation of the redomicile of the company to France on 1 January 2019. From 2019, the results and capital position of CEG will therefore be reported in Euros. From Q4 2018, the standard formula also measures currency risk using Euros as the "base" currency (rather than sterling). This change does not have a material impact given the relative year-end currency positions. Refer to section E.2.3 for further information on local currency change.

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 of this document. The heads of the functions and business units report to the President (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") and subsequently the Senior Managers and Certification Regime ("SMCR") which came into force 10 December 2018, further information of which can be found in section B.1.3.

Since the UK Branch is regulated by the FCA, SMCR applies to the UK Branch of CEG from 1 January 2019. It applied to the whole of CEG from 10 December to 31 December 2018; prior to that CEG was subject to SIMR. There is currently no French equivalent of SMCR, however there CEG has identified persons that effectively run the firm and holders of key functions in accordance with the ACPR's Fit & Proper requirements.

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

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

The Board believes these governance arrangements to be appropriate to and effective for the operations that CEG carries out.

Whilst the principles remain the same, parts of the Company's governance have been restructured following the re-domiclie to Paris reflect Chubb's European operating structure and different local requirements.

These changes are set out further in Section B.

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.

The re-domicile to France has not materially changed the company's risk profile.

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;
- 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.

Other than for investments, where French GAAP uses a cost model rather than Solvency II's market value approach, the differences under French GAAP are expected to be very similar to those laid out above for UK GAAP.

Directors' Report

Directors

The following have been Directors from 1 January 2018 to the date of this report unless otherwise indicated:

Executive Directors:

M K Hammond

A J Kendrick (resigned 31 December 2018)

J Moghrabi (resigned 31 March 2018)

J U Rehman (resigned 11 June 2018)

D P Robinson (resigned 1 January 2019)

A M W Shaw (resigned 1 January 2019)

D M A Furby (appointed 29 November 2018)

V M J M Brionne (appointed 1 January 2019)

A P Clifford (appointed 1 January 2019)

M A Connole (appointed 1 January 2019)

N M C Cote (appointed 1 January 2019)

Non-Executive Directors:

J A Turner (Chairman)

M C Bailey (resigned 31 December 2018)

K N O'Shiel

C E Riley

T C Wade

Statement of Directors' Responsibilities

The Directors are responsible for preparing the SFCR, including the attached public quantitative reporting templates, in all material respects in accordance with 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 SFCR in all material respects in accordance with the Solvency II 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 Regulatory Framework applicable to the company; 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:

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

16 April 2019

Report of the External Independent Auditor

Report of the external independent auditors to the Directors of Chubb European Group SE ('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

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2018, ('**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, 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 2018 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

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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe 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

17 April 2019

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 12 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 2018. Policies are written under the brand names "Chubb Europe", "Chubb Global Markets" and "Chubb Tempest Re".

Headquartered in the UK during 2018 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.

On 1 January 2019, CEG redomiciled from the UK to France and the Company's new registered office address is La Tour Carpe Diem, 31 Place des Corolles, Esplanade Nord, 92400 Courbevoie, France with the UK branch based at 100 Leadenhall Street, London EC3A 3BP.

Supervisory Authority

During 2018, CEG was 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.

As of 1 January 2019, CEG is now supervised by the *Autorité de contrôle prudentiel et de résolution* i.e. French Prudential Supervision and Resolution Authority ('ACPR'), with its UK operations run through a UK branch which remains subject to limited regulation by the FCA.

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.

As at 31 December 2018, CEG was 99.99% owned by ACE European Holdings Limited with one share held by Chubb EU Holdings 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.

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

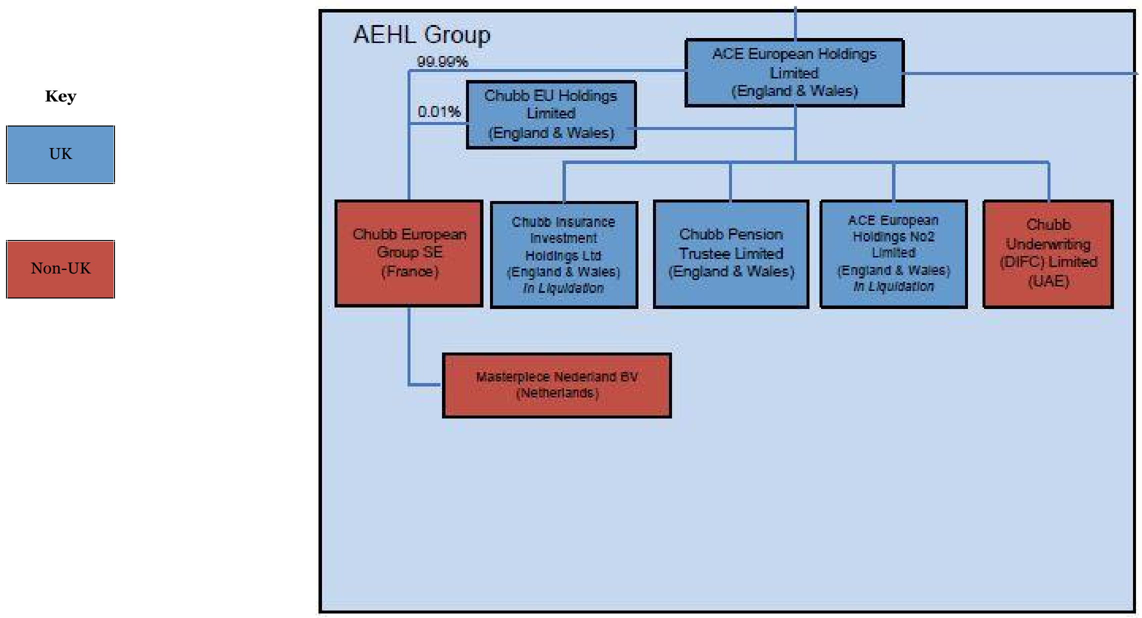
External Auditor

The Company's Auditor is PricewaterhouseCoopers Audit, Chartered Accountants and Statutory Auditors with registered office at 63 rue de Villiers, 92208 Neuilly-sur-Seine Cedex. The 2018 Dinancial Statements and SFCR have however been audited by Pricewaterhousecoopers LLP, 7 More London Riverside, London.

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

As part of the Company's Brexit planning, CEG (formerly Chubb European Group Limited) was converted to Chubb European Group Plc on 9 April 2018 and further converted to Chubb European Group SE on 19 July 2018

In addition, the Company further simplified its legal structure by consolidating the company's direct shareholders on 11 April 2018 resulting in the Company being owned entirely by one shareholder, ACE European Holdings Limited. Subsequently one share was also issued to Chubb EU Holdings Limited. On 1 January 2019, CEG redomiciled from the UK to France. 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. Masterpiece Nederland BV is dormant and in the proess of being liquidated.

A.1.3 Material Lines of Business and Geographical Areas

The Company writes 12 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 88.3% of CEG's total gross written premiums in

2018. 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

CEG will operate in the UK under passporting rules until Brexit or the expiry of any transition period.

After that time and if required, Chubb intends to seek authorisation of the branches of its French companies, including CEG, in the UK.

In the event of a so-called 'Hard Brexit' where no transition period is agreed between the UK and EU, Chubb's UK branches will benefit from the UK government's temporary permissions regime. This regime will enable firms like Chubb to undertake new business within the scope of their permission, enable them to continue performing their contractual rights and obligations, manage existing business and mitigate risks associated with a sudden loss of permission.

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	2018 £'m	2017 £'m
Gross premiums written	3,385.9	3,267.5
Net premiums written	2,013.2	1,850.7
Underwriting profit	154.4	118.5
Combined ratio %*	91.9%	93.5%

** 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 2018 is summarised in the table below:

SII Line of Business for 31 December 2018	Gross premiums written £'000	Net premiums written £'000	Underwriting profit £'000	Combined ratio %
Medical expense	32	32	1,427	-4366.9%
Income protection *	60,942	36,672	20,580	45.3%
Motor vehicle liability *	136,956	88,170	2,331	94.6%
Other motor	38,885	36,582	5,836	79.4%
Marine, aviation and transport *	238,580	147,471	40,861	65.6%
Fire and other damage to property *	1,231,341	657,267	2,654	96.4%
General liability *	1,039,303	672,065	(1,308)	89.7%
Credit and suretyship *	128,873	50,738	32,272	28.2%
Miscellaneous financial loss *	481,652	317,327	(50,286)	114.5%
Non-proportional casualty	17,331	4,060	(2,362)	168.7%
Non-proportional marine, aviation and transport	3,401	725	(305)	133.6%
Non-proportional property	8,596	2,086	(806)	137.2%
Total	3,385,892	2,013,194	50,895	91.9%

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 97.8% of CEG's 2018 net written premiums (99.5% in 2017). 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 2018 gross written premiums were up by 3.6% in comparison to prior year, generating a strong underwriting profit of £154.4m. This modest growth is organica reflecting the mature markets which CEG operates in. The most noteable increses are in motor, where Chubb's Tempest Re brand has written more motor quota share business than in prior years.

Equivalent data 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	3,267,475	1,850,712	118,493	93.5%

The company's KPI summary by top six (6) countries, for the year ended 31 December 2018 is summarised in the table below:

For year ended 31 December 2018 Region	Gross premiums written £'000	Net premiums written £'000	Underwriting profit £'000	Combined ratio %
United Kingdom	1,244,815	808,793	196,316	73.5%
France	470,333	304,374	76,417	73.7%
Germany	341,090	163,632	(27,388)	116.8%
Italy	232,600	166,087	24,662	84.6%
Netherlands	210,018	124,358	34,400	71.4%
Spain	176,933	115,519	28,857	74%

Italy and Netherland'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 2017 is summarised in the table below:

For year ended 31 December 2017 Region	Gross premiums written £'000	Net premiums written £'000	Underwriting 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%

CEG's gross written premiums for 2018 totalled £3,385.9 million. 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 2018 amounting to £2,990,875k. 37% of gross written premiums are sourced from the UK, with France and Germany providing 14% and 10% respectively. Italy , the Netherlands and Spain complete the top 6, with 7%, 6% and 5% of the 2018 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 2018 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. There were no significant changes to the company's reinsurance purchasing strategy in 2018.

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 2018 amounted to £8.6 million (2017: £16.1 million) with the most significant losses emanating from storms in the UK and Continental Europe.

Prior period reserve releases were £74.0 million (2017: £37.2 million) with positive developments within a number of classes, notably Casualty, Marine, Energy, A&H and Personal Lines, with some offset from strengthening in Financial Lines and Technical Lines. Excluding catastrophe losses and prior period development, the accident year loss ratio for the year was 55.0% (2017: 54.0%), 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 39.8% compares favourably to the 40.6% reported in 2017 reflecting the continued strict management of both components.Total reinsurance spend amounted to £1,372,697k, resulting in net written premiums for the year of £2,013.2 million.

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 £990.3 million, generating an overall loss ratio for the company of 49%.

CEG produced an underwriting profit of £154.4 million for 2018.

A.3 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 five 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 35%, euro 40% and US dollars 24%. 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 2018 is summarised in the table below:

For year ended 31 December 2018	**Income**	**Realised Gain/(Loss)**	**Unrealised Gain/(Loss)**	**Other**	**Total Return**
Investment income by asset class	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
1 Government bonds	36,714	(5,091)	(19,817)		11,807
2 Corporate bonds	106,831	(7,596)	(105,373)		(6,138)
3 Equity securities	1,836	362	(6,563)		(4,365)
4 Collective investments undertakings	4,049	(2,475)	1,344		2,917
6 Collateralised securities	7,239	(754)	(3,969)		2,516
7 Cash and desposits	371	0	0		371
8 Mortgages and loans	5,599	(7,491)	(2,665)		(4,557)
O Other	1,511	(13,310)	0		(11,799)
A Futures	0	3,262	(2,095)		1,167
E Forwards	0	(582)	60		(522)
Investment expenses				(16,110)	(16,110)
Total investment return	164,149	(33,675)	(139,077)	(16,110)	(24,713)

The investment expenses are shown in total as they all relate to investment management fees, similar to 2017.

Equivalent data 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
Investment income by asset class	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
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 investments undertakings	493	3,288	6,997	-	10,779
6 Collateralised securities	7,106	(1,517)	(326)	-	5,263
7 Cash and desposits	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

Investment showed markedly increased levels of volatility in 2018 and this resulted in only a handful of asset classes generating positive total returns in the year. Fixed income returns were generally weak in 2018, as sovereign yield curves flattened. Most spread sectors underperformed duration equivalent government bonds, as spreads widened during the period.

For investment grade portfolios, performance varied by individual manager, ranging from 0% to -0.1% for sterling and -0.1% to -0.3% for Euros. The US dollar investment grade portfolio generated a total return of -0.2% in the year.

CEG's alternative investment assets, constituting around 14% of the total portfolio produced varied results. The allocation to US dollar upper tier high yield bonds generated negative returns of -1.7% for the year. Allocations to bank loans produced a total return of 0.1% whereas the private loans and private equity holdings generated total returns of 6.3%. CEG's allocation to Global equities comprises less than 1% of the total portfolio and generated a -10.3% return for the year. Overall, CEG generated a total return of -0.2% on balances available for investment during 2018.

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

Overall, weak investment performance generated net UK GAAP investment income of -£24,713k, compared to investment income of £89,904k in 2017. This is driven by an overall net unrealised loss of £124,056 in 2018 compared to an unrealised loss of £19,147k in 2017. In regard to unrealised movement in the year, overall yields on investment grade fixed income bonds rose across all core currency bonds compared to 2017.

In comparison, 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 an unrealised loss of £20m as opposed to £139m in 2018.

A.4 Performance of Other Activities

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

A.5 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

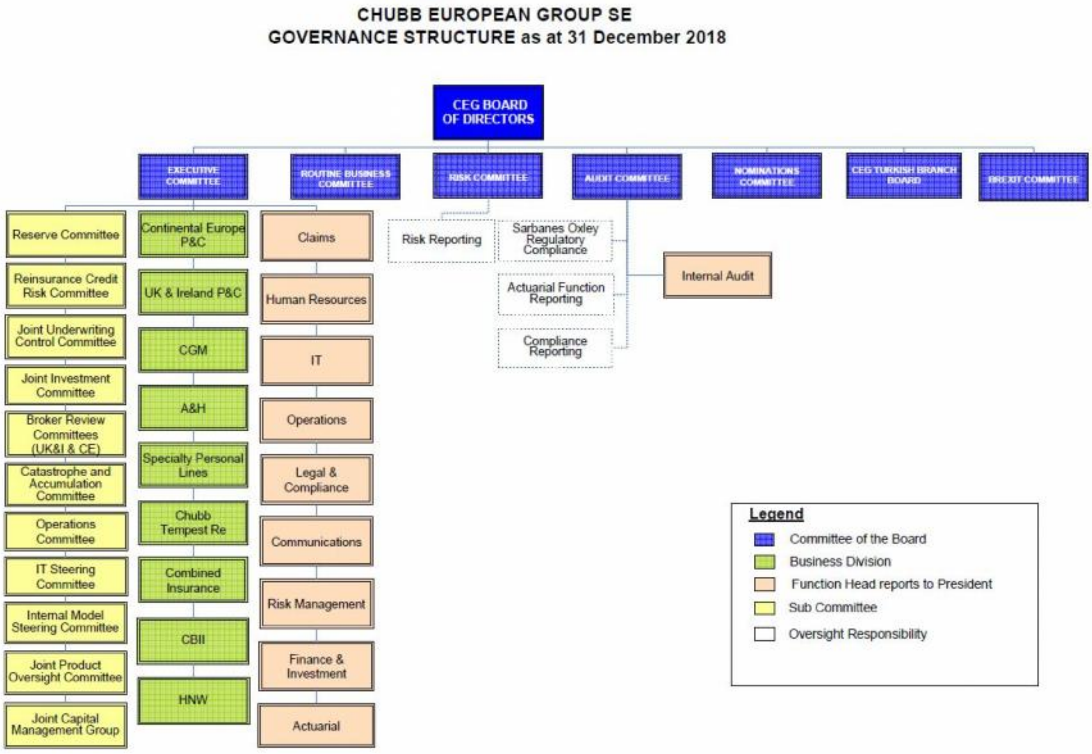
B.1 General Information on the System of Governance

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. As at 31 December 2018, the Board membership comprised five independent Non-Executive Directors ("NEDs") (five in 2017) and four Executive Directors.

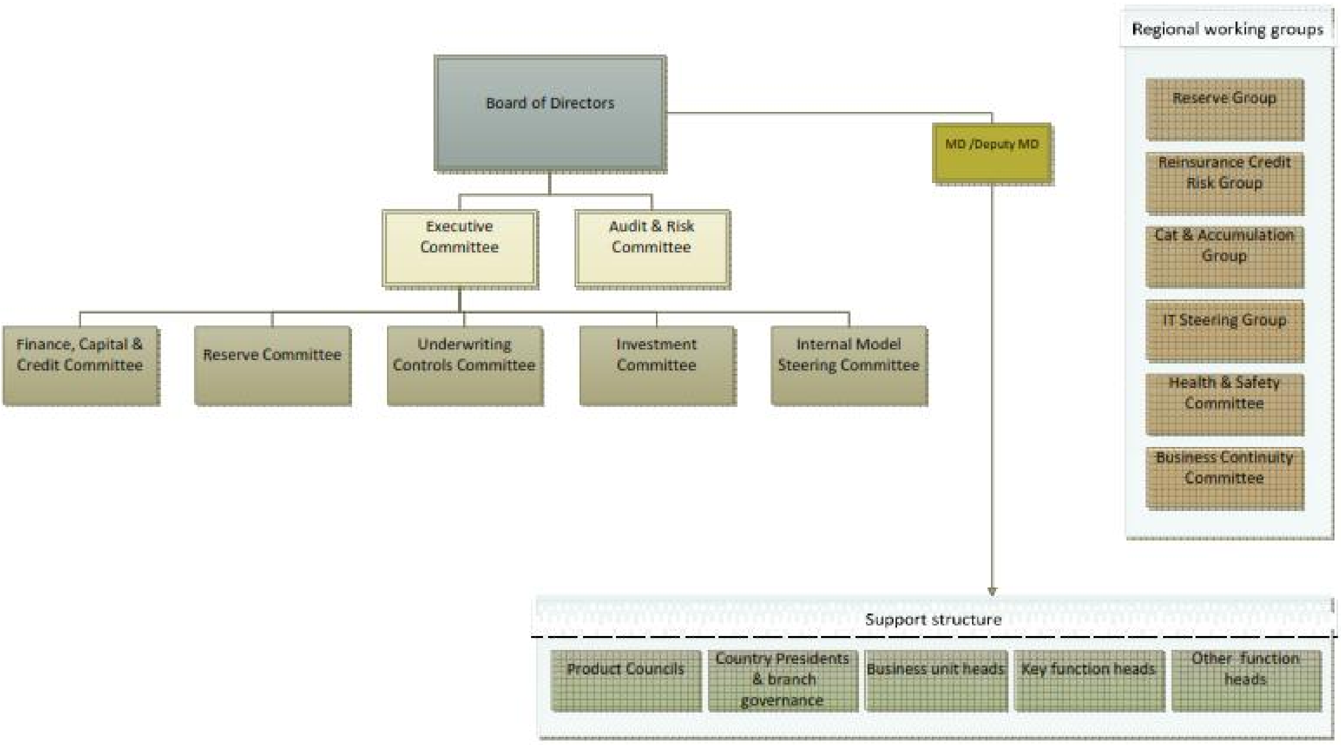
The Board has delegated a number of matters to committees. Each of the following committees has formal terms of reference and matters reserved to it. The Risk, Audit and Nomination Committees, include Non-Executive Directors in their membership, and each reports to the Board regularly in respect of its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

As at 31 December 2018, CEG's governance structure was as follows:



On 1 January 2019, CEG redomiciled from the UK to France. The Company now operates under the supervision of the French regulator, *Autorité de contrôle prudentiel et de résolution*, (the "ACPR"), with its UK operations run through a UK branch which remains subject to limited regulation by the Financial Conduct Authority. There were a number of changes to the CEG governance structure in line with the change of regulatory regime applicable to the Company.

As at 1 January 2019, CEG's governance structure is as follows:



The remainder of this section describes those committees which operated during 2018:

Executive Committee

During 2018, the Executive Committee comprised of the Chief Executive Officer ("CEO") of CEG and other members of the Company's senior management team. The primary role of the Committee is to oversee the day-to-day management of business operations and their performance, to assist the CEO in implementing and overseeing operational strategies and decisions determined by the Board. The Executive Committee is responsible for the oversight of support function activities, project reporting and oversight of sub-committees. This Committee was renamed as the Management Committee on redomicile.

Audit Committee

The Audit Committee, which is composed exclusively of NEDs, its remit is to consider and make 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 monitored 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 involved 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.

With effect from 1st January 2019, the Audit and Risk Committees were merged to become one Committee known as the Audit and Risk Committee, exclusively comprised of Non-Executive Directors. The level of oversight of the Company remains unchanged.

Risk Committee

The Risk Committee is composed of four Non-Executive Directors and four Executive Directors. 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 exposure, future risk strategy, the design and implementation of the framework into the business and on solvency and capital matters. 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.

With effect from 1st January 2019, the Audit and Risk Committees became one Committee known as the Audit and Risk Committee to be exclusively composed of Non-Executive Directors. The level of oversight of the Company remains unchanged.

Product Oversight Committee

The Product Oversight Committee conducts consistent, organisation-wide oversight in respect of customer, outcomes considering both metrics set via the conduct risk framework and narrative input from business units' product councils. It is attended by senior business leaders and its membership comprises of the President, Chief Risk Officer, Head of Compliance and General Counsel. The Committee was decommissioned 31 December 2018 with any conduct matters reported directly to the Executive Committee and the Board with effect from 1 January 2019. From 1 January 2019, any conduct matters are reported directly to the Management Committee (previously the Executive Committee) and the Board.

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. The Committee was decommissioned 31 December 2018.

Routine Business Committee

The Routine Business Committee meets on an ad hoc basis between formal Board meetings to consider authorisation of routine activity. The Committee was decommissioned 31 December 2018.

Brexit Committee

The Brexit Committee meets on an ad hoc basis between formal Board meetings to consider authorisation of matters relating to the Company's Brexit planning.

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.

B.1.2 Roles and Responsibilities of Key Functions

Internal Audit Function

Internal Audit is a 'third line of defence' function, which operates independently of regional management, reporting to 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 Board and Audit and Risk Committee, which reviews and has oversight of its annual plan and has oversight of the resources available to the function.

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 Executive and Audit Committees, which review and have oversight of its annual activity plan and resourcing.

Risk Management Function

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

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

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

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.

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 with a shared operations centre in Glasgow carries out bulk and routine finance operations.

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

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

Claims Function

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

Information Technology ("IT") Function

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

Operations Function

The Operations function supports business and functional objectives via the design and operation of underwriting, customer service, financial 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. The sub-committee was decommissioned 31 December 2018.

Human Resources Function

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

Reinsurance

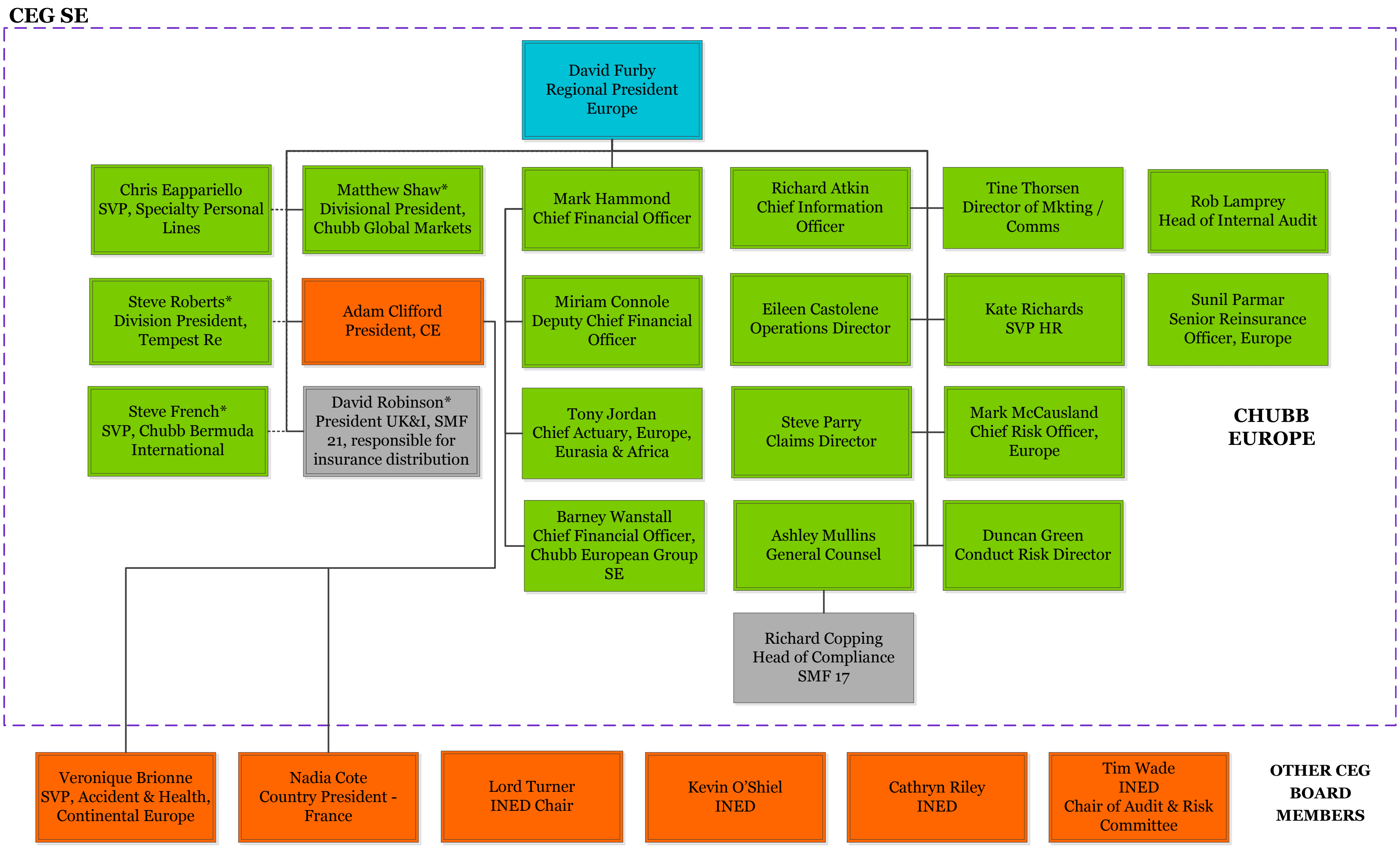
The Ceded Reinsurance team operates under Group management, but is co-located in CEG's head office, and liaises with the business, negotiating shared and one-off treaty arrangements in line with agreed guidelines and business plans. The team provides advice on the cost-effectiveness and operation of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

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. Significant information is provided to the Executive Committee via the Senior Vice President of Continental Europe, who is an Executive Committee member, or via his reporting line to the Regional President.

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

During the period the UK regulators have implemented the Senior Manager & Certification Regime ("SMCR") which aims to increase individual accountability at all levels. The SMCR brings about changes to Senior Manager requirements such as: Prescribed Responsibilities, Statement of Responsibilities and overarching governance documents such as the Management Responsibilities Map ("MRM"). The SMCR also introduces Certification requirements for individuals who are not Significant Management Function role holders, whose role has the potential to impact Chubb, or their customers or the market. These are in addition to Conduct Rules for UK employees. SMCR applied to the company until 31 December 2018 and is expected to continue to apply to the UK branch.

CEG become an SE as at 19 July 2018 to facilitate the redomiciliation process and the continuity of services. Refer to section B.1.1 which outlines the changes in governance structure arising from the companies redomicile.


CEG SE
David Furby
Regional President
Europe
Chris Eappariello
SVP, Specialty Personal Lines
Matthew Shaw*
Divisional President, Chubb Global Markets
Mark Hammond
Chief Financial Officer
Richard Atkin
Chief Information Officer
Tine Thorsen
Director of Mkting / Comms
Rob Lamprey
Head of Internal Audit
Steve Roberts*
Division President, Tempest Re
Adam Clifford
President, CE
Miriam Connole
Deputy Chief Financial Officer
Eileen Castolene
Operations Director
Kate Richards
SVP HR
Sunil Parmar
Senior Reinsurance Officer, Europe
Steve French*
SVP, Chubb Bermuda International
David Robinson*
President UK&I, SMF 21, responsible for insurance distribution
Tony Jordan
Chief Actuary, Europe, Eurasia & Africa
Steve Parry
Claims Director
Mark McCausland
Chief Risk Officer, Europe
CHUBB EUROPE
Barney Wanstall
Chief Financial Officer, Chubb European Group SE
Ashley Mullins
General Counsel
Duncan Green
Conduct Risk Director
Richard Copping
Head of Compliance
SMF 17
Veronique Brionne
SVP, Accident & Health, Continental Europe
Nadia Cote
Country President - France
Lord Turner
INED Chair
Kevin O'Shiel
INED
Cathryn Riley
INED
Tim Wade
INED
Chair of Audit & Risk Committee
OTHER CEG BOARD MEMBERS

Remuneration Policies and Practices

B.1.3.1 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 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;
- 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;

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:
  - Financial benefit to Chubb.
  - Quality of employee performance (in terms of how things are achieved as well as what is achieved), Board adopted policies and procedures and protocls including adherence to Chubb’s risk management arrangements.

Termination Payments

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

Pensions

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

B.1.3.2 *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 (SMF) in executive roles and Certified Persons 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.1.3.3 *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.1.4 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 2018.

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	2018	2017
Aggregate emoluments and benefits	4,972	5,486
Company pension contributions to money purchase pension schemes	8	27
Total	4,980	5,513

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 £1,194,937 (2017: £835,764) 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 were £Nil (2017: £Nil) and £Nil (2017: £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, 7 directors received shares in Chubb Limited under long-term incentive plans and 4 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. 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 the core values that underpin the foundation upon which CEG 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.

CEG, in line with Article 42 of Solvency II Directive, ensures that Senior Management and individuals performing key functions are 'fit' by considering their individual qualifications, knowledge and relevant experience, and are aware of their respective allocated duties. Collectively the Senior Management collectively possess appropriate qualification, experience and knowledge of:

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

When assessing whether a person is 'proper', includes an assessment of that person's honesty and financial soundness based on relevant evidence regarding their character, personal behaviour and business conduct including any criminal, financial, supervisory aspects regardless of jurisdiction. UK authorised and regulated entities and Branches as subject to the Fit and Proper requirements set out by the FCA and PRA under Senior Manager and Certification Regime. Following the re-domiciliation of CEG on 1st January 2019, Senior Management will be subject to local law or practice in respect of Fit and Proper requirements.

The FCA and PRA have broadened the application of the Senior Insurance Manager Regime (SIMR) to a wider audience, through the implementation of the Senior Managers & Certification Regime ("SMCR") which came into effect on 10 December 2018. SMCR does apply to the UK branch but to a limited extent until CEG becomes a Third Country Branch. Post Brexit the requirements on CEG as a UK Branch will be more onerous and more alike the full SMCR regime.

The key elements of SMCR are:

- A 'Senior Managers Regime' which focuses on the allocation of Prescribed Responsibilities and how they are carried out by the Board and Significant Manager Functions (SMF);

- A ‘Certification Regime’ which intends to capture individuals who do not hold a SMF, however are in a role which could impact Chubb or its customers from a managerial, risk taking or decision making perspective;
- Enhanced requirements to assess the fitness and propriety of Senior Managers and Certified Persons; and
- A set of Conduct Rules that apply to all employees in the UK.

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.

Individuals performing a SMF or a Certified Function are required to demonstrate that they are fit and proper to undertake their role. The fit and proper requirements equally applies to Notified Non-Executive Directors (NNEDs) who are not SMFs.

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

- An individual’s competence and capability to undertake the role, including professional and formal qualifications, as well as knowledge and relevant experience in the context of the respective duties allocated to that individual. Whether the person has sufficient qualifications and/or industry experience to carry out the intended functions; for example the financial, accounting, actuarial and management qualifications and skills;
- Whether the person satisfies the relevant regulator’s training and competence requirements;
- Whether the person has demonstrated, by experience and training, that they are suitable to perform the role and possess the necessary skills, knowledge, expertise, diligence and soundness of judgment to undertake and fulfil the particular duties and responsibilities of the particular role;
- Regulatory referencing for the preceding 6 years of employment;
- Whether the person has demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities previously or in their current role;
- Whether an individual acts with honesty, integrity and be of good repute; has been convicted of, dismissed or suspended from employment for drug or alcohol abuses or other acts that would constitute a breach of Conduct Rules, 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 Senior Manager Function is required to have a Role Profile, a Statement of Responsibilities (SoR) and handover materials which capture the specific responsibilities, accountabilities and requirements of the role. These documents must be 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 maintaining the MRM detailing the SMF and Certified persons. The Compliance Function is also responsible for notifying the relevant regulators of changes to the SMF role holders, notified NEDs and Certified Persons; including occasions where there the individual no longer fulfilling the Fit and Proper requirements, has breached Conduct Rules. 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 Certification Function, regulated activity or be an Approved Person. The effective assessment of individuals holding or applying for SMF roles or is a Certified Person may include, but is not limited to, the following:

Pre-appointment:

- Competency-based interviews;
- Qualification checks;
- CV reviews;
- Criminal record checks;
- Previous employment checks;
- Regulatory reference checks for the preceding six (6) years;
- Previous employment / qualification / gap investigations;
- Sanctions checks;
- Directorship disqualification checks such as Disclosure and Barring Service (DBS) check, a the appropriate level, for Senior Management Functions this to the highest available level of checking;
- Conflicts of Interest checks;
- Allegations of fraud or dishonesty in connection with professional activities;
- Subject of any investigation or disciplinary hearing by a regulatory authority;
- Involvement in insolvency, bankruptcy or winding-up proceedings and credit reference checks;

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

- Annual attestation to confirm fitness and propriety;
- Role profile and Statement of Responsibilities review;
- Event or Breach monitoring;
- Learning and development training plan reviews;
- Annual year-end Performance Management Process and Training Plan reviews; and
- Chubb Code of Conduct attestation.

A 'Fit & Proper' attestation is incorporated into the Employee Performance Management Process at the mid-year and end of year during the performance review cycle.

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

B.3.3 ORSA Process, Documentation and Review

Solvency II regulation defines the Own Risk and Solvency Assessment (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 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 Management Committee, Audit & 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 2018 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. The Head of Compliance, with defined SMCR responsibilities, reports to the General Counsel, who oversees the Legal & Compliance function.

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

The Compliance function comprises 37 members, who operate via a "hub and spoke" model, with specialists (27) in the London headoffice who have UK and region-wide responsibilities, and dedicated local Compliance Officers (10) 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. The Team 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 and Information Technology 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. 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-committtee, 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

A number of low level processes are outsourced from UK Operations to our partner EXL in India. Oversight of these processes happens mainly from Glasgow but also throughout the UK branch network for pre bind processes. 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	Ares	Provision of investment management services	All Europe
Treasury	Oakhill	Provision of investment management services	All Europe
Treasury	State Street Bank and Trust Company	Provision of investment custody services	All Europe

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 to the President (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") or the Senior Managers and Certification Regime ("SMCR") which came into force 10 December 2018, further information of which can be found in section B.1.3.

The Board has approved a number of policies, under which responsibilities are also aligned with SIMR or SMCR as applicable, that govern how certain key areas of the business, and the risks inherent to them, are controlled and reported.

Additional oversight and control is obtained via a "three lines of defence" model whereby the Compliance and Risk Management (Second Line) functions monitor key activities independently of the controls and indicators employed by the (First Line) business and functions. Internal Audit (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. On 1 January 2019, CEG redomiciled from the UK to France. The Company now operates under the supervision of the French regulator, *Autorité de contrôle prudentiel et de résolution*, (the "ACPR"), with its UK operations run through a UK branch which remains subject to limited regulation by the Financial Conduct Authority. The CEG governance arrangements have been reviewed and amended with effect from 1 January 2019 in line with the change of regulatory regime applicable to the Company, including changes to the Board structure, adoption of French statutes and changes to the Board committees.

B.8 Any Other Information

All material information 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.

Chubb has implemented contingency plans ahead of the expected UK exit from the EU to mitigate the potential risks to the company arising, where CEG redomiciled from the UK to France on 1 January 2019. The primary aim is to ensure a seamless transition and to offer certainty and continuity of service for all customers and business partners, regardless of location or the final outcome of the Brexit negotiations.

The re-domicile to France has not materially changed the company's risk profile – this is reflected in the breakdown of the SCR as calculated by the Standard Formula as at 31 December 2018, with a comparison to the Standard Formula SCR as at 31 December 2017. There have been no material changes in the quantification of risk over the last 12 months.

The risks associated with the on-going negotiations between the UK Government and EU continue to be monitored closely, where any underwriting, market, credit, liquidity and/or operational risks arising from the external environment will be measured and mitigated by the tools described in the following sections.

Results as at 31 December 2018 and 31 December 2017 are shown in the below table:

Risk	**Capital Requirement £'000**	
	2018	**2017**
Underwriting	**1,036,167**	**1,013,888**
Non-life	1,023,177	997,451
Health	12,990	16,437
Counterparty Default	128,060	113,435
Market	740,810	742,185
Undiversified Basic SCR	**1,905,037**	**1,869,508**
Operational Risk	162,475	164,559
Undiversified SCR	**2,067,512**	**2,034,067**
Diversification credit	(430,129)	(423,374)
Total SCR	**1,637,383**	**1,610,693**

From a capital persepective, reserving risk continues to be the single largest risk source facing CEG followed by market and premium risk. Credit risk is a significantly smaller contributerto the total capital requirement than premium or reserve risk. This is predominantly due to the high credit quality of CEG's reinsurers.

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.
- 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 Risk Management Function, the Audit & Risk Committee, the Board or the business.
- The company has no material exposure to off-balance sheet items.

Underwriting risk represents 50% of the undiversified SCR as at 31 December 2018 (compared to 53% as at 31 December 2017), where this continues to be 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 in Bermuda and Guernsey.

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 2018 and 31 December 2017, demonstrating no material changes in the proportion across line of business or region. As the company writes a diverse book of business across a number of underwriting classes and regions, there continues to be no material concentrations of risk as at 31 December 2018.

Gross Written Premium based on SII Line of Business as at 31 December 2018 and 2017

SII Line of Business	Gross premiums written £'000	Percentage of total gross written premium	Gross premiums written £'000	Percentage of total gross written premium
	2018		2017	
Medical expense	31	0%	38	0%
Income protection	60,942	2%	94,982	3%
Motor vehicle liability	136,956	4%	117,777	4%
Other motor	38,885	1%	0	0%
Marine, aviation and transport	238,580	7%	237,225	7%
Fire and other damage to property	1,231,309	36%	1,196,898	37%
General liability	1,039,303	31%	1,006,605	31%
Credit and suretyship	128,873	4%	127,002	4%
Miscellaneous financial loss	481,652	14%	446,826	14%
Non-proportional casualty	17,331	1%	30,097	1%
Non-proportional marine, aviation and transport	3,401	0%	8,833	0%
Non-proportional property	8,596	0%	1,191	0%
Total	**3,385,860**	**100%**	**3,267,474**	**100%**

Gross Written Premium based on Geographical Regions as at 31 December 2018 and 2017

Region	Gross premiums written £'000	Percentage of total gross written premium	Gross premiums written £'000	Percentage of total gross written premium
	2018		2017	
United Kingdom	1,244,815	37%	1,146,724	35%
France	470,333	14%	419,912	13%
Germany	341,090	10%	351,235	11%
Italy	232,600	7%	224,125	7%
Netherlands	210,018	6%	188,747	6%
Spain	176,933	5%	161,276	5%
Other countries	710,070	20%	775,455	24%
Total	**3,385,860**	**100%**	**3,267,474**	**100%**

Gross Technical Provisions based on SII Line of Business as at 31 December 2018

SII Line of Business	Gross technical provisions £'000	Percentage of total technical provisions	Gross technical provisions £'000	Percentage of total technical provisions
	2018		2017	
Medical expense	6	0.0%	54	0.0%
Income protection	23,888	0.4%	28,895	0.5%
Motor vehicle liability	171,439	3.2%	156,873	2.8%
Other motor	8,086	0.1%	0	0.0%
Marine, aviation and transport	343,165	6.3%	408,205	7.2%
Fire and other damage to property	658,079	12.2%	722,325	12.7%
General liability	3,571,770	66.0%	3,679,077	64.7%
Credit and suretyship	86,450	1.6%	88,557	1.6%
Miscellaneous financial loss	313,386	5.8%	389,795	6.9%
Non-proportional health	1,921	0.0%	1,747	0.0%
Non-proportional casualty	156,724	2.9%	149,445	2.6%
Non-proportional marine, aviation and transport	52,616	1.0%	59,297	1.0%
Non-proportional property	28,319	0.5%	1,283	0.0%
Total	**5,415,850**	**100%**	**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 £19.0 million (2017: £18.3 million) and shareholders' funds would have been lower by £19.0 million (2017: £18.3 million). If the net claims ratio had been lower by 1%, then the profit for the financial year would have been higher by £19.0 million (2017: £18.3 million) and shareholders' funds would have been higher by £19.0 million (2017: £18.3 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 Risk Management Function, the Audit & Risk Committee, the Board or the business.
- Specific targeted risk assessments are carried out throughout the year by Risk Management focused on particular areas as initiated by the Risk Management Function, the Audit & Risk Committee, the Board or the business.

Market risk comprises of 36% of the undiversified SCR as at 31 December 2018 (compared to 39% 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.

The table below outlines the Solvency II value of the financial investments as at 31 December 2018 and 2017.

Financial investments	**Solvency II value £'000**	**Solvency II value £'000**
	2018	**2017**
Equities	53,243	48,427
Government bonds	1,287,068	1,856,058
Corporate bonds and other loans and mortgages	3,121,329	2,857,187
Collateralised securities	321,094	175,815
Collective investment undertakings	176,447	241,508
Derivatives	195	1,143
Total investments	**4,959,376**	**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 £4,679 million at external managers as at 31 December 2018 (2017: £4,959 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 £213.4 million and accordingly decrease total shareholders' funds by £172.9 million.

All equity holdings of £52.8 million (2017: £48.3 million) are listed and represent 1% (2017: 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 £5.3 million and the total shareholders' funds would decrease by £4.6 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 2018 average euro/sterling rate of €1.135/£1 is down on the prior period (2017: €1.146/£1) and the US dollar/sterling rate of US$1.342/£1 is up on the prior period (2017: US$1.277/£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 £5.5 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.

For the monetary components of the balance sheet, the year-end rates used to convert euro to sterling have decreased by 2.7% to €1.103/£1 and US dollar to sterling has decreased 7.5% to US$1.249/£1 (2017: €1.134/£1 and US$1.351/£1). Assuming sterling had weakened by 10% against all currencies (primarily the euro and US dollar) and all other variables remained constant, the effect of translating year end foreign branch net assets based on these parameters would have resulted in decreased shareholders' funds of £165.8 million, which would have appeared as a loss in the statement of comprehensive income.

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

Counterparty default risk represents 6% of the undiversified SCR as at 31 December 2018 (compared to 6% 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 £723,259,707.

Risk Concentration

The assets bearing credit risk are:

Asset category	Solvency II value £'000	Percentage of total Solvency II value	Solvency II value £'000	Percentage of total Solvency II value
	2018		2017	
Investments	4,959,376	61%	5,180,138	62%
Reinsurance recoverables	2,700,768	33%	2,773,840	33%
Insurance and intermediaries receivables	214,703	3%	84,901	1%
Reinsurance receivables	132,163	2%	89,520	1%
Receivables (trade, not insurance)	144,612	2%	179,462	2%
Total assets bearing credit risk	**8,151,622**	**100%**	**8,307,861**	**100%**

The Standard and Poor's credit ratings for the investments net of accrued interest of £52,899k, and including restricted assets of £7,719k.

Asset Category	Investments £'000	Investments £'000
	2018	2017
AAA	514,949	714,029
AA	1,534,346	1,857,165
A	1,106,493	1,055,611
BBB	1,161,298	1,140,140
Below BBB or unrated	589,391	478,206
Total investments	**4,906,477**	**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 £52.8 million equity holdings at 2018 year end (2017: £48.3 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 2018 the collateral provided to the company totalled £343.5 million (2017: £330.7 million). This balance is represented by Letters of Credit – 93.6% (2017: 80.0%), trust funds – 5.6% (2017: 18.9%), cash – 0.8% (2017: 1.1%) and floating charge – 0.0% (2017: 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 £4,087.1 million (2017: £3,851.7 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.
- Specific targeted risk assessments are carried out throughout the year by Risk Management focused on particular areas as initiated by the Risk Management Function, the Audit & 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 2018, 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 2018 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 2018 is £254,372k.

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 Risk Management Function, the Audit & Risk Committee, the Board or the business.

Operational risk comprises of 8% of the undiversified SCR as at 31 December 2018 (compared to 9% 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 2018, 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

No other risks over and above those discussed above have been identified for CEG.

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 2018	Solvency II £'000	UK GAAP £'000	Variance £'000
	2018	2018	2018
Deferred acquisition costs	0	225,480	(225,480)
Intangible asset - software	0	81,006	(81,006)
Deferred tax assets	52,290	40,822	11,468
Property, plant & equipment held for own use	16,749	17,281	(533)
Investments (other than assets held for index-linked and unit-linked contracts)	4,850,904	4,798,298	52,605
Loans and mortgages	108,472	108,178	293
Reinsurance recoverables	2,700,768	3,252,655	(551,887)
Insurance and intermediaries receivables	214,703	883,104	(668,401)
Reinsurance receivables	132,163	331,828	(199,665)
Receivables (trade, not insurance)	144,612	144,612	0
Cash and cash equivalents	168,025	70,249	97,777
Other assets	10,368	63,265	(52,897)
Total assets	**8,399,054**	**10,016,779**	**(1,617,725)**

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 ("DTAs") and liabilities. DTAs are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

The principal temporary differences arise from valuation differences arising under the Solvency II regime for the technical provisions. As the company used UK GAAP accounting principles in 2018, 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 Solvency II, 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. Given the materiality of the amounts involved for land & buildings, a prudent basis option has been taken from the two options available under Solvency II, to assume a nil value for land & buildings.

Excluding land & buildings and software, the carrying value of the other fixed assets is not considered to be materially different to their fair value. No automated valuation model method for PPE needs to be disclosed.

D.1.5 Investments

Investments comprise the following:

As at 31 December 2018	Solvency II £'000	UK GAAP £'000	Variance £'000
	2018	2018	2018
Equities	53,243	53,154	89
Government bonds	1,287,068	1,276,398	10,670
Corporate bonds and other loans and mortgages	3,121,329	3,080,324	41,005
Collateralised securities	321,094	320,012	1,082
Collective investment undertakings	176,447	176,394	52
Derivatives	195	195	0
Total investments	**4,959,375**	**4,906,477**	**52,899**

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 £2,849k at 31 December 2018 and is discussed within section E.1.5.

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

Variance	2018 £'000	2017 £'000
Accrued interest included in "Other Assets" under UK GAAP (see section D.1.10)	52,899	61,120

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 £97,779k 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 (refer to 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).

D.2 Technical Provisions

The value of technical provisions for solvency purposes, as at 31 December 2018, 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 + Net Risk Margin	Total Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Medical expense	0	6	6	0	0	6	0	6	6
Income protection	(76)	23,964	23,888	551	8,535	14,802	864	24,753	15,667
Motor vehicle liability	36,147	135,292	171,439	1,203	74,915	95,320	5,745	177,183	101,065
Other motor	4,141	3,945	8,086	11	669	7,405	400	8,486	7,805
Marine, aviation and transport	5,544	337,621	343,165	(1,865)	182,705	162,325	13,794	356,959	176,119
Fire and other damage to property	(66,254)	724,333	658,079	1,406	477,834	178,838	22,284	680,363	201,122
General liability	83,766	3,488,004	3,571,770	25,227	1,409,436	2,137,107	129,522	3,701,291	2,266,628
Credit and suretyship	6,784	79,666	86,450	(318)	42,786	43,982	5,923	92,373	49,905
Miscellaneous financial loss	(33,772)	347,159	313,386	3,203	272,675	37,509	17,282	330,669	54,791
Non-proportional health	0	1,921	1,921	0	1,444	476	60	1,981	536
Non-proportional casualty	(22,365)	179,090	156,724	(16,102)	161,156	11,669	3,317	160,041	14,986
Non-proportional marine, aviation and transport	(1,388)	54,005	52,616	(756)	30,131	23,242	2,845	55,461	26,086
Non-proportional property	2,718	25,601	28,319	2,705	23,214	2,399	483	28,802	2,882
Total	**15,243**	**5,400,607**	**5,415,850**	**15,266**	**2,685,502**	**2,715,081**	**202,518**	**5,618,367**	**2,917,599**

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. Management may book a different value to the ActCE liability for GAAP purposes, taking into account further information to supplement the ActCE in forming their best estimate view for the booked reserves.

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 the projected Solvency II cashflows is performed at a currency level using the European Insurance and Occupational Pensions Authority ("EIOPA") provided yield curves which represents a further difference to the GAAP reserves which are not discounted.

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 of 2018 year end, the uncertainty around future socio-economic conditions is particularly relevant given the on-going uncertainty relating to Brexit and the potential impacts this may have on the UK and wider economic conditions. No specific changes to assumptions underlying the calculation of the technical provisions have been made for the potential impacts of Brexit.

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.

Sensitivity tests have been performed on a range of assumptions and expert judgements underlying the technical provision calculations to identify the key areas of risk and the material elements of the technical provisions. The tests and their resulting percentage change to the total technical provisions are summarised below:

Assumption Tested	Description of Test	Impact - % Increase/(Decrease) of CEGSE TPs
Yield Curve	Increase all spot rates by 1%	-2.7%
Yield Curve	Decrease all spot rates by 1%	2.9%
ENID	Assumed distribution truncation point of 1 in 40 for all classes	1.4%
Inflation	Increase cashflows in future years by 2% pa compounded	4.9%
Inflation	Decrease cashflows in future years by 2% pa compounded	-4.5%
Claim Reserve (CP & PP)	Booked reserves instead of ActCE included	5.4%
Claim Reserve (CP & PP)	Current Year Loss Ratio - realistic low alternatives (material classes only tested) -20% reduction*	-7.3%
Claim Reserve (CP & PP)	Current Year Loss Ratio - realistic high alternatives (material classes only tested) +20% increase*	7.5%
Claim Reserve (CP)	10% additional Attritional Tail Development for Casualty and Financial Lines*	7.1%
Claim Reserve (CP)	12 month Attritional Development Pattern Lag for Casualty and Financial Lines*	3.7%
Claim Reserve (CP)	Reduction (-25% of difference between best and low estimate) in Major Issue IBNR*	-2.4%
Claim Reserve (CP)	Increase (+25% of difference between best and high estimate) in Major Issue IBNR*	5.7%
Admin Expense	Increase Admin Expense assumption by 20%*	1.1%
UCER	Increase UCER assumption by 20%*	1.1%
Commission	Increase Gross Commission Expense assumption by 20%*	1.9%
Acquisition	Increase Non Commission Acq Expense assumption by 20%*	0.1%
Legally Obliged	Double Legally Obliged Premium*	-0.8%
Legally Obliged	Assume 0 Legally Obliged Premium*	0.8%

** Test performed on partial portfolio*

The tests show that the technical provisions are most sensitive to changes in assumptions relating to both the earned and unearned claims reserves. This is in line with expectations since these comprise the largest part of the technical provisions and are subject to considerable uncertainty with a large amount of expert judgement applied in their estimation

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 2018:

SII Line of Business	Gross UK GAAP TPs	Solvency II adjustments	Gross Best estimate	Add risk margin	Total Gross TPs	Reinsurance recoverables	Net TPs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Medical expense	(22)	(28)	6	0	6	0	6
Income protection	24,398	509	23,888	864	24,753	9,086	15,667
Motor vehicle liability	344,076	172,637	171,439	5,745	177,183	76,118	101,065
Other motor	7,647	(439)	8,086	400	8,486	681	7,805
Marine, aviation and transport	535,959	192,794	343,165	13,794	356,959	180,840	176,119
Fire and other damage to property	1,233,814	575,735	658,079	22,284	680,363	479,241	201,122
General liability	4,124,071	552,301	3,571,770	129,522	3,701,291	1,434,663	2,266,628
Credit and suretyship	203,251	116,801	86,450	5,923	92,373	42,468	49,905
Miscellaneous financial loss	513,281	199,894	313,386	17,282	330,669	275,878	54,791
Non-proportional health	0	(1,921)	1,921	60	1,981	1,444	536
Non-proportional casualty	50,965	(105,760)	156,724	3,317	160,041	145,055	14,986
Non-proportional marine, aviation and transport	17,987	(34,629)	52,616	2,845	55,461	29,375	26,086
Non-proportional property	34,843	6,524	28,319	483	28,802	25,920	2,882
Total	**7,090,269**	**1,674,419**	**5,415,850**	**202,518**	**5,618,367**	**2,700,768**	**2,917,599**

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.2.8 Material Changes to Methods and Assumptions from Previous Reporting Period

There have been no material changes to the methods, including simplified methods, used to calculate the technical provisions from those used in the previous reporting period.

While many assumptions included in the calculation of technical provisions will often change between reporting periods due to natural development of the data used, there have been no material changes to assumptions compared to the prior reporting period.

D.3 Other Liabilities

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

As at 31 December 2018	Solvency II £'000	UK GAAP £'000	Variance £'000
	2018	**2018**	**2018**
Pension benefit obligations	4,906	4,906	0
Deposits from reinsurers	9,092	9,092	0
Deferred tax liabilities	16,891	0	16,891
Derivatives	1,911	1,911	(0)
Debts owed to credit institutions	161,092	63,314	97,779
Insurance & intermediaries payables	41,471	53,485	(12,014)
Reinsurance payables	73,734	328,504	(254,770)
Payables (trade, not insurance)	190,685	190,685	0
Other liabilities	79,726	79,726	0
Total other liabilities	**579,508**	**731,622**	**(152,115)**

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 £97,779k (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 2018, 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 ACPR 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 in Tier 1 (except for DTA that is classified as Tier 3, however this is a net liability as at 31 December 2018). The calculation process is therefore straightforward as own funds are valued based on the Solvency II valuation principles for assets and liabilities documented above. The Company will restrict any small amounts of own funds that are not available to policyholders generally. Larger amounts will be recognised as a ring-fenced fund.

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

Following the company's redomicile to France on 1 January 2019, the base and reporting currency has changed from Sterling to Euro. After this date own funds will be reported and managed in Euros therefore. This change does not impact the valuation of own funds.

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 category	Tier 1 unrestricted £'000	Tier 1 unrestricted £'000
	2018	**2017**
Ordinary share capital	786,120	786,120
Share premium	0	682,834
Reconciliation reserve	1,407,340	832,634
Total basic own funds	**2,193,460**	**2,301,588**

Ordinary share capital comprises allocated, called up and fully paid ordinary shares of as at 31 December 2018. Dividends on ordinary shares are cancellable at any time prior to payment and therefore are classified as Tier 1 under Solvency II regime. In 2018, the company renominated its issued share capital and share premium from Sterling to Euros in preparation for the company's redomicile to France, where share capital must be held in Euros. This transaction maintained the underlying share capital and share premium at the same values as they were held in sterling.

The key elements of the reconciliation reserve are as follows:

Reconciliation reserve as at 31 December 2018	Tier 1 unrestricted £'000	Tier 1 unrestricted £'000
	2018	**2017**
Total assets (section D.1)	8,399,054	8,607,696
Less total liabilities (sections D2 and D3)	(6,197,875)	(6,184,117)
Excess of assets over liabilities	2,201,179	2,423,579
Share capital	(786,120)	(786,120)
Share premium	0	(682,834)
Foreseeable dividend	0	(100,000)
Ring-fenced funds	(7,720)	(21,991)
Total basic own funds	**1,407,339**	**832,634**

The company's own funds are wholly eligible to meet the Solvency Capital Requirements and Minimum Capital Requirement. Other than £7 milllion in restricted assets, all Tier 1 capital is permanently available to cover losses.

Eligible Own Funds to cover SCR by Tier

The total Tier 1 own funds of £2,193,459k are eligible to cover the SCR. CEG has sufficient eligible own funds to cover SCR as the coverage ratio for the SCR is 134% (2017: 143%).

E.1.4 Eligible Own Funds to cover MCR by Tier

The total Tier 1 own funds of £2,193,459k are eligible to cover the MCR. CEG has sufficient eligible own funds to cover MCR as the coverage ratio for the MCR is 444% (2017: 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:

Reconciliation of UK GAAP to Solvency II Own Funds	**2018 £'000**	**2017 £'000**
UK GAAP shareholders' funds	2,194,888	2,405,368
Revaluation of insurance contracts	93,253	84,849
Adjustments to intangible and fixed assets	(81,539)	(38,783)
Deferred tax adjustments	(5,422)	(13,685)
Ring-fenced funds		(14,172)
SII Excess of assets over liabilities	2,201,179	2,423,579
Restricted assets	(7,720)	(21,991)
Foreseeable dividend		(100,000)
Total basic own funds	**2,193,459**	**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:

UK GAAP to Solvency II	2018 £'000	2017 £'000
Change in earned reserves	(123,837)	(127,045)
Change in earned bad debts	(8,269)	(7,719)
Allowance for UPR and UANR, removal of DAC	(91,616)	(73,270)
RI premium for contractual minimums	22,629	22,982
Profit on un-incepted business	(27,205)	(40,352)
Total discounting credit	(67,471)	(59,701)
Risk margin	202,518	200,257
Total basic own funds	**(93,253)**	**(84,848)**

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

A total of £7,720k within investment portfolio relates to restricted assets, deducted from total available own funds. Refer to section E.1.5 for details.

E.1.5 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. These amounts total £4,870k and represent investment assets that are pledged to the local regulatory body as a fund against liabilities. This must be held to allow business to transact in that country.

In addition, an amount of £2,849k relating to collateral issued through partner banks are restricted as they can only be used to settle specific liabilities. Further details can be found in section D.1.5.

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 2018 and its split by risk modules are summarised as follows:

As at 31 December 2018	Risk Category	£'000
(1a)	**Lines 1 - 8 net of loss absorbing capacity of technical provisions** Interest Rate Risk	142,954
(1b)	Equity Risk	62,011
(1c)	Property Risk	-
(1d)	Spread Risk	343,140
(1e)	Concentration Risk	-
(1f)	Currency Risk	490,374
(1g)	Diversification within market risk	(297,669)
(1)	**Total Market Risk [sum (1a) - (1g)]**	**740,810**
(2a)	Type 1 (Reinsurer Default, etc.)	72,347
(2b)	Type 2 (Intermediary / Policyholder Default, etc.)	64,522
(2c)	Diversification within Counterparty Default Risk	(8,810)
(2)	**Total Counterparty Default Risk [sum (2a) - (2c)]**	**128,060**
(3)	**Total Life Underwriting Risk**	**-**
(4a)	Health SLT Risk	-
(4b)	Health Non SLT Risk	11,010
(4c)	Health Catastrophe Risk	4,671
(4d)	Diversification within Health Underwriting Risk	(2,691)
(4)	**Total Health Underwriting Risk [sum (4a) - (4d)]**	**12,990**
(5a)	Non-life Premium and Reserve Risk (excl. Catastrophe Risk)	979,649
(5b)	Non-life catastrophe Risk	115,035
(5c)	Lapse Risk	135,662
(5d)	Diversification within Non-Life Underwriting Risk	(204,169)

(5)	**Total Non-Life Underwriting Risk [sum (5a) - (5d)]**	**1,023,177**
(6)	**Total Before Diversification Between Risk Categories [(1) + (2) + (3) + (4) + (5)]**	1,905,036
(7)	**Diversification Between Risk Categories**	(430,129)
(8)	**Intangible asset risk**	-
(9)	**BSCR net of loss absorbing capacity of technical provisions [(6) + (7) + (8)]**	**1,474,907**
(10)	BSCR gross of loss absorbing capacity of technical provisions	1,474,907
(11)	Total Operational Risk	162,475
(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)]**	**1,637,383**
(15)	Capital add-on	-
(16)	**Solvency Capital Requirement including capital add-on [(14) + (15)]**	**1,637,383**

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 2018	**Net (of reinsurance/ SP) best estimate and TP calculated as a whole**	**Net (of reinsurance) written premiums in the last 12 months**
	£'000	**£'000**
Medical expense	6	34
Income protection	14,802	48,619
Motor vehicle liability	95,320	74,081
Other motor	7,405	20,889
Marine, aviation and transport	162,325	141,062
Fire and other damage to property	178,838	634,669
General liability	2,137,107	658,539
Credit and suretyship	43,982	49,874
Miscellaneous financial loss	37,509	286,378
Non-proportional health	476	0
Non-proportional casualty	11,669	4,752
Non-proportional marine, aviation and transport	23,242	1,258
Non-proportional property	2,399	1,549

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 £494,097k. The following table shows the MCR calculation:

Overall MCR calculation	**2018 £'000**	**2017 £'000**
Linear MCR	**494,097**	**475,742**
SCR	1,637,383	1,610,694
MCR cap	736,822	724,812
MCR floor	409,346	402,673
Combined MCR	494,097	475,742
Absolute floor of the MCR	3,288	3,332
Minimum Capital Requirement	**494,097**	**475,742**

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 2018 (£' 000)**	**As at 31 December 2018 (£' 000)**	**Movement (£'000)**
(1a)	**Lines 1 - 8 net of loss absorbing capacity of technical provisions** Interest Rate Risk	147,084	142,954	(4,130)
(1b)	Equity Risk	81,296	62,011	(19,286)
(1c)	Property Risk	-	-	-
(1d)	Spread Risk	326,041	343,140	17,099
(1e)	Concentration Risk	-	-	-
(1f)	Currency Risk	490,479	490,374	(104)
(1g)	Diversification within market risk	(302,714)	(297,669)	5,045
(1)	**Total Market Risk [sum (1a) - (1g)]**	**742,185**	**740,810**	**(1,376)**
(2a)	Type 1 (Reinsurer Default, etc.)	68,704	72,347	3,643
(2b)	Type 2 (Intermediary / Policyholder Default, etc.)	52,406	64,522	12,116
(2c)	Diversification within Counterparty Default Risk	(7,676)	(8,810)	(1,134)
(2)	**Total Counterparty Default Risk [sum (2a) - (2c)]**	**113,435**	**128,060**	**14,625**
(3)	**Total Life Underwriting Risk**	**-**	**-**	**-**
(4a)	Health SLT Risk	-	-	-
(4b)	Health Non SLT Risk	12,954	11,010	(1,944)
(4c)	Health Catastrophe Risk	7,384	4,671	(2,713)
(4d)	Diversification within Health Underwriting Risk	(3,902)	(2,691)	1,211
(4)	**Total Health Underwriting Risk [sum (4a) - (4d)]**	**16,437**	**12,990**	**(3,446)**
(5a)	Non-life Premium and Reserve Risk (excl. Catastrophe Risk)	951,297	979,649	28,351
(5b)	Non-life catastrophe Risk	123,454	115,035	(8,419)
(5c)	Lapse Risk	126,417	132,662	6,245
(5d)	Diversification within Non-Life Underwriting Risk	(203,717)	(204,169)	(453)
(5)	**Total Non-Life Underwriting Risk [sum (5a) - (5d)]**	**997,451**	**1,023,177**	**25,725**

(6)	**Total Before Diversification Between Risk Categories [(1) + (2) + (3) + (4) + (5)]**	1,869,508	1,905,036	35,528
(7)	Diversification Between Risk Categories	(423,374)	(430,129)	(6,755)
(8)	Intangible asset risk	-	-	-
(9)	**BSCR net of loss absorbing capacity of technical provisions [(6) + (7) + (8)]**	**1,446,135**	**1,474,907**	**28,773**
(10)	BSCR gross of loss absorbing capacity of technical provisions	1,446,135	1,474,907	28,773
(11)	**Total Operational Risk**	164,559	162,475	(2,083)
(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**	**1,637,383**	**26,689**
(15)	Capital add-on	-	-	-
(16)	**Solvency Capital Requirement including capital add-on [(14) + (15)]**	**1,610,694**	**1,637,383**	**26,689**

As at 31 December 2018, the CEG SCR is measured at £1,637,383k, which is around a 2% increase from the SCR as at 1 January 2018, which was measured at £1,610,694k.

Following CEG's re-domicilation from the UK to France, the local currency has changed from GBP at the beginning of 2018 to EUR. The local currency change has an immaterial impact of around 2% on the SCR. The CEG SCR as at 31 December 2018 - using GBP as the base local currency - would have been £1,596,996k, if CEG had not re-domiciled.

There is no material change to the SCR over the year despite the local currency change. Comparisons at the risk category level are listed below.

- Underwriting Risk, which is the sum of Non-life Underwriting Risk and Health Underwriting Risk, has remained stable, with an immaterial increase from £1,013,888k to £1,036,167k. The increase is driven by the premium risk exposure change.
- Market Risk has reduced from £742,185k to £740,810k, which is mainly driven by the Equity Risk reduction due to the update in the Symmetric Adjustment parameter from 1.9% to -6.3% published by EIOPA.
- Counterparty default risk has increased from £113,435k to £128,060k, driven by the increase in long overdue premium debts, which incur high risk charge of 90%. The increase is attributed to higher overdue premiums balances in continental Europe, most notably Germany, France and Benelux.
- Operational Risk has reduced from £164,559k to £162,475k. Stable risk exposure has led to immaterial movements for this risk.

The MCR has changed from £475,742k as at 1 January 2018 to £494,097k as at 31 December 2018.

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

CEG applies the standard formula approach to the Solvency Capital Requirement (SCR) calculation. The standard formula SCR is the capital requirement that will be in force for CEG under Solvency II until such time that an internal model is approved.

Despite not being approved for the purpose of setting capital at this time, Chubb has an internal model in place for the SCR calculation that it believes meets the Solvency II tests and standards. This model is in mature status following years of extensive development and is operated with full governance processes and board sign off. It is in active use within the business as part of the decision making process and is regarded as the internal view of risk-based capital.

The 2019 standard formula SCR was calculated as £1,637m, while the 2019 internal model calculation performed in January 2019 resulted in an SCR of £1,084m. The difference in figures reflects the differences in underlying methodologies and calibration data. Both SCRs appropriately reflect the risk profile of the business, albeit to a different level of precision. Therefore, both measures serve the purpose of ensuring there is sufficient capital available to effectively and responsibly manage CEG's ongoing commitments.

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 134% and 444% respectively.

As at 31 December 2018	SCR	MCR
Eligible Own Funds (£'000)	2,193,459	2,193,459
Capital Requirements (£'000)	1,637,383	494,097
Coverage ratio	134%	444%

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.

QRTs in the Appendix S.02.01, 17.01, 23.01, 25.01 and 28.01.

Chubb European Group Limited

Solvency and Financial Condition Report

Disclosures

31 December

2018

(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 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	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	
R0040	Deferred tax assets	52,290
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	16,749
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	4,850,904
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	53,243
R0110	*Equities - listed*	53,243
R0120	*Equities - unlisted*	
R0130	*Bonds*	4,621,019
R0140	*Government Bonds*	1,287,068
R0150	*Corporate Bonds*	3,012,857
R0160	*Structured notes*	0
R0170	*Collateralised securities*	321,094
R0180	*Collective Investments Undertakings*	176,447
R0190	*Derivatives*	195
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	108,472
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	108,472
R0270	Reinsurance recoverables from:	2,700,768
R0280	*Non-life and health similar to non-life*	2,700,768
R0290	*Non-life excluding health*	2,690,238
R0300	*Health similar to non-life*	10,530
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	214,703
R0370	Reinsurance receivables	132,163
R0380	Receivables (trade, not insurance)	144,612
R0390	Own shares (held directly)	
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	168,025
R0420	Any other assets, not elsewhere shown	10,368
R0500	**Total assets**	8,399,054

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	5,618,367
R0520	*Technical provisions - non-life (excluding health)*	5,591,627
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	5,390,034
R0550	*Risk margin*	201,593
R0560	*Technical provisions - health (similar to non-life)*	26,740
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	25,815
R0590	*Risk margin*	924
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*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	4,906
R0770	Deposits from reinsurers	9,092
R0780	Deferred tax liabilities	16,891
R0790	Derivatives	1,911
R0800	Debts owed to credit institutions	161,092
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	41,471
R0830	Reinsurance payables	73,734
R0840	Payables (trade, not insurance)	190,685
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	79,726
R0900	**Total liabilities**	6,197,875
R1000	**Excess of assets over liabilities**	2,201,179

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	60,930	0	29,736	38,885	141,792	1,032,153	909,183	99,789	0	0	467,337					2,779,806
R0120	Gross - Proportional reinsurance accepted	31	12	0	107,220	0	96,788	199,155	130,120	29,084	0	0	14,314					576,725
R0130	Gross - Non-proportional reinsurance accepted													0	17,331	3,401	8,596	29,329
R0140	Reinsurers' share	0	24,271	0	48,786	2,303	91,109	574,074	367,238	78,135	0	0	164,325	0	13,271	2,677	6,510	1,372,697
R0200	Net	32	36,672	0	88,170	36,582	147,471	657,235	672,065	50,738	0	0	317,327	0	4,060	725	2,086	2,013,162
	Premiums earned																	
R0210	Gross - Direct Business	1	62,444	0	34,100	31,117	137,519	1,008,069	881,663	89,874	0	0	445,996					2,690,781
R0220	Gross - Proportional reinsurance accepted	31	14	0	94,137	0	84,842	187,841	120,289	23,599	0	0	13,827					524,580
R0230	Gross - Non-proportional reinsurance accepted													0	14,423	3,118	8,548	26,088
R0240	Reinsurers' share	0	24,652	0	61,389	2,113	90,650	561,519	345,996	67,281	0	0	166,904	0	11,142	2,449	6,459	1,340,554
R0300	Net	32	37,805	0	66,847	29,004	131,711	634,391	655,956	46,191	0	0	292,918	0	3,281	669	2,089	1,900,895
	Claims incurred																	
R0310	Gross - Direct Business	-1,634	20,134	0	13,576	18,296	45,521	449,349	453,018	17,868	0	0	274,702					1,290,830
R0320	Gross - Proportional reinsurance accepted	-93	-3	0	77,190	0	16,479	158,055	33,290	6,684	0	0	-22,208					269,394
R0330	Gross - Non-proportional reinsurance accepted													0	24,347	2,619	6,794	33,760
R0340	Reinsurers' share	0	7,579	0	54,973	273	17,636	288,981	220,776	19,110	0	0	71,259	0	21,751	2,284	5,165	709,787
R0400	Net	-1,727	12,551	0	35,792	18,023	44,364	318,423	265,532	5,442	0	0	181,235	0	2,596	335	1,629	884,197
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	332	4,913	0	28,033	5,258	43,124	298,830	328,533	7,994	0	0	156,607	0	2,966	564	1,254	878,408
R1200	**Other expenses**																	
R1300	**Total expenses**																	878,408

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	IT	NL	ES	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	952,292	437,365	321,067	220,285	195,516	158,705	2,285,230
R0120	Gross - Proportional reinsurance accepted	292,523	32,967	20,023	12,315	14,502	18,228	390,559
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	436,022	165,959	177,459	66,513	85,661	61,414	993,027
R0200	Net	808,793	304,374	163,632	166,087	124,358	115,519	1,682,762
	Premiums earned							
R0210	Gross - Direct Business	918,006	425,628	315,744	211,660	187,924	150,029	2,208,991
R0220	Gross - Proportional reinsurance accepted	255,154	27,797	19,119	12,303	16,109	17,725	348,207
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	433,040	163,408	171,760	63,954	83,545	58,729	974,435
R0300	Net	740,120	290,017	163,103	160,008	120,488	109,025	1,582,763
	Claims incurred							
R0310	Gross - Direct Business	530,688	150,438	196,860	121,572	120,583	56,866	1,177,006
R0320	Gross - Proportional reinsurance accepted	140,113	-3,704	6,522	1,372	12,756	6,152	163,211
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	259,118	27,784	62,784	29,481	76,278	17,104	472,549
R0400	Net	411,684	118,951	140,598	93,462	57,060	45,914	867,669
	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**	132,121	94,649	49,894	41,884	29,028	34,255	381,831
R1200	**Other expenses**							284,992
R1300	**Total expenses**							666,823

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		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	Total Non-Life obligation
		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	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	-76	0	36,147	4,141	5,544	-66,254	83,766	6,784	0	0	-33,772	0	-22,365	-1,388	2,718	15,243
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	551	0	1,203	11	-1,865	1,406	25,227	-318	0	0	3,203	0	-16,102	-756	2,705	15,266
R0150	**Net Best Estimate of Premium Provisions**	0	-627	0	34,944	4,130	7,409	-67,661	58,539	7,101	0	0	-36,975	0	-6,264	-632	12	-23
	Claims provisions																	
R0160	Gross	6	23,964	0	135,292	3,945	337,621	724,333	3,488,004	79,666	0	0	347,159	1,921	179,090	54,005	25,601	5,400,607
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	8,535	0	74,915	669	182,705	477,834	1,409,436	42,786	0	0	272,675	1,444	161,156	30,131	23,214	2,685,502
R0250	**Net Best Estimate of Claims Provisions**	6	15,429	0	60,377	3,276	154,916	246,499	2,078,568	36,881	0	0	74,484	476	17,933	23,874	2,387	2,715,105
R0260	**Total best estimate - gross**	6	23,888	0	171,439	8,086	343,165	658,079	3,571,770	86,450	0	0	313,386	1,921	156,724	52,616	28,319	5,415,850
R0270	**Total best estimate - net**	6	14,802	0	95,320	7,405	162,325	178,838	2,137,107	43,982	0	0	37,509	476	11,669	23,242	2,399	2,715,081
R0280	**Risk margin**	0	864	0	5,745	400	13,794	22,284	129,522	5,923	0	0	17,282	60	3,317	2,845	483	202,518
	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	0	0
R0300	Best estimate	0	0	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	0	0
R0320	**Technical provisions - total**	6	24,753	0	177,183	8,486	356,959	680,363	3,701,291	92,373	0	0	330,669	1,981	160,041	55,461	28,802	5,618,367
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	9,086	0	76,118	681	180,840	479,241	1,434,663	42,468	0	0	275,878	1,444	145,055	29,375	25,920	2,700,768
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	6	15,667	0	101,065	7,805	176,119	201,122	2,266,628	49,905	0	0	54,791	536	14,986	26,086	2,882	2,917,599

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)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											16,358	16,358	16,358
R0160	2009	421,934	474,576	246,598	162,123	93,518	61,127	57,678	71,820	27,072	28,684		28,684	1,645,129
R0170	2010	492,997	546,728	319,440	173,771	98,852	108,985	22,872	30,991	43,358			43,358	1,837,994
R0180	2011	419,680	618,681	253,772	190,037	96,581	50,618	33,647	40,392				40,392	1,703,409
R0190	2012	438,166	516,399	335,909	177,692	93,600	103,788	71,274					71,274	1,736,829
R0200	2013	478,284	460,765	222,181	94,922	97,750	80,595						80,595	1,434,495
R0210	2014	536,910	509,623	188,202	84,504	90,066							90,066	1,409,305
R0220	2015	608,188	442,540	225,633	167,465								167,465	1,443,825
R0230	2016	572,890	637,073	238,551									238,551	1,448,514
R0240	2017	517,330	455,015										455,015	972,345
R0250	2018	602,291											602,291	602,291
R0260												Total	1,834,049	14,250,496

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											112,047	504,201
R0160	2009	0	0	0	0	0	0	2,002	198,352	164,528	127,608		389,086
R0170	2010	0	0	0	0	0	1,705	197,804	160,511	135,668			480,723
R0180	2011	0	0	0	0	6,839	257,877	197,684	129,407				576,605
R0190	2012	0	0	0	30,587	474,939	356,166	272,753					809,784
R0200	2013	0	0	21,165	491,222	367,250	281,916						1,040,366
R0210	2014	0	43,571	642,014	528,033	377,035							1,305,719
R0220	2015	49,009	915,149	703,565	577,072								1,736,946
R0230	2016	1,347,778	920,171	685,884									2,278,673
R0240	2017	1,269,764	874,622										3,014,155
R0250	2018	1,149,326											3,876,663
R0260												Total	8,633,638

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		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	0	0		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	1,407,340	1,407,340			
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**	2,193,459	2,193,459	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	2,193,459	2,193,459	0	0	0
R0510	Total available own funds to meet the MCR	2,193,459	2,193,459	0	0	
R0540	Total eligible own funds to meet the SCR	2,193,459	2,193,459	0	0	0
R0550	Total eligible own funds to meet the MCR	2,193,459	2,193,459	0	0	
R0580	**SCR**	1,637,383				
R0600	**MCR**	494,097				
R0620	**Ratio of Eligible own funds to SCR**	133.96%				
R0640	**Ratio of Eligible own funds to MCR**	443.93%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	2,201,179
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	786,120
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	7,720
R0760	**Reconciliation reserve**	1,407,340
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	254,372
R0790	**Total Expected profits included in future premiums (EPIFP)**	254,372

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	740,810		0
R0020	Counterparty default risk	128,060		
R0030	Life underwriting risk	0	0	0
R0040	Health underwriting risk	12,990	0	0
R0050	Non-life underwriting risk	1,023,177	0	0
R0060	Diversification	-430,129		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	1,474,907		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	162,475
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**	1,637,383
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	1,637,383
	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

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	494,097

		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	6	34
R0030	Income protection insurance and proportional reinsurance	14,802	48,619
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	95,320	74,081
R0060	Other motor insurance and proportional reinsurance	7,405	20,889
R0070	Marine, aviation and transport insurance and proportional reinsurance	162,325	141,062
R0080	Fire and other damage to property insurance and proportional reinsurance	178,838	634,669
R0090	General liability insurance and proportional reinsurance	2,137,107	658,539
R0100	Credit and suretyship insurance and proportional reinsurance	43,982	49,874
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	37,509	286,378
R0140	Non-proportional health reinsurance	476	0
R0150	Non-proportional casualty reinsurance	11,669	4,752
R0160	Non-proportional marine, aviation and transport reinsurance	23,242	1,258
R0170	Non-proportional property reinsurance	2,399	1,549

	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	494,097
R0310	SCR	1,637,383
R0320	MCR cap	736,822
R0330	MCR floor	409,346
R0340	Combined MCR	494,097
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	494,097