Chubb European Group SE

Solvency and Financial Condition Report

31 December 2019

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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 2019.

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 regulator, the Autorité de Contrôle Prudentiel et de Résolution ("ACPR"). This is the first SFCR the Company has prepared since being domiciled in France therefore.

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 Continental Europe, the UK and Ireland. 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.

On 1 January 2019 CEG successfully redomiciled from the UK to France and now operates under the supervision of the ACPR. The Company can be found in the ACPR's published register of insurers and has its registered offices at La Tour Carpe Diem, 31 Place des Corolles, Esplanade Nord, 92400 Courbevoie, France, company number 450 327 374 RCS Nanterre. The UK branch of the Company continues to be subject to limited regulation by the Financial Conduct Authority ("FCA") and it is based at 100 Leadenhall Street, London EC3A 3BP. Additional Brexit related information can be found at www.Chubb.com/Brexit

Headquartered in Paris from 1 January 2019 with branch offices across Europe, CEG and its European Economic Area ("EEA") branches hold cross-border permissions throughout the EEA.

CEG is also a 'white listed' surplus lines insurance and reinsurance company in the United States, entitling it to write surplus lines in all US states and US territories. Business is accessed by a variety of distribution channels and the Company has strong relationships with the broker community, its corporate partners and direct markets.

CEG is a major contributor to the Chubb Group, generating approximately 12% of the group's overall gross written premium in 2019.

CEG reported gross and net written premiums for 2019 of €4,389 million and €2,561 million respectively. Gross and net written premiums were up 9.3% and 7.3% respectively in comparison to the prior year.

The company produced an underwriting profit, on a French GAAP basis, of €208.3 million and an associated combined ratio of 91.2%.

Investment performance generated a net French GAAP investment income of €139.6 million. Total French GAAP pre-tax operating profits amounted to €501.7 million.

Information on Coronavirus is provided in section A1.4.

Capital Management Summary

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

As at 31 December	2019	2018
Eligible Own Funds (€'000)	2 723 739	2 420 292
Standard Formula SCR (€'000)	1 964 385	1 806 710
Solvency ratio %	139%	134%

As well as benefitting from the support of Chubb Limited, the Company has substantial financial resources in its own right. Even after allowing for the prudent standard formula capital requirement, the Company has a further surplus of some €759 million. The solvency ratio rose in the period from 134% to 139% driven by 2019 profits, offset by a slightly higher SCR from business growth.

The Company's own funds are comprised of Tier 1 capital of €2 724 million as at 31 December 2019. 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 €2 724 million was available to meet the Solvency Capital Reequirement "SCR" and the total eligible Tier 1 capital of €2 724 million million was available to meet Minimum Capital Requirement ("MCR") of €610,356k, which has a coverage ratio of 446% (2018: 444%). Other than €23 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 has not materially impacted 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 results and capital position of CEG is now reported in Euros. The standard formula measures currency risk using Euros as the "base" currency (rather than sterling).

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 Regional President, Europe(“President”) (except for the Actuarial function, which reports via the Regional Chief Financial Officer (CFO)).

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

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

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

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

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

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

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 were restructured to reflect Chubb’s European operating structure and different local requirements for its redomicile to Paris.

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 French GAAP valuation bases are in relation to the valuation of investments (which are under fair market value for Solvency II, but amortised cost for French GAAP) and valuation adjustments required to determine technical provisions and insurance related assets such as reinsurance recoverables.

Under French 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 Solvency II and French GAAP Technical Provisions ("TPs") arise from:

- The Solvency II best estimate uses the Actuarial Central Estimate ("ActCE") for all lines of business while the French 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 French 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 French GAAP.

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

Directors' Report

Directors

The following have been Directors from 1 January 2019 to the date of this report unless otherwise indicated:

Executive Directors:

V M J M Brionne

A P Clifford

N M C Cote

Non-Executive Directors:

J A Turner (Chairman)

M K Hammond

D M A Furby

M A Connole

M McCausland (appointed 30 April 2019)

K Richards (appointed 30 April 2019)

Statement of Directors' Responsibilities

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

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

Approval of the Solvency and Financial Condition Report

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

We are satisfied that:

a) throughout the financial year in question, 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.

On Behalf of the Board

Adam Clifford

Managing Director : Chubb European Group SE

9 April 2020

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.

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.

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 2019. Policies are written under the brand names "Chubb Europe", "Chubb Global Markets" and "Chubb Tempest Re".

Headquartered in the Paris 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.

Supervisory Authority

As of 1 January 2019, CEG is supervised by the *Autorité de contrôle prudentiel et de résolution* i.e. French Prudential Supervision and Resolution Authority ('ACPR'), with its UK operations run through a UK branch which remains subject to limited regulation by the FCA. During 2018, CEG was authorised by the UK's PRA and regulated by both the Financial Conduct Authority ("FCA") and the PRA.

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 2019, 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.

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.

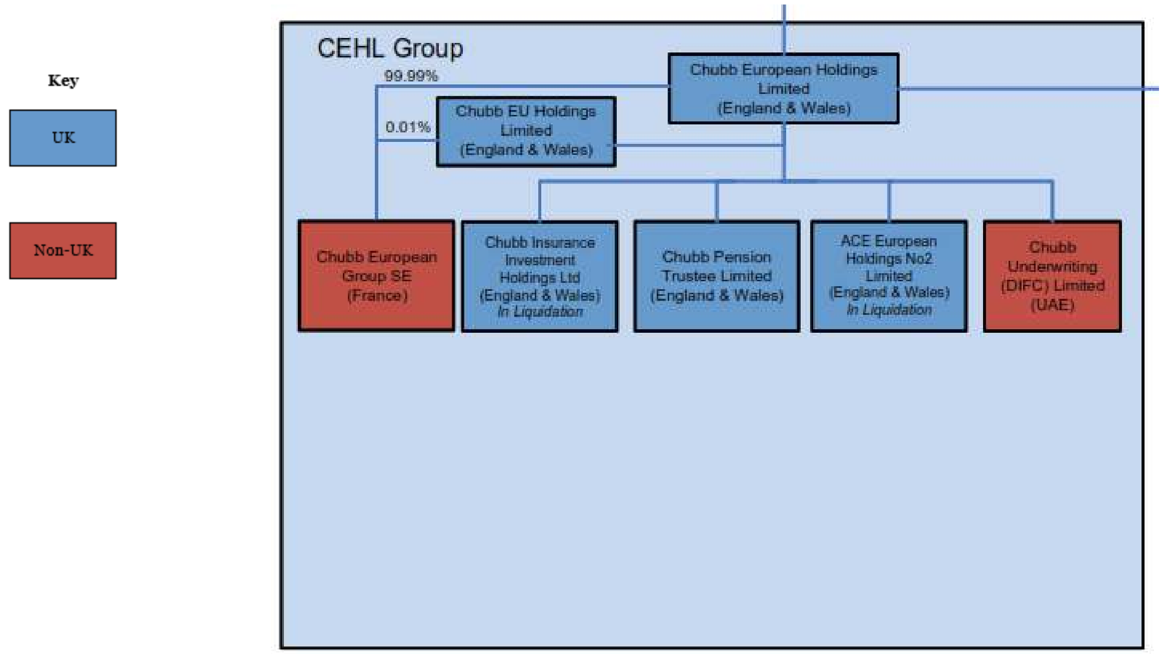
The address of the Group Supervisor is The Deputy Insurance Commissioner, Pennsylvania Department of Insurance, 1326 Strawberry Square, Harrisburg, PA 17120, USA.

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.

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

The group structure (excluding dormant entities) is as follows:



The Group structure has not changed during 2019 aside from the dissolution of Masterpiece Nederland BV.

A.1.2 Material Related Undertakings

The company has no material related undertakings.

A.1.3 Material Lines of Business and Geographical Areas

The Company writes 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 89.7% of CEG's total gross written premiums in 2019. 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

Brexit

Chubb has been working to offer certainty and continuity of service for all of its customers and business partners regardless of their location since the UK EU membership referendum in 2016 was announced. Chubb's Brexit plans, including the decision to convert the UK company to Societas Europaea status in July 2018 and subsequently redomicile from the UK to France on 1st January 2019, enables the company to continue to carry out insurance business in the UK, Ireland and across Continental Europe with minimum disruption to its operating and servicing model.

Following its withdrawal from the EU on 31 January 2020, the UK has now entered a 'transition period' whereby it will effectively remain in the EU customs union and single market until 31 December 2020. During this period potential trade deals and agreements on a number of other key issues including law enforcement, data sharing and security will be negotiated.

As a French company, CEG SE will benefit from the UK's temporary permissions regime for inbound passporting EEA firms even after the transition period finishes in 2020. After that time and if required, Chubb intends to seek authorisation of the branches of its French companies, including CEG SE, in the UK. Chubb will continue to review the company structure, regulatory and tax requirements and governance arrangements to ensure the company operates an effective and compliant operating model across the region.

Additional information can be found on the Brexit pages of the Chubb UK website.

Coronavirus

During the first quarter of 2020, worldwide social and economic activity became severely impacted by the spread and threat of the novel coronavirus (COVID-19). The Company is taking actions to minimize risk to our employees, including restricting travel and instituting extensive work from home protocols. We seek to minimize any disruption to our clients and operations while ensuring the safety of our employees. The Company is unable to estimate the amount of losses, if any at this time. However, the Company anticipates that these events could adversely impact 2020 financial statements due to incurrence of losses and the impact of economic slowdown.

In view of this the directors have considered the impacts of Covid-19 on the Company and have concluded that, as at the date on which these regulatory returns are signed the Company is in a strong position to respond to the impacts of Covid-19 and support its policyholders and business partners. Despite the volatility in financial markets caused by the pandemic and its impact on investment valuations the Company maintains a strong balance sheet and continues to be more than adequately capitalised. The Company expects that any claims arising from the pandemic to be within appetite and manageable.

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 Audit & Risk Committee and Board.

KPIs	2019 €'000	2018 €'000
Gross premiums written	4,388,994	3,736,002
Net premiums written	2,560,994	2,221,349
Underwriting profit	230,454	170,367
Combined ratio %*	90.9%	91.9%

**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 2019 is summarised in the table below:

SII Line of Business for 31 December 2019	Gross premiums written €'000	Net premiums written €'000	Underwriting profit €'000	Combined ratio %
Medical expense	13	13	(4,698)	-293151,9%
Income protection	66,909	41,397	33,626	19,9%
Motor vehicle liability *	115,232	61,306	415	98,7%
Other motor	47,794	44,853	1,747	95,4%
Marine, aviation and transport *	472,651	315,327	11,803	94,4%
Fire and other damage to property *	1,562,156	842,559	(19,368)	101,6%
General liability *	1,356,882	829,695	64,528	91,3%
Credit and suretyship *	188,050	66,146	65,633	-13,0%
Miscellaneous financial loss *	545,250	353,701	77,471	76,3%
Non-proportional casualty	6,545	1,176	(860)	180,4%
Non-proportional marine, aviation and transport	8,266	1,356	3,004	-117,6%
Non-proportional property	19,247	3,464	(2,848)	173,4%
Total	**4,388,994**	**2,560,994**	**230,454**	**90,6%**

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 96.4% of CEG's 2019 net written premiums (97.8% in 2018). 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 2019 gross written premiums were up by 9.3% in comparison to prior year, generating a strong underwriting profit of €230,454k. This growth is primarily organic reflecting the mature markets which CEG operates in.

Equivalent data 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	35	35	1,575	-4366.9%
Income protection *	67,244	40,464	22,709	45.6%
Motor vehicle liability *	151,119	97,288	2,572	96.5%
Other motor	42,906	40,365	6,440	79.9%
Marine, aviation and transport *	263,252	162,721	45,087	69.0%
Fire and other damage to property *	1,358,642	725,202	2,929	99.6%
General liability *	1,146,781	741,566	(1,443)	100.2%
Credit and suretyship *	142,201	55,985	35,610	30.1%
Miscellaneous financial loss *	531,461	350,143	(55,486)	117.2%
Non-proportional casualty	19,123	4,480	(2,607)	172.0%
Non-proportional marine, aviation and transport	3,753	799	(337)	145.7%
Non-proportional property	9,485	2,302	(890)	138.6%
Total	3,736,002	2,221,349	56,158	91.9%

The company’s KPI summary by top six (6) countries, for the year ended 31 December 2019 is summarised in the table below:

For year ended 31 December 2019 **Region**	**Gross premiums written €'000**	**Net premiums written €'000**	**Underwriting profit €'000**	**Combined ratio %**
United Kingdom	1,647,218	1,031,116	353,534	64,1%
France	562,090	344,383	108,494	68,7%
Germany	398,730	176,880	56,844	69,3%
Italy	288,871	208,882	88,122	55,5%
Netherlands	276,681	168,522	58,203	63,3%
Spain	245,074	160,686	38,232	75,0%

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 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	1 373 545	892 432	216 618	73,5%
France	518 971	335 850	84 320	73,7%
Germany	376 363	180 553	(30 221)	116,8%
Italy	256 654	183 262	27 212	84,6%
Netherlands	231 737	137 218	37 957	71,4%
Spain	195 230	127 466	31 841	73,5%

CEG's gross written premiums for 2019 totalled €4,388,994k. 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 2019 amounting to €3,936,939k. 38% of gross written premiums are sourced from the UK, with France and Germany providing 13% and 9% respectively. Italy , the Netherlands and Spain complete the top 6, with 7%, 6% and 6% of the 2019 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 2019 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 2019.

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 2019 amounted to €13.5 million (2018: €10.2 million) with the most significant losses emanating from storms in the UK and Continental Europe. Our Chubb Tempest Re segment also experienced material catastrophe losses, for instance $38.4m of gross claims from Typhoon Hagibis, although on a net basis this was significantly reduced to $4.1m from CEG's comprehensive reinsurance programme.

Prior period reserve releases were €36 million (2018: € 82 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 50,6% (2018: 55.0%), 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 41.5% compares to the 39.8% reported in 2018. Total reinsurance spend amounted to €1 828 000 k, resulting in net written premiums for the year of €2,560 million.

Core lines of business generated net written premiums of €2,510,132k, with non-core lines generating just €50,863k, less than 3% of the total. Incurred losses, net of reinsurance recoveries, amounted to €1,013.9 million, generating an overall loss ratio for the company of 49.1%.

CEG produced an underwriting profit of € 230.4 million for 2019.

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 does this 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 38% and US dollars 26%. 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 2019 is summarised in the table below:

For year ended 31 December 2019	**Income**	**Realised Gain/(Loss)**	**Unrealised Gain/(Loss)**	**Other**	**Total Return**
Investment income by asset class	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
1 Government bonds	33,249	(451)	14,140		46,938
2 Corportae bonds	104,197	1,361	107,335		212,893
3 Equity securities	2,704	3,704	4,551		10,959
4 Collective investment undertakings	491	0	(193)		298
6 Collateralised securities	13,725	(4)	8,254		21,975
7 Cash and deposits	4,067	0	0		4,067
8 Mortgage and loans	24,101	1,697	5,273		31,071
O Other	0	(3,835)	0		(3,835)
A Futures	0	(7,384)	(4,059)		(11,443)
E Forwards	0	491	8		498
Investment expenses				(14,089)	(14,089)
Total investment return	182,534	(4,421)	135,309	(14,089)	299,333

The investment expenses are shown in total as they all relate to investment management fees, similar to 2018.

Equivalent data 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	40,511	(5,617)	(21,866)	0	13,028
2 Corporate bonds	117,878	(8,381)	(116,270)	0	(6,773)
3 Equity securities	2,026	399	(7,241)	0	(4,816)
4 Collective investments undertakings	4,467	(2,731)	1,483	0	3,219
6 Collateralised securities	7,987	(832)	(4,379)	0	2,776
7 Cash and desposits	409	0	0	0	409
8 Mortgages and loans	6,178	(8,266)	(2,940)	0	(5,028)
O Other	1,667	(14,686)	0	0	(13,019)
A Futures	0	3,599	(2,312)	0	1,287
E Forwards	0	(642)	66	0	(576)
Investment expenses	0	0	0	(17,776)	(17,776)
Total investment return	181,124	(37,158)	(153,459)	(17,776)	(27,269)

Investment markets performed strongly in 2019 and with volatility decreasing, all asset classes held by CEG generated strong total returns. Fixed income returns were generally good in 2019 as both sovereign and corporate yields fell. Returns for high yield bonds exceeded investment grade mandates as spreads narrowed. Equities and illiquid loans also produced strong returns during the year.

Overall CEG generated a total return of 5.8% in 2019 on balances available for investment. For investment grade portfolios, performance varied by individual manager, ranging from 3.6% to 4.1% for sterling and 4.4% to 4.6% for Euros. The US dollar investment grade portfolio generated a total return of 8.9% in the year.

CEG's alternative investment assets, constituting around 14% of the total portfolio produced strong results. The allocation to US dollar upper tier high yield bonds generated returns of 14.3% for the year, allocations to bank loans produced a total return of 9.5% and the private loans and private equity holdings generated similar total returns of around 10%. CEG's allocation to Global equities comprises 1.1% of the total portfolio and generated a strong return of 20% for the year.

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

Overall, strong investment performance generated net investment income of €299,333, compared to investment income of €27,269k in 2018. This is driven by an overall net unrealised gain of €135,309 in 2019 compared to an unrealised loss of €153,459 in 2018. In regard to unrealised movement in the year, overall yields on investment grade fixed income bonds fell across all core currency bonds compared to 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

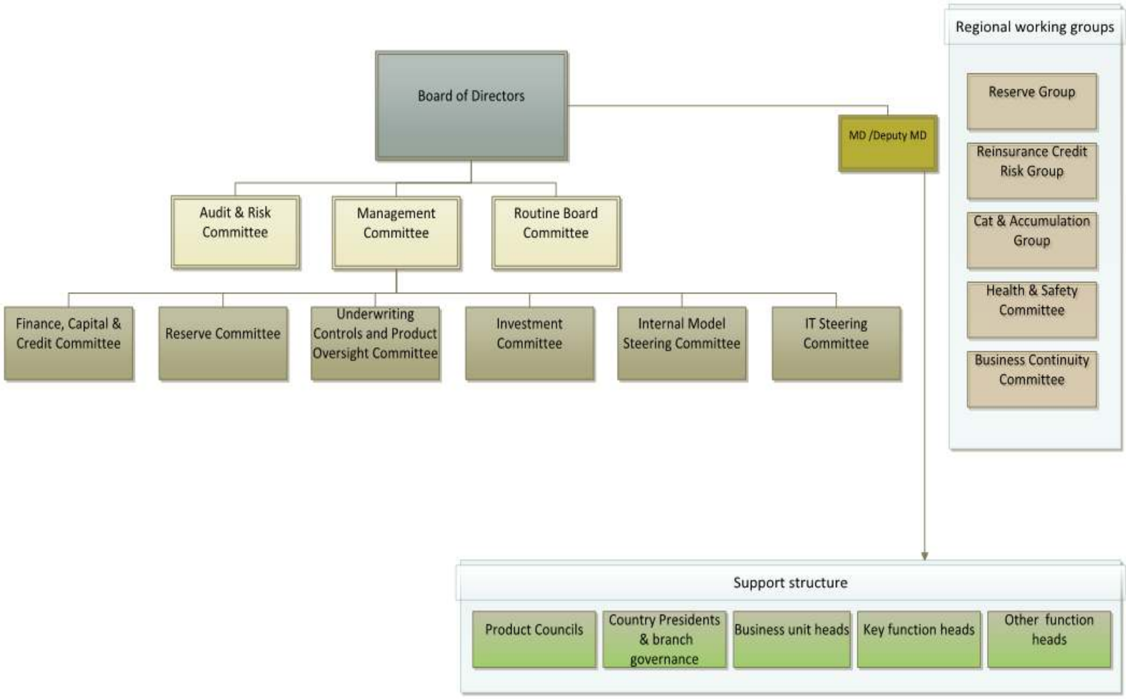
B.1 General Information on the System of Governance

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 2019, the Board membership comprised six independent Non-Executive Directors ("NEDs") and three Executive Directors.

The Board has delegated a number of matters to committees. The Audit & Risk Committee is composed of NED and reports to the Board regularly in respect of its remit.

As at 31 December 2019, 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, ACPR.

A Management Responsibility Map is maintained for the UK Branch in line with the requirements of the FCA and the Company complies with the ACPR requirements.

Management Committee

The Management Committee comprises the Managing Director ("MD") 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 MD in implementing and overseeing operational strategies and decisions determined by the Board. The Managment Committee is responsible for the embedding of risk management and monitoring control of risk; prioritising the allocation of resources; monitoring competitive forces and measuring management effectiveness.

The following regional committees support and report to the Management Committee: Underwriting Controls and Product Oversight; Reserve; Finance, Credit and Capital; Internal Model Steering; Investment and Information Technology ("IT") Steering. In addition there are a number of regional working groups, providing a comprehensive level of insight and reporting on matters impacting the Company.

The Management Committee assists the MD to oversee the Company's branches. Due to the size of the UK Branch, the UK Branch Management Group was established from 1 January 2019 to consider the key matters affecting the Branch's activity. This is chaired by the Divisional President, UK&I.

Audit & Risk Committee

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

The Audit & Risk Committee, considers and makes recommendations to the Board on areas including internal controls, financial reporting, whistleblowing, validation of solvency calculations, actuarial matters and the external audit. It receives reports from the compliance, risk, actuarial and finance functions and internal audit on a quarterly basis. From a risk perspective the Committee also considered risk exposures, future risk strategy, the design and implementation of the framework into the business, on solvency and capital matters, the ORSA and internal controls, and where appropriate makes recommendations to the Board.

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

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

The Committee's role is aimed at providing assurance to the Board and Group management that the internal control systems, agreed by management as being appropriate for the prudent management of the business, are operating as designed.

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

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. In December 2019 the Board agreed to amend the remit of this Committee to deal with business issues of an administrative or routine nature where documentation of approval is required in between quarterly Board and Audit and Risk Committee meetings and for it to be renamed the Routine Board Committee with effect from 1 January 2020.

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 Management and Audit & Risk Committees and Board, which review and have 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 First Line activity monitoring, seeks to ensure that CEG's commercial business, wherever operated, is carried out in accordance with agreed policies, procedures and frameworks. It liaises with regulators, keeping them advised of key developments and informed of the company's compliance with regulatory standards. The function provides reports to the Management and Audit & Risk Committees and Board 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 designed to underpin continuous risk management and support the risk-based decision-making processes of the business.

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

The function provides reporting to the Management and Audit & Risk Committees and Board 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 & Risk 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 regional CFO.

B.1.3 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.

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.

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 Management Committee via the Managing Director, who chairs the Management Committee, or via his reporting line to the Regional President.

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

With effect from 1 January 2019 the Audit Committee and Risk Committee became one committee known as the Audit & Risk Committee, composed of NED. The Brexit Committee became the Routine Board Committee and the status of the IT Steering Committee changed from a working group to a sub-committee reporting into the Management Committee from 1 January 2020.

B.1.5 Remuneration Policies and Practices

B.1.5.1 Principles of the Remuneration Policy

For the purpose of the following analysis “employees” includes 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.1.5.2 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 ("SMFs") in executive roles and Key Function Holders measure performance against criteria including 'Fit and Proper' behaviours, risk management and leadership.

The PMPs also include the following features:

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

B.1.5.3 Pension or Early Retirement Schemes

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

B.1.6 *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. A number of directors received emoluments directly through CEG. However, the other directors received their emoluments through CSUKL in respect of their services to all 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 either CEG or CSUKL to the directors of CEG:

Material transactions	**2019 €'000**	**2018 €'000**
Aggregate emoluments and benefits	3,979	5,486
Company pension contributions to money purchase pension schemes	48	9
Total	4,027	5,495

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, 8 directors received shares in Chubb Limited under long-term incentive plans and 2 directors exercised options over the shares of Chubb Limited. The highest paid director exercised share options during the year.

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 and proper' by considering their individual qualificationsknowledge and relevant experience, honesty and financial soundness . Collectively the Senior Management possesses appropriate qualification, experience and knowledge of:

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

In determining a person's fitness, 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 a the person satisfies the relevant regulator's training and competence requirements;
- Whether the person has demonstrated, by experience and training, that they are suitable to perform the role and possess the necessary skills, knowledge, expertise, diligence and soundness of judgment to undertake and fulfil the particular duties and responsibilities of the particular role;
- Regulatory referencing (where permitted);
- Whether the person has demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities previously or in their current role;

- Whether an individual acts with honesty, integrity and be of good repute; has been convicted of, dismissed or suspended from, 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 Chubb's Fit & Proper 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.

Assessment Process

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

Pre-appointment:

- Competency-based interviews;
- Qualification checks;
- CV reviews;
- Criminal record checks;
- Previous employment checks;
- Regulatory reference checks (where permitted)
- 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 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 PMP at the mid-year and end of year during the performance review cycle.

B.3 Risk Management System including the ORSA

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 CEG

As an insurer, CEG manages risk for its policyholders and shareholders. Hence, risk management is intrinsic within its product offerings and fundamental to its business. ERM is not a separate service function but rather is embedded in critical decision-making. ERM does not strive to eliminate risk but rather manage and profit from risk where possible and prudent. ERM addresses the full spectrum of exposure categories:

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

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

"ERM is the process to identify, assess, and mitigate those risks that, if manifested mainly over the next 36 months, might impact CEG'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 CEG's overall high level business goals requires adherence to a structured ERM programme and strategy. The above ERM mission statement outlines the goals which CEG seeks to accomplish through ERM; CEG's strategic risk management targets its key risk priorities to accomplish its high-level business goals.

The global ERM framework has the following components:

- **Internal and External Risks**: identify, analyse, quantify, and where possible, mitigate significant internal and external risks that could materially hamper financial conditions and/or the achievement of corporate business objectives over the next 36 months.
- **Exposure Accumulations**: identify and quantify the accumulation of exposure to individual counterparties, products or industry sectors, particularly those that materially extend across or correlate between business units or divisions and/or the balance-sheet.
- **Risk Modelling**: develop and use various data-sets, analytical tools, metrics and processes (including economic capital models and advanced analytics) that help CEG make informed underwriting, portfolio management and risk management decisions within a consistent risk/reward framework.
- **Risk Mitigation**: internal controls operated at all levels of the business to mitigate risks within accepted levels, expressed through corporate policies, processes and procedures.
- **Governance**: establish and coordinate risk guidelines that reflect the corporate appetite for risk, monitor exposure accumulations relative to established guidelines, and ensure effective internal risk management communication up to management and the Board, down to the various business units and legal entities, and across the firm.
- **Disclosure and Reporting:** develop protocols and processes for risk-related disclosure and reporting internally as well as externally to rating agencies, regulators and shareholders.

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.

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

B.3.2 Risk Governance

Governance and oversight exercised by CEG 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:

- **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 and Risk Committee and Risk Management division); and its implementation, conducting its own independent analysis and risk monitoring.

  The Group ERM approach has additionally built on the commonly accepted governance structure to recognise the responsibility of the Second Line to act in both an advisory capacity and in the oversight and independent challenge of First 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 Key Function Holder reports to the Management Committee, Audit and Risk Committee and Board with sufficient oversight of the ERM framework and risk exposures, focusing on key risks which are evolving and those which are approaching risk appetite.

B.3.3 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.

Summary of the ORSA process

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 Framework 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 approved 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.

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 Framework 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 & Risk 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 & Risk Committee, together with a programme for remediation.

B.4.2 Compliance Function

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

The function also has a reporting line to the Audit & Risk 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 32 members, who operate via a "hub and spoke" model, with specialists (23 who have UK and region-wide responsibilities, and dedicated local Compliance Officers (8) 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 Team** which provides advice and guidance to all business units in Europe in relation to their regulatory and compliance obligations. The Advice Team is responsible for developing and overseeing compliance training solutions and works closely with the business and other staff to develop e-learning, topical face-to-face learning modules and briefing sessions.
- **Regulatory Services Teams**which oversees reguatlory interactions. It is also responsible for the gathering of Compliance Management Information and formal reporting by the function
- **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 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 Policy team** manages and maintains the standards for Compliance policy frameworks and procedural guidelines. The Policy team also monitors trends and developments in the regulatory environment.

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 Audit & Risk Committee) 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 & Risk 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 & Risk Committee and approved by the Board. The Audit & Risk Committee has oversight of the resources needed to complete the plan and regularly reviews progress against plan and management's implementation of Internal Audit's recommended remediations.

B.5.2 Independence and Objectivity

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 & Risk 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 & Risk Committee on Internal Audit quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five 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 & Risk Committee. The function does not make underwriting or reinsurance purchase decisions and is operationally independent from the Risk Management, Compliance and Internal Audit functions. It has unfettered access to information from any part of the business that impacts the risk profile of the Company.

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

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

Reserving: The reserving process is owned by the Actuarial function and conducted in accordance with agreed terms of reference. The reserves booked for the purposes of financial statements are the responsibility of the Board. The function provides information to the Reserve Committee, an Executive sub-committte, which meets quarterly and arrives at a view of reserves, which is then discussed with management, the Audit & Risk 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 & Risk Committee.

B.7.2 Activities that Represents Important Outsourcing Agreements

A number of low level processes are outsourced from CEG 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 Contracting party may change from Goldman Sachs Asset Management International Ltd (England) to Goldman Sachs BE - (Germany)	Provision of investment management services	All Europe
Treasury	Wellington Contracting party changing from Wellington Management International Ltd (Boston USA) to Wellington Management International Ltd (Germany)	Provision of investment management services	All Europe
Treasury	Ares Contracting party changing from Ares Management Limited (UK) to Ares Management Luxembourg S.a.r.l. (Luxembourg).	Provision of investment management services	All Europe
Treasury	Oakhill	Provision of investment management services	All Europe
Treasury	State Street Banque SA Contracting party changing from State Street International (Kansas USA) to State Street Banque SA – France.	Provision of investment custody services	All Europe

During 2020 many of the services that were delivered by CSUKL in 2019 are being insourced such that they are performed directly within CEG. This has little practical impact on how these functions operate.

B.8 Adequacy of System of Governance

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

The company has a number of formal committees and sub-committees, described in section B1.1 of this document, which provide oversight over the company's diverse business units and functions. The heads of the functions and business units report to the President (except for the Actuarial and Internal Audit functions, which report via the Regional Chief Financial Officer..

The Board has approved a number of policies 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.9 Any Other Information

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

All material information regarding CEG's sysytem of governance has been described in sections B1 – B7 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.

CEG's risk profile has not materially changed over the last 12 months. This is reflected in the breakdown of the SCR as calculated by the Standard Formula as at 31 December 2019, with a comparison to the Standard Formula SCR as at 31 December 2018. 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 2019 and 31 December 2018 are shown in the below table:

Risk	**Capital Requirement €'000**	
	2019	**2018**
Underwriting	**1 279 818**	**1 143 320**
Non-life	1 265 023	1 128 987
Health	14 795	14 333
Counterparty Default	166 020	141 303
Market	830 004	817 419
Undiversified Basic SCR	**2 275 842**	**2 102 043**
Operational Risk	195 701	179 277
Undiversified SCR	**2 471 543**	**2 281 320**
Diversification credit	(507 158)	(474 610)
Total SCR	**1 964 385**	**1 806 710**

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.
- As at 31 December 2019, there are no material risk exposures or changes required to the risk mitigation techniques anticipated over the business planning period as those currently in place remain appropriate.
- The company has no material exposure to off-balance sheet items.

Underwriting risk represents 56% of the undiversified SCR as at 31 December 2019 (compared to 50% as at 31 December 2018), 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 mayor 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 collateralized reinsurers. The collateralized reinsurers are subject to regulatory oversight from their local regulatory authority, being either the Bermuda Monetary Authority or Guernsey Financial Services Commission.

Each of the collateralized reinsurers are collateralised by a separate Trust Account with Chubb being the sole beneficiary.

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 2019. 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 2019

Gross Written Premium based on SII Line of Business as at 31 December 2019 and 2018

SII Line of Business	Gross premiums written €'000	Percentage of total gross written premium	Gross premiums written €'000	Percentage of total gross written premium
	2019		2018	
Medical expense	13	0%	35	0%
Income protection	66 909	2%	67 244	2%
Motor vehicle liability	115 232	3%	151 119	4%
Other motor	47 794	1%	42 906	1%
Marine, aviation and transport	472 651	11%	263 252	7%
Fire and other damage to property	1 562 156	36%	1 358 642	36%
General liability	1 356 882	31%	1 146 781	31%
Credit and suretyship	188 050	4%	142 201	4%
Miscellaneous financial loss	545 250	12%	531 461	14%
Non-proportional casualty	6 545	0%	19 123	1%
Non-proportional marine, aviation and transport	8 266	0%	3 753	0%
Non-proportional property	19 247	0%	9 485	0%
Total	**4 388 994**	**100%**	**3 736 001**	**100%**

Gross Written Premium based on Geographical Regions as at 31 December 2019 and 2018

Region	Gross premiums written €'000	Percentage of total gross written premium	Gross premiums written €'000	Percentage of total gross written premium
	2019		2018	
United Kingdom	1 647 218	38%	1 373 545	37%
France	562 090	13%	518 971	14%
Germany	398 730	9%	376 363	10%
Italy	288 871	7%	256 654	7%
Netherlands	276 681	6%	231 737	6%
Spain	245 074	6%	195 230	5%
Other countries	970 330	22%	864 525	20%
Total	**4 388 994**	**100%**	**3 736 002**	**100%**

Gross Technical Provisions based on SII Line of Business as at 31 December 2019 and 2018

SII Line of Business	Gross technical provisions €'000	Percentage of total technical provisions	Gross technical provisions €'000	Percentage of total technical provisions
	2019		2018	
Medical expense	0	0,0%	7	0,0%
Income protection	25,546	0,4%	26,359	0,4%
Motor vehicle liability	157,629	2,4%	189,167	3,2%
Other motor	9,650	0,1%	8,922	0,1%
Marine, aviation and transport	393,545	6,0%	378,653	6,3%
Fire and other damage to property	948,613	14,5%	726,133	12,2%
General liability	4,213,809	64,6%	3,941,137	66,0%
Credit and suretyship	92,466	1,4%	95,390	1,6%
Miscellaneous financial loss	322,536	4,9%	345,795	5,8%
Non-proportional health	2,330	0,0%	2,120	0,0%
Non-proportional casualty	240,575	3,7%	172,932	2,9%
Non-proportional marine, aviation and transport	57,129	0,9%	58,058	1,0%
Non-proportional property	59,548	0,9%	31,248	0,5%
Total	**6,523,377**	**100%**	**5,975,919**	**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 €22.2 million (2018: €22.5 million) and shareholders' funds would have been lower by €22.2 million (2018: €22.5 million). If the net claims ratio had been lower by 1%, then the profit for the financial year would have been higher by €22.2 million (2018: €22.5 million) and shareholders' funds would have been higher by €22.2 million (2018: €22.5 million).

C.2 Market Risk

C.2.1 Description

Financial risk includes a wide range of risks associated with activities such as investments, credit, liquidity, and the impact of foreign exchange fluctuations. Market risk, a type of financial risk is the 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.2.2 Risk Measures and Mitigation

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

- The company's Investment Committee functions under terms of reference determined by the Management Committee of the Board and is charged with establishing and effecting an appropriate investment policy. In addition the Committee has the responsibility for recommending the appointment and removal of investment managers, reviewing the managers' performance and reporting on all other material aspects of the investment function.
- Investment management agreements have been established. The agreements include specific guidelines for each individual portfolio 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.
- As at 31 December 2019, there are no material risk exposures or changes required to the risk mitigation techniques anticipated over the business planning period as those currently in place remain appropriate.

Market risk comprises of 36% of the undiversified SCR as at 31 December 2019 (compared to 39% as at 31 December 2018).

C.2.3 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.

C.2.4 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 2019 and 2018.

Financial investments	**Solvency II value €'000**	**Solvency II value €'000**
	2019	**2018**
Equities	67,065	58,749
Government bonds	1,366,892	1,420,168
Corporate bonds and other loans and mortgages	3,889,885	3,444,115
Collateralised securities	415,602	354,299
Collective investment undertakings	40,270	194,694
Derivatives	1,162	215
Total investments	**5,780,875**	**5,472,240**

C.2.5 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 € 5,615 million at external managers as at 31 December 2019 (2018: € 5,162 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 € 264.9 million and accordingly decrease total shareholders' funds by € 214.5 million.

All equity holdings of € 67 million (2018: €58.26 million) are listed and represent 1% (2018: 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 €6.6 million and the total shareholders' funds would decrease by €5.3 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 2019 average euro/sterling rate of €1.129/£1 is down on the prior period (2018: €1.135/£1) and the US dollar/sterling rate of US$1.267/£1 is also down on the prior period (2018: US$1.342/£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 £32.1 million (€36.2 million) higher than the amount reported. This amount is calculated as 10% of the profits arising from non-sterling business.

C.3 Credit Risk

C.3.1 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.3.2 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.
- As at 31 December 2019, there are no material risk exposures or changes required to the risk mitigation techniques anticipated over the business planning period as those currently in place remain appropriate.

Counterparty default risk represents 6% of the undiversified SCR as at 31 December 2019 (compared to 6% as at 31 December 2018), 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.3.2.1 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 was valued at €748,285k as per end of 2019.

C.3.3 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
	2019		**2018**	
Investments	5,780,875	59%	4,959,376	61%
Reinsurance recoverables	3,496,222	36%	2,700,768	33%
Insurance and intermediaries receivables	242,788	2%	214,703	3%
Reinsurance receivables	97,667	1%	132,163	2%
Receivables (trade, not insurance)	143,955	1%	144,612	2%
Total assets bearing credit risk	**9,761,506**	**100%**	**8,151,622**	**100%**

The Standard and Poor's credit ratings for the investments net of accrued interest of €61,995k

Asset Category	Investments €'000	Investments €'000
	2019	**2018**
AAA	483,188	568,201
AA	1,620,640	1,693,017
A	1,479,710	1,220,919
BBB	1,391,170	1,281,391
Below BBB or unrated	744,172	650,342
Total investments	**5,718,880**	**5,413,870**

The average credit quality of investment portfolios using Standard and Poor's ratings remained high throughout the year and at year end was "A". CEG had €66.9 million equity holdings at 2019 year end (2018: €58.3 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 2019 the collateral provided to the company totalled €337.9 million (2018: €379.0 million). This balance is represented by Letters of Credit – 87.4% (2018: 93.6%), trust funds – 11.2 % (2018: 5.6%), cash – 1.4% (2018: 0.8%)

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 €4,562 million (2018: €4,845 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.3.4 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.4 Liquidity Risk

C.4.1 Risk Description

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

C.4.2 Risk Measures and Mitigation

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.4.3 Risk Concentration

The bulk of CEG's investment portfolio is held in highly liquid instruments. As at 31 December 2019, 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.4.4 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 the year supports the adequacy of the liquidity positions adopted by the company.

C.4.5 Expected Profit Included in Future Premium ("EPIFP")

The EPIFP as at 31 December 2019 is €299,591k.

C.5 Operational Risk

C.5.1 Risk Description

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

C.5.2 Risk Measures and Mitigation

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

- Several 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.

As at 31 December 2019, there are no material risk exposures or changes required to the risk mitigation techniques anticipated over the business planning period as those currently in place remain appropriate.

Operational risk comprises 8% of the undiversified SCR as at 31 December 2019 (compared to 8% as at 31 December 2018).

C.5.3 Risk Concentration

There are no risk concentrations in respect of operational risk.

C.5.4 Risk Sensitivity

Operational risk is assessed through the stress and scenario testing framework. The stress testing carried out throughout 2019, which includes a number of operational risk events, supports the adequacy of the current capital and liquidity positions adopted by the company in the event of adverse operational events.

C.6 Other 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.7 Any Other Information on Risk Profile

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

Chubb is closely monitoring the Covid-19 pandemic and currently operating within its risk appetite and tolerance levels. The Risk Management function is monitoring the heightened risk environment and analysis completed to date indicates that the impact of the pandemic is not expected to have a materially adverse impact on the operations and risk profile described in sections C.1 to C.7 - owing to existing mitigation strategies and management actions.

C.8 Material Risk Exposures

Material risk exposures are monitored continuously by the Risk Management function. Exposures are reviewed in the following areas:

- Investment exposures, by sector, asset type, country and top 11 corporate investment holdings
- Underwriting exposures, by product line, region, external reinsurers and top 10 intermediaries
- Underwriting Catastrophe exposures
- Reserve exposures

As at 31 December 2019, there were no material risk exposures anticipated over the business planning horizon over and above the risks described in Sections C.1 to C.7.

With regard to developments around COVID-19, we note that as part of Chubb's annual planning process, Chubb conducts scenario analysis for major stress events such as a pandemic. We employ and monitor risk guidelines to ensure acceptable risk accumulations; and our capital, earnings and liquidity positions are quite resilient. We are in the process of quantifying the impact of COVID-19 in these areas. We currently do not foresee any issues in timely satisfying our obligations, including payment of claims.

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 2019	Solvency II €'000	FR GAAP €'000	Variance €'000
	2019	**2019**	**2019**
Deferred acquisition costs	0	285,518	(285,518)
Intangible asset - software	0	130,045	(130,045)
Deferred tax assets	3,228	0	3,228
Property, plant & equipment held for own use	14,462	14,813	(351)
Investments (other than assets held for index-linked and unit-linked contracts)	5,376,619	5,112,459	264,160
Loans and mortgages	406,908	387,190	19,717
Reinsurance recoverables	3,496,222	3,895,540	(399,319)
Insurance and intermediaries receivables	242,788	1,007,797	(765,009)
Reinsurance receivables	97,667	420,550	(322,883)
Receivables (trade, not insurance)	143,955	0	143,955
Cash and cash equivalents	356,295	308,077	48,218
Other assets	95,670	72,609	23,061
Total assets	**10,233,813**	**11,634,599**	**(1,400,786)**

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 FR 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. Under French GAAP, no allowances are made for deferred tax assets at all. The commentary below however is focussed on the deferred tax impact o Solvency II adjustments, since these are significant.

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

The principal temporary differences arise from valuation differences arising under the Solvency II regime for the technical provisions. As the company used French GAAP accounting principles in 2019, differences between Solvency II and French GAAP valuation bases are subject to deferred tax. Other temporary differences arise from the depreciation of property and equipment.

D.1.3 Intangible Assets - Software

Intangible assets are software costs that are amortised under French 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 French 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 2019	Solvency II €'000	FR GAAP €'000	Variance €'000
	2019	**2019**	**2019**
Equities	67,065	63,815	3,250
Government bonds	1,366,892	1,300,657	66,235
Corporate bonds and other loans and mortgages	3,889,885	3,701,396	188,490
Collateralised securities	415,602	395,463	20,139
Collective investment undertakings	40,270	38,318	1,951
Derivatives	1,162	0	1,162
Total investments	**5,780,875**	**5,499,649**	**281,225**

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 € 23,525k at 31 December 2019 and is discussed within section E.1.5.

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

Variance	**2019** **€'000**	**2018** **€'000**
Accrued interest included in "Other Assets under FR GAAP (see section D.1.10)	88,235	58,369

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 French 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 French GAAP purposes. Refer to section D.2 for further details on Technical Provisions.

D.1.8 Insurance, Reinsurance and Intermediaries Receivables

The French 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 €53,422k 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 French GAAP value is as a result of accrued interest on investments that were included in other assets under French 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 2019, 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	0	0	0	0	0	0	0	0
Income protection	(536)	26,083	25,546	433	9,256	15,858	1,121	26,668	16,979
Motor vehicle liability	3,916	153,713	157,629	(2,556)	67,358	92,827	7,260	164,889	100,088
Other motor	2,770	6,880	9,650	(510)	2,046	8,114	601	10,251	8,715
Marine, aviation and transport	(2,238)	395,783	393,545	(3,911)	213,099	184,357	26,105	419,650	210,462
Fire and other damage to property	(108,612)	1,057,225	948,613	(21,997)	738,120	232,490	31,347	979,960	263,838
General liability	113,602	4,100,207	4,213,809	54,333	1,727,401	2,432,076	172,717	4,386,526	2,604,793
Credit and suretyship	4,707	87,759	92,466	6,286	71,229	14,951	9,484	101,950	24,435
Miscellaneous financial loss	(30,326)	352,863	322,536	21,319	321,719	(20,502)	20,326	342,862	(176)
Non-proportional health	0	2,330	2,330	0	1,757	573	73	2,403	646
Non-proportional casualty	4,775	235,800	240,575	(2,914)	210,353	33,136	5,095	245,670	38,231
Non-proportional marine, aviation and transport	(111)	57,240	57,129	(802)	34,753	23,179	3,111	60,240	26,290
Non-proportional property	1,596	57,952	59,548	(594)	50,046	10,096	1,038	60,586	11,134
Total	**(10,457)**	**6,533,834**	**6,523,377**	**49,086**	**3,447,135**	**3,027,155**	**278,280**	**6,801,657**	**3,305,435**

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 GAAP balance sheet.
- All premiums from policyholders and all premiums to reinsurers, including reported but not received or not yet due premiums from the 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 origin 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 as 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 2019 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 the most 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 GAAP Valuation Differences of the Technical Provisions by Material Line of Business

The table below shows a reconciliation of the French GAAP valuation of insurance contract liabilities to the Solvency II technical provisions, split by line of business, as at 31 December 2019:

SII Line of Business	Gross French 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	(16)	(17)	0	0	0	0	0
Income protection	25,210	(337)	25,546	1,121	26,668	9,689	16,979
Motor vehicle liability	406,028	248,399	157,629	7,260	164,889	64,802	100,088
Other motor	11,787	2,138	9,650	601	10,251	1,536	8,715
Marine, aviation and transport	710,326	316,781	393,545	26,105	419,650	209,188	210,462
Fire and other damage to property	1,551,109	602,496	948,613	31,347	979,960	716,123	263,838
General liability	4,687,600	473,791	4,213,809	172,717	4,386,526	1,781,733	2,604,793
Credit and suretyship	266,303	173,836	92,466	9,484	101,950	77,515	24,435
Miscellaneous financial loss	525,198	202,662	322,536	20,326	342,862	343,038	(176)
Non-proportional health	0	(2,330)	2,330	73	2,403	1,757	646
Non-proportional casualty	59,897	(180,678)	240,575	5,095	245,670	207,439	38,231
Non-proportional marine, aviation and transport	20,304	(36,825)	57,129	3,111	60,240	33,950	26,290
Non-proportional property	63,343	3,795	59,548	1,038	60,586	49,452	11,134
Total	**8,327,089**	**1,803,712**	**6,523,377**	**278,280**	**6,801,657**	**3,496,222**	**3,305,435**

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

- The Solvency II best estimate uses the Actuarial Central Estimate ("ActCE") for all line of business while the GAAP TPs use the Management Best Estimate of Ultimate Loss ("MBE"). Under French 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 the 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 2019	Solvency II €'000	FR GAAP €'000	Variance €'000
	2019	**2019**	**2019**
Pension benefit obligations	21,969	0	21,969
Deposits from reinsurers	10,215	10,215	(0)
Deferred tax liabilities	10,496	0	10,496
Derivatives	2,652	0	2,652
Debts owed to credit institutions	229,522	181,302	48,221
Insurance & intermediaries payables	28,621	18,169	10,452
Reinsurance payables	108,672	406,773	(298,101)
Payables (trade, not insurance)	204,856	71,969	132,887
Other liabilities	67,888	158,024	(90,136)
Total other liabilities	**684,892**	**846,453**	**(161,560)**

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.

Pension Benefit Obligations are not recognised in the balance sheet under French GAAP

D.3.2 Deposits from Reinsurers

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

D.3.3 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 French 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 French GAAP and SII value represents cash overdraft gross up of €48,218k (see section D.1.9 for details).

D.3.6 Insurance and Intermediaries Payables

The French 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 2019, 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 2019). 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
	2019	**2018**
Ordinary share capital	896,177	896,177
Share premium	0	0
Reconciliation reserve	1,827,562	1,552,877
Total basic own funds	**2,723,739**	**2,449,054**

Ordinary share capital comprises allocated, called up and fully paid ordinary shares of as at 31 December 2019. 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 2019	Tier 1 unrestricted €'000	Tier 1 unrestricted €'000
	2019	**2018**
Total assets (section D.1)	10,233,813	9,267,625
Less total liabilities (sections D2 and D3)	(7,486,549)	(6,838,816)
Excess of assets over liabilities	2,747,264	2,428,810
Share capital	(896,177)	(896,177)
Share premium	0	0
Foreseeable dividend	0	0
Ring-fenced funds	(23,525)	(8,518)
Total basic own funds	**1,827,562**	**1,524,115**

The company's own funds are wholly eligible to meet the Solvency Capital Requirements and Minimum Capital Requirement. Other than €23 milllion in restricted assets, all Tier 1 capital is permanently available to cover losses.

E.1.4 Eligible Own Funds to cover SCR by Tier

The total Tier 1 own funds of €2 247 264k are eligible to cover the SCR. CEG has sufficient eligible own funds to cover SCR as the coverage ratio for the SCR is 139% (2018: 134%).

E.1.5 Eligible Own Funds to cover MCR by Tier

The total Tier 1 own funds of €2 247 264k are eligible to cover the MCR. CEG has sufficient eligible own funds to cover MCR as the coverage ratio for the MCR is 446% (2018: 444%).

Reconciliation of the French 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 French GAAP valuation of shareholders' equity to the Solvency II valuation of own funds is shown here:

Reconciliation of FR GAAP to Solvency II Own Funds	**2019 €'000**
FR GAAP shareholders' funds	2,423,480
Revaluation of insurance contracts	42,914
Adjustments to intangible and fixed assets	(129,460)
Adjustments on the investments	283,877
Others adjustments	132,089
Deferred tax adjustments	(5,634)
SII Excess of assets over liabilities	2,747,267
Restricted assets	(23,525)
Foreseeable dividend	
Total basic own funds	**2,723,739**

Revaluation of Insurance Contracts

The valuation basis for insurance contract assets and liabilities differs between French 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 French to Solvency II are as follows:

FR GAAP to Solvency II	2019	2018
	€'000	€'000
Changed in earned reserves	(133,913)	(136,644)
Change in earned bad debts	(7,075)	(9,124)
Allowance for UPR and UANR, removal of DAC	(125,970)	(101,091)
RI Premium for contractual minimums	27,549	24,969
Profit on unincepted business	(32,719)	(30,019)
Total dicounting credit	(49,066)	(74,449)
Risk Margin	278,280	223,461
Total basic own funds	**(42,914)**	**(102,896)**

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.

Restricted Assets

A total of €23,510,239k within investment portfolio relates to restricted assets, deducted from total available own funds. Refer to section E.1.5 for details.

E.1.6 Restrictions Affecting Availability and Transferability of Owns Funds

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

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

Management has also identified that in certain jurisdictions that CEG operates in there is a local requirement to hold or 'tie' assets either for the benefit of a particular group of policyholders or to meet local regulatory requirements (and therefore be for the benefit of all policyholders (re)insured through a local operation). Such restrictions have been identified as relating to operations in Switzerland and Turkey. These assets have been classified as being ring-fenced funds and, on the grounds of materiality, have been excluded from the determination of Own Funds. These amounts total €20,627k 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 €2,898k 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 2019 and its split by risk modules are summarised as follows:

As at 31 December 2019	**Risk Category**	**£'000**
	Lines 1 - 8 net of loss absorbing capacity of technical provisions	
(1a)	Interest Rate Risk	140,651
(1b)	Equity Risk	43,854
(1c)	Property Risk	-
(1d)	Spread Risk	488,206
(1e)	Concentration Risk	-
(1f)	Currency Risk	483,762
(1g)	Diversification within market risk	(326,469)
(1)	**Total Market Risk [sum (1a) - (1g)]**	**830,004**
(2a)	Type 1 (Reinsurer Default, etc.)	102,093
(2b)	Type 2 (Intermediary / Policyholder Default, etc.)	75,097
(2c)	Diversification within Counterparty Default Risk	(11,169)
(2)	**Total Counterparty Default Risk [sum (2a) - (2c)]**	**166,020**
(3)	**Total Life Underwriting Risk**	**-**
(4a)	Health SLT Risk	-
(4b)	Health Non SLT Risk	13,475
(4c)	Health Catastrophe Risk	3,606
(4d)	Diversification within Health Underwriting Risk	(2,287)
(4)	**Total Health Underwriting Risk [sum (4a) - (4d)]**	**14,795**
(5a)	Non-life Premium and Reserve Risk (excl. Catastrophe Risk)	1,197,533
(5b)	Non-life catastrophe Risk	166,555
(5c)	Lapse Risk	196,794
(5d)	Diversification within Non-Life Underwriting Risk	(295,860)

(5)	**Total Non-Life Underwriting Risk [sum (5a) - (5d)]**	**1,265,023**
(6)	**Total Before Diversification Between Risk Categories [(1) + (2) + (3) + (4) + (5)]**	2,275,842
(7)	**Diversification Between Risk Categories**	(507,158)
(8)	**Intangible asset risk**	-
(9)	**BSCR net of loss absorbing capacity of technical provisions [(6) + (7) + (8)]**	**1,768,684**
(10)	BSCR gross of loss absorbing capacity of technical provisions	1,768,684
(11)	Total Operational Risk	195,701
(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)]**	**1,964,385**
(15)	Capital add-on	-
(16)	**Solvency Capital Requirement including capital add-on [(14) + (15)]**	**1,964,385**

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 112a of the Delegated Regulation - amendments to the Delegated Acts, CEG has applied the simplification for the Loss Given Default for the BB and below rated reinsurance counterparties by assuming that more than 60% of the counterparty's assets are subject to collateral arrangements.
- 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 2019	**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	0	25
Income protection	15,858	45,626
Motor vehicle liability	92,827	84,792
Other motor	8,114	47,833
Marine, aviation and transport	205,574	280,482
Fire and other damage to property	211,273	883,321
General liability	2,432,076	882,465
Credit and suretyship	14,951	68,908
Miscellaneous financial loss	0	391,874
Non-proportional health	573	0
Non-proportional casualty	33,136	2,831
Non-proportional marine, aviation and transport	23,179	1,252
Non-proportional property	10,096	3,317

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 €610k. The following table shows the MCR calculation:

Overall MCR calculation	**2019 €'000**	**2018 €'000**
Linear MCR	**610 357**	**545 193**
SCR	1 964 385	1 806 710
MCR cap	883 973	813 019
MCR floor	491 096	451 677
Combined MCR	610 357	545 193
Absolute floor of the MCR	3 187	3 628
Minimum Capital Requirement	**610 357**	**545 193**

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 2019 (£' 000)	As at 31 December 2019 (£' 000)	Movement (£'000)
(1a)	**Lines 1 - 8 net of loss absorbing capacity of technical provisions** Interest Rate Risk	157,737	140,651	(17,085)
(1b)	Equity Risk	68,423	43,854	(24,569)
(1c)	Property Risk	-	-	-
(1d)	Spread Risk	378,625	488,206	109,580
(1e)	Concentration Risk	-	-	-
(1f)	Currency Risk	541,085	483,762	(57,324)
(1g)	Diversification within market risk	(328,452)	(326,469)	1,983
(1)	**Total Market Risk [sum (1a) - (1g)]**	**817,419**	**830,004**	**12,585**
(2a)	Type 1 (Reinsurer Default, etc.)	79,829	102,093	22,264
(2b)	Type 2 (Intermediary / Policyholder Default, etc.)	71,195	75,097	3,902
(2c)	Diversification within Counterparty Default Risk	(9,721)	(11,169)	(1,448)
(2)	**Total Counterparty Default Risk [sum (2a) - (2c)]**	**141,303**	**166,020**	**24,718**
(3)	**Total Life Underwriting Risk**	**-**	**-**	**-**
(4a)	Health SLT Risk	-	-	-
(4b)	Health Non SLT Risk	12,148	13,475	1,327
(4c)	Health Catastrophe Risk	5,154	3,606	(1,548)
(4d)	Diversification within Health Underwriting Risk	(2,969)	(2,287)	682
(4)	**Total Health Underwriting Risk [sum (4a) - (4d)]**	**14,334**	**14,795**	**461**
(5a)	Non-life Premium and Reserve Risk (excl. Catastrophe Risk)	1,080,957	1,197,533	116,576
(5b)	Non-life catastrophe Risk	126,932	166,555	39,624
(5c)	Lapse Risk	146,381	196,794	50,413
(5d)	Diversification within Non-Life Underwriting Risk	(225,283)	(295,860)	(70,577)

(5)	**Total Non-Life Underwriting Risk [sum (5a) - (5d)]**	**1,128,987**	**1,265,023**	**136,036**
(6)	**Total Before Diversification Between Risk Categories [(1) + (2) + (3) + (4) + (5)]**	2,102,042	2,275,842	173,800
(7)	Diversification Between Risk Categories	(474,610)	(507,158)	(32,548)
(8)	Intangible asset risk	-	-	-
(9)	**BSCR net of loss absorbing capacity of technical provisions [(6) + (7) + (8)]**	**1,627,432**	**1,768,684**	**141,252**
(10)	BSCR gross of loss absorbing capacity of technical provisions	1,627,432	1,768,684	141,252
(11)	**Total Operational Risk**	179,278	195,701	16,424
(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)]**	**1,806,710**	**1,964,385**	**157,676**
(15)	Capital add-on	-	-	-
(16)	**Solvency Capital Requirement including capital add-on [(14) + (15)]**	**1,806,710**	**1,964,385**	**157,676**

As at 31 December 2019, the CEG SCR is measured at €1,964,385k , which is around a 9% increase from the SCR as at 1 January 2019, which was measured at €1,806,710k.

Comparisons at the risk category level are listed below.

- Underwriting Risk, which is the sum of Non-life Underwriting Risk and Health Underwriting Risk, increases from €1,143,320k to €1,279,817k. The increase is driven by the premium risk exposure change.
- Market Risk has increased from €817,419k to €830,004k, which is mainly driven by the Spread Risk increase due to a higher corporate bonds and non-EEA government bonds exposure.
- Counterparty Default Risk has increased from €141,303k to €166,020k, driven by the increase in reinsurance recoveries and Risk Mitigating Effect.
- Operational Risk has increased from €179,278k to €195,701k. The increase is in line with gross Technical Provisions increase.

The MCR has changed from €545,193k as at 1 January 2019 to €610,357k as at 31 December 2019.

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 2020 standard formula SCR was calculated as €1,964m, while the 2020 internal model calculation performed in January 2020 resulted in an SCR of €1,369m. 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 139% and 446% respectively.

As at 31 December 2019	SCR	MCR
Eligible Own Funds (€'000)	2 723 739	2 723 739
Capital Requirements (€'000)	1 964 385	610 357
Coverage ratio	139%	446%

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.

Balance sheet

S.02.01.02

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0,00
Deferred tax assets	R0040	3 228 225,96
Pension benefit surplus	R0050	0,00
Property, plant & equipment held for own use	R0060	14 462 182,21
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	5 376 618 647,56
Property (other than for own use)	R0080	0,00
Holdings in related undertakings, including participations	R0090	0,00
Equities	R0100	67 064 849,30
Equities - listed	R0110	67 064 849,30
Equities - unlisted	R0120	0,00
Bonds	R0130	5 265 470 857,40
Government Bonds	R0140	1 366 891 665,11
Corporate Bonds	R0150	3 482 977 591,54
Structured notes	R0160	0,00
Collateralised securities	R0170	415 601 600,75
Collective Investments Undertakings	R0180	40 269 673,76
Derivatives	R0190	3 813 267,10
Deposits other than cash equivalents	R0200	0,00
Other investments	R0210	0,00
Assets held for index-linked and unit-linked contracts	R0220	0,00
Loans and mortgages	R0230	406 907 762,94
Loans on policies	R0240	0,00
Loans and mortgages to individuals	R0250	0,00
Other loans and mortgages	R0260	406 907 762,94
Reinsurance recoverables from:	R0270	3 496 221 758,22
Non-life and health similar to non-life	R0280	3 496 221 758,22
Non-life excluding health	R0290	3 484 776 454,23
Health similar to non-life	R0300	11 445 303,99
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0,00
Health similar to life	R0320	0,00
Life excluding health and index-linked and unit-linked	R0330	0,00
Life index-linked and unit-linked	R0340	0,00
Deposits to cedants	R0350	0,00
Insurance and intermediaries receivables	R0360	242 787 664,90
Reinsurance receivables	R0370	97 666 921,57
Receivables (trade, not insurance)	R0380	143 955 110,00
Own shares (held directly)	R0390	0,00
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0,00
Cash and cash equivalents	R0410	356 295 165,30
Any other assets, not elsewhere shown	R0420	95 669 856,71
Total assets	R0500	10 233 813 295,37
Liabilities		
Technical provisions – non-life	R0510	6 801 656 621,77
Technical provisions – non-life (excluding health)	R0520	6 752 333 424,28
Technical provisions calculated as a whole	R0530	0,00
Best Estimate	R0540	6 495 500 726,23
Risk margin	R0550	256 832 698,05
Technical provisions - health (similar to non-life)	R0560	49 323 197,49
Technical provisions calculated as a whole	R0570	0,00
Best Estimate	R0580	27 876 205,76
Risk margin	R0590	21 446 991,73
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0,00
Technical provisions - health (similar to life)	R0610	0,00
Technical provisions calculated as a whole	R0620	0,00
Best Estimate	R0630	0,00
Risk margin	R0640	0,00
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0,00
Technical provisions calculated as a whole	R0660	0,00
Best Estimate	R0670	0,00
Risk margin	R0680	0,00
Technical provisions – index-linked and unit-linked	R0690	0,00
Technical provisions calculated as a whole	R0700	0,00
Best Estimate	R0710	0,00
Risk margin	R0720	0,00
Other technical provisions	R0730	
Contingent liabilities	R0740	0,00
Provisions other than technical provisions	R0750	0,00
Pension benefit obligations	R0760	21 969 124,62
Deposits from reinsurers	R0770	10 215 035,69
Deferred tax liabilities	R0780	10 495 842,00
Derivatives	R0790	2 651 725,85
Debts owed to credit institutions	R0800	229 522 412,22
Financial liabilities other than debts owed to credit institutions	R0810	0,00
Insurance & intermediaries payables	R0820	28 621 269,34
Reinsurance payables	R0830	108 672 213,33
Payables (trade, not insurance)	R0840	204 856 367,70
Subordinated liabilities	R0850	0,00
Subordinated liabilities not in Basic Own Funds	R0860	0,00
Subordinated liabilities in Basic Own Funds	R0870	0,00
Any other liabilities, not elsewhere shown	R0880	67 888 209,74
Total liabilities	R0900	7 486 548 822,26
Excess of assets over liabilities	R1000	2 747 264 473,11

Own funds

S.23.01.01

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	896 176 662,00	896 176 662,00		0,00	
Share premium account related to ordinary share capital	R0030	0,00	0,00		0,00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0,00	0,00		0,00	
Subordinated mutual member accounts	R0050	0,00		0,00	0,00	
Surplus funds	R0070	0,00	0,00			
Preference shares	R0090	0,00		0,00	0,00	0,00
Share premium account related to preference shares	R0110	0,00		0,00	0,00	0,00
Reconciliation reserve	R0130	1 827 562 271,12	1 827 562 271,12			
Subordinated liabilities	R0140	0,00		0,00	0,00	0,00
An amount equal to the value of net deferred tax assets	R0160	0,00				0,00
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0,00	0,00	0,00	0,00	0,00
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						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0,00				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0,00	0,00	0,00	0,00	0,00
Total basic own funds after deductions	R0290	2 723 738 933,12	2 723 738 933,12	0,00	0,00	0,00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0,00			0,00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0,00			0,00	
Unpaid and uncalled preference shares callable on demand	R0320	0,00			0,00	0,00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0,00			0,00	0,00
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0,00			0,00	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0,00			0,00	0,00
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0,00			0,00	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0,00			0,00	0,00
Other ancillary own funds	R0390	0,00			0,00	0,00
Total ancillary own funds	R0400	0,00			0,00	0,00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	2 723 738 933,12	2 723 738 933,12	0,00	0,00	0,00
Total available own funds to meet the MCR	R0510	2 723 738 933,12	2 723 738 933,12	0,00	0,00	
Total eligible own funds to meet the SCR	R0540	2 723 738 933,12	2 723 738 933,12	0,00	0,00	0,00
Total eligible own funds to meet the MCR	R0550	2 723 738 933,12	2 723 738 933,12	0,00	0,00	
SCR	R0580	1 964 385 247,15				
MCR	R0600	610 356 809,05				
Ratio of Eligible own funds to SCR	R0620	1,3866				
Ratio of Eligible own funds to MCR	R0640	4,4625				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	2 747 264 473,12
Own shares (held directly and indirectly)	R0710	0,00
Foreseeable dividends, distributions and charges	R0720	0,00
Other basic own fund items	R0730	896 176 662,00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	23 525 540,00
Reconciliation reserve	R0760	1 827 562 271,12
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0,00
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	299 591 274,24
Total Expected profits included in future premiums (EPIFP)	R0790	299 591 274,24

Non-Life Technical Provisions

S.17.01.02

		Segmentation for:																
		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance:				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010																	0,00
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	R0050																	0,00
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060	0,00	-536 492,87	0,00	3 916 252,07	2 770 014,98	-2 237 529,20	-108 611 782,15	113 602 253,53	4 706 957,94	0,00	0,00	-30 326 095,48	0,00	4 774 612,95	-111 234,38	1 596 252,88	-10 456 789,73
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0,00	432 516,93	0,00	-2 556 485,06	-509 675,61	-3 910 926,37	-21 996 913,81	54 332 665,31	6 286 455,93	0,00	0,00	21 318 723,50	0,00	-2 913 961,54	-802 312,73	-593 811,16	49 086 275,39
Net Best Estimate of Premium Provisions	R0150	0,00	-969 009,80	0,00	6 472 737,13	3 279 690,60	1 673 397,16	-86 614 868,34	59 269 588,22	-1 579 497,99	0,00	0,00	-51 644 818,98	0,00	7 688 574,49	691 078,35	2 190 064,05	-59 543 065,11
Claims provisions																		
Gross	R0160	378,87	26 082 725,86	0,00	153 712 795,73	6 879 744,71	395 782 546,15	1 057 225 089,18	4 100 206 973,85	87 759 256,16	0,00	0,00	352 862 577,92	2 329 593,90	235 800 183,65	57 240 246,59	57 951 609,16	6 533 833 721,72
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0,00	9 256 146,31	0,00	67 358 116,47	2 045 741,82	213 099 023,44	738 119 868,36	1 727 400 726,01	71 228 629,43	0,00	0,00	321 719 419,60	1 756 640,74	210 352 639,38	34 752 520,92	50 046 010,34	3 447 135 482,83
Net Best Estimate of Claims Provisions	R0250	378,87	16 826 579,54	0,00	86 354 679,26	4 834 002,90	182 683 522,71	319 105 220,81	2 372 806 247,84	16 530 626,73	0,00	0,00	31 143 158,31	572 953,16	25 447 544,27	22 487 725,67	7 905 598,82	3 086 698 238,89
Total Best estimate - gross	R0260	378,87	25 546 232,99	0,00	157 629 047,80	9 649 759,70	393 545 016,95	948 613 307,03	4 213 809 227,38	92 466 214,09	0,00	0,00	322 536 482,44	2 329 593,90	240 574 796,60	57 129 012,20	59 547 862,04	6 523 376 931,99
Total Best estimate - net	R0270	378,87	15 857 569,74	0,00	92 827 416,39	8 113 693,49	184 356 919,87	232 490 352,47	2 432 075 836,07	14 951 128,74	0,00	0,00	-20 501 660,66	572 953,16	33 136 118,76	23 178 804,02	10 095 662,86	3 027 155 173,77
Risk margin	R0280	15,44	1 121 334,11	0,00	73 423,13	7 260 164,19	601 101,73	26 105 336,10	31 347 156,55	172 716 955,55	9 483 744,85	0,00	0,00	20 325 642,18	5 095 380,48	3 111 323,16	1 038 112,31	278 279 689,78
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	R0290	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Best estimate	R0300	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Risk margin	R0310	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Technical provisions - total																		
Technical provisions - total	R0320	394,31	26 667 567,10	0,00	157 702 470,93	16 909 923,89	394 146 118,68	974 718 643,12	4 245 156 383,93	265 183 169,64	9 483 744,85	0,00	322 536 482,44	22 655 236,08	245 670 177,08	60 240 335,36	60 585 974,35	6 801 656 621,77
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0,00	9 688 663,25	0,00	64 801 631,41	1 536 066,20	209 188 097,07	716 122 954,56	1 781 733 391,32	77 515 085,36	0,00	0,00	343 038 143,10	1 756 640,74	207 438 677,85	33 950 208,19	49 452 199,18	3 496 221 758,22
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	394,31	16 978 903,85	0,00	92 900 839,52	15 373 857,69	184 958 021,61	258 595 688,57	2 463 422 992,61	187 668 084,29	9 483 744,85	0,00	-20 501 660,66	20 898 595,34	38 231 499,24	26 290 127,17	11 133 775,18	3 305 434 863,56