

Swiss Re Portfolio Partners S.A.

Solvency and Financial Condition Report

For the year ended 31 December 2019

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Executive summary

Business and performance

- Swiss Re Portfolio Partners S.A. (“the Company”) was incorporated on 27 January 2014 in the Grand Duchy of Luxembourg to conduct non-life insurance business through branches in Ireland, the United Kingdom and Italy. The Company operated through those three branches until the branches in the United Kingdom and Italy have been closed by resolutions of the Board of Directors effective 28 October 2019 given that no activity was carried out from these branches.. The Company did not write any business during the period ended 31 December 2019.
- The underwriting performance for 2019 was a loss of EUR 966 thousand (2018: EUR 364 thousand). The underwriting performance is mainly driven by administrative expenses.
- For the year ended 31 December 2019, the investment result is a net charge amount of EUR 22 thousand (2018: EUR 52 thousand). This result stems from the negative yield on French and German short-term bonds, which were the sole investment item of the investment portfolio during the year until they were sold and set up as cash-pooling with Swiss Reinsurance Company Ltd (SRZ).

System of governance

- The governance and organisational structure of the Company is set out in the Company’s Terms of Reference and charters. These define the responsibilities and authority of the members of the Board and Committees.
- The Board carries out an annual evaluation of its system of governance against relevant best practice standards. During the previous review, the Board concluded that the system of governance is adequate with respect to the nature, scale and complexity of the risks inherent in its business.

Risk profile

- The Company started trading in October 2014 and wrote a closed book of health insurance business. The majority of the portfolio has now run off, hence the underwriting and investment risks are minor.
- The Company has not assumed new risks in 2019. The core risk profile is expected to change in the short and mid-term depending on acquisitions of insurance portfolios in line with the proposed business strategy.
- As the Company has not completed the acquisition of an insurance portfolio in 2019, it was not required to submit an ORSA report to the supervisor for this year.

Valuation for Solvency II purposes

Non-life technical provisions

The total non-life net technical provision of EUR -13 thousand (2018: EUR 14 thousand) under Solvency II valuation is compared to the Company Statutory amount of EUR -13 thousand (2018: EUR 14 thousand). The impact of valuation differences is immaterial. The negative amounts represent a net asset, positive amounts a net liability.

Other assets and liabilities

There is no material difference between Solvency II and Company Statutory values for other assets and liabilities, which are all of a short-term nature.

Capital Management

- Own funds amounted to EUR 5 593 thousand as at 31 December 2019 (2018: EUR 6 591 thousand).
- The Solvency Capital Requirement (SCR) was EUR 179 thousand as at 31 December 2019 (2018: EUR 44 thousand). The increase is driven by higher counterparty default risk as a consequence of the new cash-pooling arrangement with SRZ. The Minimum Capital Requirement (MCR) amounted to EUR 3 700 thousand (2018: EUR 3 700 thousand).
- The Solvency ratio expressed as eligible own funds as a percentage of the SCR as at 31 December 2019 was equal to 3 118% (2018: 15 093%). The Solvency ratio expressed as eligible own funds as a percentage of the MCR as at 31 December 2019 was equal to 151% (2018: 178%).

Section A: Business and performance

A1: Business

Full name and legal form

Swiss Re Portfolio Partners S.A. is a non-life insurance company incorporated in the Grand Duchy of Luxembourg, with its registered office at 2A, rue Albert Borschette, L-1246 Luxembourg, as a limited liability company under Luxembourg law (*société anonyme*) under number B184298, on 27 January 2014. The Company's legal entity identifier (LEI) is 222100Y2EAOVC2MU1F22.

Supervisory authority and group supervisor

The Company was authorised by the Luxembourg Finance Minister to carry on class 1 and class 2 of non-life insurance business as set out in Annex I, part A of the law of 7 December 2015 on the insurance sector, as amended (the "Insurance Law"). On 11 August 2017, the Finance Ministry approved an extension of the Company's licence to all non-life insurance classes, with the exception of classes 17 (Legal expenses) and 18 (Assistance). Effective 28 October 2019, the Company withdrew its licences to operate with the non-life insurance classes 14 (Credit) and 15 (Suretyship).

The Company is supervised by the Commissariat aux Assurances (CAA).

Commissariat aux Assurances
7 Boulevard Joseph II
L - 1840 Luxembourg
Grand-Duché de Luxembourg
Telephone: +352 22 69 11 1
Fax: +352 22 69 10
www.caa.lu

Ultimate parent company and group supervisor

The ultimate parent company is Swiss Re Ltd, a joint stock company, listed in accordance with the International Reporting Standard on the SIX Swiss Exchange, domiciled at Mythenquai 50/60 in 8022 Zurich, Switzerland, and organised under the laws of Switzerland. For the purposes of this report, the ultimate parent company and all its subsidiaries are referred to as Swiss Re or the Swiss Re Group. The Group supervisor is the Swiss Financial Market Supervisory Authority (FINMA).

Swiss Financial Market Supervisory Authority FINMA
Laupenstrasse 27
CH – 3003 Bern
Switzerland
Telephone: +41 31 327 91 00
Fax: +41 31 327 91 01
www.finma.ch

External auditor

The external auditor appointed by the shareholder of the Company is PricewaterhouseCoopers.

PricewaterhouseCoopers Société coopérative
2 rue Gerhard Mercator
L-2182 Luxembourg
Grand-Duché de Luxembourg
Telephone: +352 49 48 48 1
Fax: +352 49 48 48 29 00
www.pwc.lu

Holding company

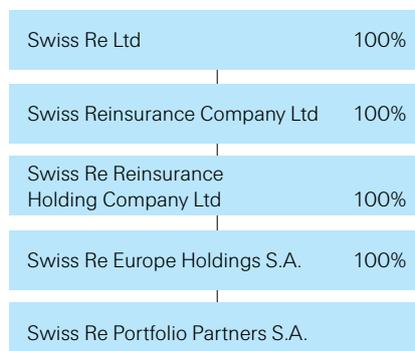
The parent company of the Company is Swiss Re Europe Holdings S.A., a limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand-Duchy of Luxembourg, with its registered office at 2A, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B72575. Swiss Re Europe Holdings S.A. owns 100% of the shares of the Company.

Material related undertakings

As at 31 December 2019, the Company does not have any investments in related undertakings.

Simplified group structure

The Company's parent and ultimate parent company and material related undertakings as at 31 December 2019 were as follows:



Material lines of business and geographical split

The Company currently runs off a closed book of Irish medical expenses business, acquired through its Irish branch in 2014. The Company did not write any new business during the period ending 31 December 2019.

Significant business or other events

Effective 28 October 2019, the branches in the United Kingdom and Italy have been closed by resolutions of the Board of Directors given that no activity was carried out from these branches. No other significant business or other events that would have had a material impact on the Company occurred during the year.

A2: Underwriting performance

Underwriting performance

The underwriting performance by material line of business, for the period ended 31 December 2019, was as follows:

EUR thousands	2018	2019
Medical expense insurance	-364	-966
Total	-364	-966

The underwriting performance by material countries, for the period ended 31 December 2019, was as follows:

EUR thousands	2018	2019
Ireland	-364	-966
Total	-364	-966

The underwriting performance in 2019 amounted to a loss of EUR 966 thousand (2018: a loss of EUR 364 thousand). The technical result is mainly driven by administrative expenses amounting to EUR 955 thousand (2018: EUR 248 thousand), net claims incurred of EUR 29 thousand (2018: EUR 155 thousand) and other net technical charges of EUR 10 thousand (2018: EUR 22 thousand), partially offset by other technical income related to recoverables of EUR 31 thousand (2018: EUR 66 thousand).

Section A: Business and performance

A3: Investment performance

Investment results

Investment income and expenses by investment assets category, for the period ended 31 December 2019, were as follows:

EUR thousands	2018	2019
Gains on realisation of investments	0	0
Total investment income	0	0
Investment management charges, including interest	-52	-21
Losses on realisation of investments	0	0
Total investment charges	-52	-21

For the year ended 31 December 2019, the investment result is a net charge amounting to EUR 21 thousand (2018: EUR 52 thousand). This result stems from the negative yield on French and German short-term bonds, which were the sole investment item of the investment portfolio during the year until they were sold and set up as cash-pooling with Swiss Reinsurance Ltd.

Gains and losses recognised directly in equity

The Company does not recognise any gains or losses directly in equity.

Investments in securitisation

The Company does not have any investments in securitisation positions.

A4: Performance of other activities

Material leasing arrangements

The Company does not have any material financial and operating leasing arrangements.

Other material income and expenses incurred during the reporting period

Other charges for 2019 amounted to EUR 11 thousand (2018: immaterial), comprising bank charges, interest and foreign exchange.

A5: Any other information

Coronavirus

The rapid spread of the coronavirus, which has been declared a pandemic, and the actions being taken to contain it on an increasingly global basis have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. There is an increasing likelihood that the coronavirus and containment efforts could have adverse effects on the global economy and could possibly lead to a global recession. The Group is closely monitoring developments and the potential impact of the spread of infection and global responses on, for example, asset prices and insurance exposures, as well as on its operations.

Section B: System of governance

B1: General information on the system of governance

Organisational structure and system of governance

The governance and organisational structure of the Company is set out in the Company's Articles of Association, Terms of Reference and charters of duties. These define the responsibilities and authority of the members of the Board, Committees and key officers.

Board

The Board's duty is to manage the Company in such a way as to achieve the Company's purpose and in the Company's best interests. The Board is responsible for the sound and prudent management of the Company.

The members of the Board bear ultimate responsibility and liability for meeting applicable legal obligations. They therefore have the right and obligation to take all necessary measures to fulfil their legal duties.

The members of the Board are individuals with the abilities, professional background and personal character (including honesty and financial soundness) necessary and required to ensure an independent decision-making process in a critical exchange of ideas with the executive management.

Composition of the Board

As at 31 December 2019, the Board had three members, all being Swiss Re Group employees. The Board appoints the Chairman of the Board.

Delegation and retained responsibilities of the Board

The Board has delegated certain responsibilities and authorities to:

- The Audit Committee of the Company
- The Solvency II Committee of the Company
- The General Manager of the Company
- The General Manager Committee of the Company
- The Branch Managers of the Company
- The Key Function Holders of the Company

The Board retains ultimate responsibility, oversight and control of the delegated responsibilities and authorities.

Delegations:

Audit Committee

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities as they relate to the integrity of the Company's financial statements (including its Luxembourg Statutory returns), the Company's internal controls, as well as the qualifications, independence and performance of the external auditor.

Solvency II Committee

The purpose of the Solvency II Committee is to assist the Board and the General Manager of the Company in fulfilling obligations under Solvency II. The Solvency II Committee is in particular authorised to take Solvency II-related decisions on operational matters and to submit proposals and recommendations on Solvency II strategic matters to the Board.

General Manager

The General Manager is in charge of the day-to-day management of the Company and represents the Company towards the CAA. In particular, the General Manager has authority to sign in respect of financial and treasury management, including opening and operations of bank accounts, hedging agreements and payments. He also has authority regarding employment matters and to act in the best interests of the Company's branches. The General Manager is resident in Luxembourg and has been approved by the Luxembourg Minister of Finance.

General Manager Committee

The purpose of the General Manager Committee is to assist the General Manager of the Company to manage and supervise operational activities of the Company and its branches to the extent that such operational activities relate to the legal entity. The General Manager Committee ensures, in particular, that any material matters relating to the legal entity are effectively communicated to the central administration and the branches. The General Manager Committee assists the outsourcing manager(s) in management and oversight of the outsourced Critical or important functions of the Company and ensures that any material matters relating to the legal entity are effectively communicated to the outsourcing manager(s).

Branch Managers

For each branch, the Board has appointed one person as Branch Manager and legal representative of the Company in the jurisdiction of the branch, who is in charge of the day-to-day management of the branch and conducting business in the name of

Section B: System of governance

the Company in the jurisdiction of the branch. Each Branch Manager is a member of the General Manager Committee.

Key functions

The Board is responsible for adopting appropriate measures to implement Group guidelines or policies relating to the key functions.

There is a clear separation between the risk-taking and risk controlling (assurance) roles. The role of the assurance functions defined as key or critical under the Solvency II framework, i.e. Risk Management, Compliance, Internal Audit and Actuarial (referred to as “key functions”), is as follows:

Risk Management

Please refer to the sub-section “B3: Risk management system” and the paragraph “Implementation and integration of the Risk Management function” on page 10 for details of the Risk Management function.

Compliance

Please refer to the sub-section “B4: Internal control system” and paragraph “Implementation of the Compliance function” on page 11 for details of the Compliance function.

Internal Audit

Please refer to the sub-section “B5: Internal Audit function” and paragraph “Internal Audit function implementation” on page 12 for details of the Internal Audit function.

Actuarial

Please refer to the sub-section “B6: Actuarial function” and paragraph “Implementation of the Actuarial function” on page 12 for details of the Actuarial function.

Key function holders

The Board nominates individuals as designated representatives of the respective key functions towards the Company and monitors the key functions to ensure that they are adequately staffed with professionals possessing the requisite professional qualifications, knowledge and experience. Key function holders operate under the oversight of the Board.

In addition, in line with the provisions of the Insurance Distribution Directive (IDD), as implemented into Luxembourg law, a Distribution Manager is responsible for the distribution of (re)insurance products for the Company. However, the Distribution Manager is not considered a key function holder under Solvency II.

Reporting and access to information

The Board has full authority to investigate any matters within their respective duties. They are authorised to obtain independent professional advice, request external advisors to undertake specific tasks or to obtain any information from any director, officer or employee acting on behalf of the Company and to secure their attendance to the relevant meetings when necessary.

The key functions shall have operational independence in performing their reporting functions with the exception of Internal Audit, which shall have complete independence in performing its reporting function. Key function holders will report directly to the Board, the Audit Committee and the General Manager Committee on any issues that could have an impact on the Company.

For the detailed legal structure chart please refer to the sub-section “A1: Business” and the paragraph “Simplified Group Structure” on page 5.

Material changes in the system of governance

The system of governance of the Company underwent certain simplifications in 2019 in line with the nature, scale and complexity of the risks inherent in its business.

Remuneration policy and practices

The Company adopted the Swiss Re Standard on Compensation, which captures Swiss Re’s compensation framework and governance, outlines the compensation processes across the Group and provides key guidelines for the execution of individual compensation actions.

Swiss Re aims for total compensation that is competitive in the local labour markets and also seeks to ensure that total compensation is well balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives. This encourages sustainable performance and supports shareholder alignment as well as appropriate risk-taking in line with the business and risk strategy.

Swiss Re has several incentive programmes that reflect the long-term nature of the business: both the Value Alignment Incentive

(VAI) as the deferred part of the Annual Performance Incentive (API) and the Leadership Performance Plan (LPP) aim to reward sustainable long-term performance rather than short-term results. These programmes support closer alignment of the interests of shareholders and employees.

However, the Company had no employees during 2019.

Compensation framework for the Board

Compensation structure for non-executive directors

The Company had no non-executive directors during 2019.

Compensation structure for executive directors

Executive directors do not receive any additional fees for their services as members of the Board.

Performance criteria

The Company had no employees during 2019.

Supplementary pension or early retirement schemes for key individuals

The Company does not have a policy of offering supplementary or enhanced early retirement to key individuals.

Material transactions

During 2019, there were no material transactions with shareholders, with persons who exercise a significant influence on the Company, or with members of the Board of Directors.

B2: Fit and proper requirements

Policy framework for fit and proper requirements

The Company's compliance with fit and proper requirements is assured through a combination of policies and related procedures. In particular, the Board and management follow special procedures related to appointments (nominations or changes), performance review and training. A set of tools and templates facilitates the implementation of these policies, which collectively ensure that those who effectively run the undertaking possess the requisite skills, knowledge and expertise for their roles.

Process for assessing fitness and propriety

Compliance with fit and proper requirements of the persons in scope is reviewed at various stages, as shown in the table below.

Stage	Activities
Initial assessment	The Company has adopted a specific policy and applies specific standards describing the appointment process and the skill/experience approvals required. The Company undertakes up-front screening (e.g. CV, passport, criminal record check) of nominees and uses the Swiss Re Group approval process and fitness and propriety assessment.
Induction	Newly appointed members receive an induction package covering a range of Group/Company topics.
Training	Training sessions are offered during the year.
Collective assessment	A formal performance review of the Board is conducted annually during a private session. Board members individually prepare the review with a self-assessment questionnaire and checklist that specifically refers to fit and proper requirements. Gaps and action items (e.g. training needs, suggested changes to Board Committees) are documented for follow-up.
Ongoing and ad hoc assessment	All individuals subject to fit and proper requirements have to complete an annual fit and proper declaration, which focuses on the validation of the propriety to cover the assigned position. Re-assessments are performed if (a) additional responsibilities are assigned to a concerned individual, (b) if a concerned individual becomes aware that he/she no longer meets the Company's fit and proper criteria, or (c) if the performance or the behaviour of a concerned individual raises serious doubts about this person meeting the fit and proper criteria.

Section B: System of governance

B3: Risk management system including the own risk and solvency assessment (ORSA)

Risk Management system

The risk management system of the Company leverages the global framework that governs risk management practices throughout the Swiss Re Group. Risk policies, standards and guidelines established at Group and Business Unit level form a large part of the Company's risk management system. Key documents are reviewed for appropriateness by the Board of the Company and are subsequently adopted. Additional risk governance for the Company is established as an addendum to the respective Group or Business Unit governance where needed to address the specific circumstances of the Company.

A key objective of the independent Risk Management function is to support controlled risk-taking and the efficient, risk-adjusted allocation of capital. Risk Management is based on four guiding principles, which apply consistently across all risk categories:

- *Controlled risk-taking* - Financial strength and sustainable value creation are central to Swiss Re's value proposition. The Company thus operates within a clearly defined risk policy and risk control framework;
- *Clear accountability* - Swiss Re's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on, and their incentives are aligned with Swiss Re's overall business objectives;
- *Independent risk controlling* - Dedicated units within the Risk Management function control all risk-taking activities. These are supported by the Compliance and Group Internal Audit functions;
- *Transparency* - Risk transparency, knowledge-sharing and responsiveness to change are integral to the risk control process. The central goal of risk transparency is to create a culture of mutual trust, and reduce the likelihood of surprises in the source and potential magnitude of losses. Risk transparency is ensured through regular reporting of both quantitative and qualitative risk information to the Company's Audit Committee as well as to the Board.

Risk identification

For its risk identification process, the Company applies the Swiss Re Group's framework for identifying, assessing, managing and controlling risks. In addition, the emerging risk process provides a platform for raising emerging risks and reporting early warning signals. This information is complemented with external expertise, and reported to internal stakeholders.

Risk appetite framework and limits

The Company's risk appetite framework establishes the overall approach through which the Company practices controlled risk-taking and leverages the Group's risk appetite framework as provided in the Group Risk Policy. The Company's risk tolerance is driven by its Legal Entity Capitalisation Policy which defines the target capital as the minimum available capital that the Company needs to hold in relation to the risks that it assumes.

Implementation and integration of the Risk Management function

Under the Company's Terms of Reference, the Board assumes the oversight role for risk and capital steering supported by the Chief Financial Officer and the Chief Risk Officer. The Board has delegated certain responsibilities and authorities to the Audit Committee as well as to the Solvency II Committee.

The governance bodies for the Company are described in section "B1: General information on the system of governance" on page 7. The Company's Risk Management is supported by global Risk Management units that provide specialised risk category expertise and accumulation control, risk modelling and reporting services, regulatory relations management and central risk governance framework development, as well as by the Business Unit Risk Management function, which provides specialised risk category expertise and accumulation control.

Internal model

The Company uses the standard formula.

Process for accepting changes to the internal model

This is not applicable as the Company does not use an internal risk model.

Material changes to the internal model governance

This is not applicable as the Company does not use an internal risk model.

Internal model validation tools and processes

This is not applicable as the Company does not use an internal risk model.

The Prudent Person Principle

In accordance with the Prudent Person Principle under Solvency II, the management of the Company's investments is governed by the general principle of the creation of economic value. This is done on the basis of returns relative to the liability benchmark and its replicating portfolio, the asset management policy adopted by the Company and a set of strategic asset allocation limits that are established by the Board.

Own Risk and Solvency Assessment process

The Own Risk and Solvency Assessment (ORSA) is an ongoing process, with critical risk control and reporting activities being carried out on a regular basis. It is used to assess the risks inherent in the business plan and resilience of the Company's solvency and balance sheet. Anticipated significant changes in the risk profile are included in assessing the future Solvency position. Scenarios are used to provide insights into the strength of the balance sheet and to assess future potential Solvency positions. Where exceptionally adverse scenarios are identified, mitigating actions and control measures are contemplated but would require Board approval prior to actions being taken.

The Company has established appropriate ORSA governance and process standards. The Chief Risk Officer maintains operational responsibility for carrying out the ORSA process and reporting the ORSA results to the Board. During 2019, the production of an ORSA report has been pending the completion of the first acquisition of an insurance portfolio.

Review of ORSA

The ultimate responsibility for the ORSA rests with the Board, which reviews and approves the results of the ORSA process. The Company has not completed the acquisition of the first insurance portfolio in 2019 and therefore was not required to submit an ORSA report to the supervisor for this year.

Solvency assessment Based on the planned risk profile, the standard formula is used to determine capital requirements. The Company sets aside capital to cover its quantifiable risks in accordance with its capitalisation policy (see section E1 for more information). The risk-based capitalisation position of the Company is monitored on a frequent basis by the Company Chief Risk Officer and Chief Financial Officer against target capital with a number of options if risk and capital develop out of pre-defined control ranges. The ORSA process uses scenarios to stress the plan and assess the resilience of the Solvency through the plan period, including identifying relevant actions that may be considered to mitigate the potential downsides.

B4: Internal control system

Internal control system

Coordinated assurance framework

Swiss Re's coordinated assurance framework is used by the Company to identify the principal operational risks to the organisation and the relevant key controls to manage them, as well as to demonstrate that a sufficient level of assurance is gained from the effectiveness of those controls.

Risk-taking activities are typically subject to three lines of control. The first line comprises the day-to-day risk control activities performed by risk takers in the business as well as in other functions of the Company. Independent oversight performed by functions such as Risk Management and Compliance represents the second line of control. The third line consists of independent audits of processes and procedures carried out by Group Internal Audit or by external auditors.

Assurance function interactions

While all functions retain their specific mandates and areas of expertise by working together and relying where possible on each other's work, a holistic approach is assured under the Coordinated Assurance Framework. Information, planning and execution of assurance work are coordinated and results are shared, reducing overlap between assurance units, increasing mutual reliance and providing an increased focus on pre-emptive assurance. The integrated approach is deployed within the following activities:

- Risk scoping and assurance planning
- Coordination between assurance functions in business interactions
- Issue and action management interactions
- Monitoring across assurance functions
- Reporting

Implementation of the Compliance function

The Compliance Charter of the Company sets out the objective and purpose of the Company's Compliance function, as well as the overall roles and responsibilities for compliance with all applicable legal and regulatory requirements, the highest professional and ethical standards and its stated corporate values.

To ensure that the compliance objectives are met consistently with the expectations of regulatory authorities, shareholders, clients and other stakeholders, the Board supports best compliance practices and an appropriately resourced Compliance function.

Section B: System of governance

The Compliance function is responsible for:

- Providing primary assurance oversight and assisting management in the design of remedial actions and overseeing their implementation
- Overseeing compliance-related policies, standards and the Code of Conduct, and ensuring that these are regularly reviewed and up to date
- Overseeing as well as providing appropriate compliance training to the Company's directors, officers and employees covering the Code of Conduct and certain related legal and regulatory compliance obligations

The Compliance function is authorised to review all areas and to have full, unrestricted access to all activities, records, property, and personnel, including, without limitation, access to employee email records, subject in all cases to applicable law. In addition, the Compliance function is operationally independent.

B5: Internal Audit function

Internal Audit function implementation

Group Internal Audit (GIA) assists the Board to protect the assets, reputation and sustainability of the Company. GIA performs audit activities designed to assess the adequacy and effectiveness of the Company's internal control systems, and to add value by improving the Company's operations.

GIA provides written audit reports, identifying issues and management actions to the Board, management and external auditor on a regular basis. GIA monitors and verifies that management's actions have been effectively implemented. Significant issues, and issues that have not been effectively corrected, are highlighted to the Board.

Independence of the Internal Audit function

GIA performs its internal audit activities with independence and objectivity. Activities are coordinated with the other assurance functions. GIA has no direct operational responsibility or authority over any of the activities it reviews.

Authority is granted for full, free and unrestricted access to any and all of the Company's property and personnel relevant to any function under review. All employees are required to assist GIA in fulfilling their duty.

GIA staff govern themselves by adherence to The Institute of Internal Auditors' "Code of Ethics". The Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing" constitutes the operating guidance for the department. In addition, GIA adheres to the Group's guidelines and procedures, and GIA's organisation and processes, manuals and guidelines.

B6: Actuarial function

Implementation of the Actuarial function

The tasks of the Actuarial function under the Solvency II framework fall under the responsibility of the Company's appointed actuary:

- Technical provisions calculations fall under the appointed actuary's supervision
- Opinions on the underwriting policy and reinsurance adequacy are performed by the appointed actuary
- Input and feedback into the risk modelling framework are provided by the appointed actuary with consideration of the internal audit reports

B7: Outsourcing

Outsourcing policy

The Company has adopted Swiss Re's comprehensive global outsourcing framework and has further specified the roles and responsibilities within the Company in a separate addendum.

The framework covers two types of outsourcing arrangements:

- External outsourcing, where the mandate is given to an external service provider
- Intra-group outsourcing between Swiss Re entities

The addendum clarifies the process, roles and responsibilities of the Company in relation to Outsourcing arrangements where it is acting as service recipient. It also outlines the approval process for critical or important outsourcing arrangements (including outsourcing in relation to Key Functions) based on a pre-defined due diligence selection process.

The Board approves the appointment of Outsourcing Managers for outsourcing arrangements related to Key Functions and other critical or important function.

The critical or important services related to Risk Management, the Actuarial function, Compliance and Internal Audit are provided to the Company by other entities in the Swiss Re Group under intra-group outsourcing arrangements.

B8: Any other information

Assessment of adequacy of the system of governance

The Board carries out an annual evaluation of its system of governance against relevant best practice standards. During the previous review, the Board concluded that the system of governance is adequate with respect to the nature, scale and complexity of the risks inherent in its business.

Other material information

There is no other material information to report for 2019.

Section C: Risk profile

Overview of risk exposure

The Company started trading in October 2014 and wrote a closed book of health insurance business. The majority of the portfolio has now run off, with some unpaid claims as at year end 2019. Therefore, the underwriting and investment risks are minor.

The risks the Company is exposed to include core risks that are taken as part of insurance or asset management operations activities. These are quantified using the Solvency II standard formula (please refer to Section B3 on page 10). In addition to these risks, the Company is exposed to further risks arising from undertaking business, including strategic, regulatory, political, reputational and liquidity risks. The following sections (C1 to C7) provide quantitative and qualitative information on these specific risk categories.

Modelled risks	Other risks
Underwriting risk	Strategic risk
	Regulatory risk
Financial market risk	Political risk
Credit risk	Reputational risk
Operational risk	Liquidity risk
Emerging risks	

Measures used to assess risks and material changes

The Company uses the Solvency II standard formula to assess all modelled risk categories. Separate risk modules are used to model the individual risk categories. Risks not covered by the SCR (liquidity risks, strategic risks, regulatory risks, political risks, and others) are considered and assessed on a qualitative basis with various monitoring and reviews in place.

In line with the definition of Solvency II, the SCR of the Company measures the capital requirement at a 99.5% Value at Risk, which measures the annual loss with a recurring period of one in two hundred years.

Quantification of modelled risks by risk category

The table below quantifies the Company's risks as at 31 December 2019 for the Company's risk categories over the next twelve months. This represents the loss for each risk category that is likely to be exceeded only once in two hundred years. The Company's SCR is driven by the Counterparty default risk category.

EUR thousands	2018	2019	Change
Underwriting risk			
Life and health risk	2	0	-2
Financial market risk	6	0	-6
Counterparty default risk	32	175	143
Diversification	-5	0	5
Operational risk	9	4	-5
Solvency II SCR	44	179	135

Risk concentration

The most significant risk concentration for the Company's underwriting risk derives from intra-group reinsurance and a cash-pooling arrangement with other entities of the Group. These entities are well capitalised. For details of the solvency position of Swiss Reinsurance Company Ltd, please refer to the Swiss Re Group website: <https://www.swissre.com/investors/solvency-ratings/financial-strength-ratings.html>.

C1: Underwriting risk

Risk exposure

Underwriting risk comprises exposures taken on by the Company from its health insurance business.

Health risk

Health risk arises from the business the Company takes on when providing morbidity coverage.

Credit underwriting risk

The Company does not conduct credit and surety underwriting.

Material risk developments over the reporting period

The life and health underwriting risk decreased in line with the run-off of the reserves. The Company has not assumed new risks in 2019.

Risk mitigation

The Company's underwriting risk is largely mitigated by proportional intra-group retrocession (IGR).

Sensitivity analysis and stress testing

The Company's exposures are subject to the group-wide stress-testing framework. Further sensitivity and stress testing at the level of the Company depends on the execution of new insurance portfolio transfers.

Special purpose vehicles

The Company does not use special purpose vehicles.

C2: Financial market risk

Risk exposure

The value of the Company's assets or liabilities may be affected by movements in financial market prices or rates, such as interest rates and foreign exchange rates. The Company is exposed to such financial market risk from two main sources: through its investment activities as well as through the sensitivity of the economic value of liabilities to financial market fluctuations.

List of assets

The Company invests in government bonds, government-related bonds, cash, and cash equivalents. These assets have been invested in accordance with the Prudent Person Principle as outlined in "The Prudent Person Principle" on page 10.

Material risk developments over the reporting period

During the reporting period, the financial market risk exposure decreased, driven by a reduction in interest rate risk.

Risk mitigation

The Company uses a prudent and effective asset and liability management process to mitigate financial market risks. Regular reporting monitors the effectiveness of the asset liability management process that is in place. The limits on asset classes are approved on an annual basis to take into account business planning and the strategic asset allocation plan; usage against approved limits is monitored regularly.

Sensitivity analysis and stress testing

The Company's exposures are subject to the group-wide stress-testing framework. During 2019 no further sensitivity and stress testing has been performed at the level of the Company.

C3: Credit risk

Risk exposure

Credit risk reflects the potential financial loss that may arise due to diminished creditworthiness or default of counterparties of the Company or of third parties. This risk arises directly from investment activities as well as from counterparty risk related to external and intra-group counterparties.

Material risk developments over the reporting period

During 2019, the counterparty default risk has increased driven by more assets held in cash through a new cash-pooling arrangement with SRZ.

Risk mitigation

Risk Management regularly monitors corporate counterparty credit quality and exposures and compiles watch lists of cases that merit close attention. Risk Management monitors and reports credit exposure and limits on a regular basis in order to maintain exposure within approved limits. A governance framework is in place and appropriate actions will be taken when limits are near to being breached.

Sensitivity analysis and stress testing

The Company's exposures are subject to the group-wide stress testing framework. During 2019 no further sensitivity and stress testing has been performed at the level of the Company.

Section C: Risk profile

C4: Liquidity risk

Risk exposure

Liquidity risk represents the possibility that the Company will not be able to meet expected and unexpected cash flow and collateral needs without affecting either daily operations or the Company's financial condition.

Given the high liquidity of the Company's invested assets, the risk to its solvency due to not being able to fund claims payments is very remote.

Material risk developments over the reporting period

The Company's liquidity risk has remained low over the year.

Risk mitigation

The Company controls liquidity risk to ensure that it can satisfy claims payments, expenses, and collateral requirements and has a forward-looking liquidity monitoring and reporting in place.

Sensitivity analysis and stress testing

The Company's exposures are subject to the group-wide stress testing framework. During 2019 no further sensitivity and stress testing has been performed at the level of the Company.

Amount of expected profit in future premiums

The total amount of expected profit in future premiums for the Company as at 31 December 2019 is EUR nil.

C5: Operational risk

Risk exposure

Operational risk represents the potential economic, reputational or compliance impact of inadequate or failed internal processes, people and systems or from external events, including legal risk and the risk of a material misstatement in financial reporting. The Company's business model relies on cooperation with distribution partners and third-party administrators, with nearly all services outsourced and provided to the Company by other companies within the Swiss Re Group or by third party administrators.

- The Company operates in the consumer and retail insurance domain. The current activities are restricted to a closed book of business with claims run off.
- Compliance and operational risks, in particular related to outsourcing, are the dominating risks in the Company's risk landscape.

Operational risk is quantified by means of the Solvency II standard formula. In addition, operational risks are assessed and monitored qualitatively based on the Company's coordinated assurance framework.

Material risk developments over the reporting period

Operational risk remained stable over the reporting period. The number and severity of operational events within the reporting period were low and did not have any financial or reputational impact on the Company. No emerging themes are noticeable.

Risk mitigation

The Company's coordinated assurance framework outlined in Section B is used to manage and mitigate operational risk. With the establishment of the conduct risk guidelines, which contribute to the Company's risk framework, the Company ensures that all customers are treated fairly. Outsourcing risk associated to the usage of third-party providers is mitigated through a specifically developed third party administrator oversight framework.

Sensitivity analysis and stress testing

The Company's exposures are subject to the group-wide stress testing framework. During 2019 no further sensitivity and stress testing has been performed at the level of the Company.

C6: Other material risks

No other material risks have been identified. However, a process is in place to track the development of emerging risks.

C7: Any other information

All material information has been disclosed above.

Section D: Valuation for Solvency II purposes

D1: Assets

Methods applied for valuation of material assets

Material assets on a Solvency II valuation basis as at 31 December 2019 were as follows: (based on QRT balance sheet S.02.01.02):

EUR thousands	Solvency II	Company Statutory	Difference
Receivables (trade, not insurance)	5 605	5 605	0
Cash and cash equivalents	259	259	-
Total of all other assets not listed above	145	380	-235
Total assets	6 009	6 244	-235

The following valuation bases were used to value material assets for Solvency II purposes:

Material assets	Quoted market price valuation	Alternative valuation
Receivables (trade, not insurance)		X
Cash and cash equivalents	X	

Receivables (trade, not insurance)

Solvency II and Company Statutory:

Receivables are valued at nominal value, less deductions for impairment, if applicable. The receivables mainly consist of cash pooling with Swiss Reinsurance Company Ltd (SRZ).

There is no difference in valuation of receivables between Solvency II and Company Statutory.

Cash and cash equivalents

Solvency II and Company Statutory:

Cash and cash equivalents are valued at nominal value.

There is no difference between Solvency II and Company Statutory values for cash and cash equivalents.

Other assets not listed above:

The difference between Solvency II and the Company Statutory amounts of other assets not listed above is mainly driven by the reinsurance recoverables described in section "D2: Technical provisions".

Assumptions and judgements applied for valuation of material assets

Investments are valued at market value, which is determined to the extent possible by reference to observable market prices. Where observable market prices are not available, the Company follows the fair value measurement methodology. There are no major sources of estimation of uncertainty when using judgements to determine valuations. Since Solvency II follows fair value methodology, the securities are not carried at more than the recoverable amounts.

Changes made to recognition and valuation basis of material assets during the period

Since incorporation in 2014, no changes have been made to the recognition and valuation basis or to estimation assumptions.

Drivers of difference between Solvency II and Company Statutory accounts

The difference between the Solvency II balance sheet and the Company Statutory balance sheet is due to the different presentation of reinsurance recoverables and salvage and subrogation, as detailed in section "D2. Technical provisions".

Property (held for own use)

The Company does not hold any property for own use as at 31 December 2019.

Inventories

The Company does not hold any inventories as at 31 December 2019.

Intangible assets

The Company does not show any intangible assets on the Solvency II balance sheet as at 31 December 2019.

Financial assets

As at 31 December 2019, the Company has no financial assets other than cash pooling with SRZ.

Section D: Valuation for Solvency purposes

Significant changes to the valuation models used

The valuation policy was approved in 2018. There were no significant changes in the valuation model in 2019 compared to 2018.

Lease assets

As at 31 December 2019, the Company does not have any financial and operating leasing arrangements.

Deferred tax assets

Recognition of deferred tax assets

Due to materiality considerations, deferred income tax assets of zero have been recognised for all deductible temporary differences and for the carryforward on unused tax losses and unused tax credits, to the extent that the realisation of the related tax benefit through expected future taxable profits is uncertain.

Deferred tax asset recognition on tax losses is also determined by reference to the tax laws enabling such recognition on the same enacted or substantively enacted basis.

Amount for which no deferred tax asset is recognised

The amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the Solvency II balance sheet is zero, because of tax loss carryforward restrictions.

The expiry date, if any, for tax losses and tax credits, is dependent on the local tax law and therefore varies subject to the relevant branch jurisdiction.

Temporary differences and unused tax losses are assumed to relate to the individual branch, and consistent with tax rules, there is no offsetting of deferred tax assets in one branch against deferred tax liabilities in a different branch.

Projected future taxable profits

Deferred tax assets to be recovered after more than 12 months are zero.
Deferred tax assets to be recovered within 12 months are zero.

The utilisation of deferred tax assets depends on projected future taxable profits, including those arising from the reversal of existing taxable temporary differences.

Actual tax losses suffered by the Company

Under general circumstances, actual tax losses suffered by the Company in either the current or preceding periods, in the tax jurisdiction to which the deferred tax assets are considered as a deferred tax asset, are taken into account to the extent that future tax benefits utilising these tax losses are probable.

Due to materiality, actual tax losses have not been taken into consideration.

Tax rate changes during the period

There were no tax changes during 2019.

Valuation of related undertakings

As at 31 December 2019, the Company has no investments in related undertakings.

D2: Technical provisions

Life business

The Company does not write life and health similar to life techniques business.

Non-life business

Material technical provisions by Solvency II classes of business

The value of non-life technical provisions* by material class of business as at 31 December 2019 gross and net of retrocession were as follows (based on QRT technical provisions S.17.01):

EUR thousands	Gross best estimate	Net best estimate	Risk margin	Total net technical provision
Medical expense insurance	129	-13	0	-13

* Net liabilities are presented as positive numbers, net assets as negative.

Overview of methodology and assumptions

Best estimate

The estimation of the best estimate technical provisions is based on two steps:

- For all contract years, the nominal values of future payments related to premium, claims and commissions (including other contractual costs) are estimated
- For all those nominal values, the timing of such future payments is estimated

Combining the payment patterns and nominal values provides the expected future cash flow streams. Applicable discount rates are applied to these future cash flow streams for Solvency II valuation. These estimates are produced by a dedicated team of reserving actuaries, using classical actuarial methods, such as analysing triangular information concerning the development of past premiums, claims and commissions.

Main assumptions

Estimating technical provisions is not a purely calculative process. Sometimes assumptions must be made in respect of some parameters in the calculations. If the historical development observed in data captured in a triangle does not cover the full possible development, the length and amount of future development beyond the last observed point (the tail) must be quantified based on assumptions. Another area where important assumptions are needed in reserving is the judgement on whether the future will proceed as in the recent past or whether a different future development should be expected compared to the (recent) past observed in historical data.

Risk margin

The risk margin is calculated using a transfer value approach, assuming that the insurance obligations are transferred to a so-called reference undertaking, which is assumed to be empty prior to the transfer and then funded with assets to cover the technical provisions. Since the calculation is based on the cost of holding required capital, assumptions around the risk margin rely on the calculation of the SCR and are explained and justified in the standard formula technical specification.

Solvency II additionally requires the allocation of the risk margin to the lines of business or segments as defined by the Solvency II regulation. The allocation is required to adequately reflect the contribution of the lines of business to the SCR of the reference undertaking over the lifetime of the insurance or reinsurance obligations. This allocation is not implemented as there is only one line of business.

Uncertainty associated with the technical provisions

Estimating technical provisions involves predicting future loss payments based on historical and existing information and knowledge, as well as judgment about future conditions. However, changes to historical patterns and trends, changes due to, among other factors, an evolving legal or social environment, claimants' attitudes regarding insurance claims, changes in the national or regional economic performance, or changes in the Company's operations and its book of business, make the incidence of claims more or less likely and claims' settlement values lower or higher.

Section D: Valuation for Solvency purposes

Material differences between Solvency II and Statutory technical provisions

Material differences by line of business between Solvency II and Statutory net non-life technical provisions* as at 31 December 2019 were as follows:

EUR thousands	Solvency II	Company Statutory**	Difference
Medical expense insurance	-13	-13	0

* Net liabilities are presented as positive numbers, net assets as negative.

The actuarial methods and assumptions used for the valuation of the technical provisions for Solvency II purposes are not identical to those used for the preparation of the Company's Statutory accounts. There are some key differences between the two accounting standards:

- In the Company Statutory figures, future cash flows are not discounted (time value of money is not recognised)
- There is no concept of risk margin
- The counterparty risk is not included in the valuation

The impact of differences in valuation is immaterial.

**The Subrogation and Salvages (related to expected recoverables and commissions) have been reported under the "technical provisions" section in the Solvency II balance sheet, whereas, in the Statutory annual account, these amounts are shown under "Subrogation and Salvages" outside the scope of technical provisions in accordance with Luxembourg regulation.

Recoverables due from reinsurance contracts

Net technical provisions take account of the reinsurance recoverables based on the underlying contracts. The reinsurance ceded is proportional reinsurance. Therefore, the determination of the reinsurance recoverable is a pure calculative process and does not require estimations, actuarial methods, assumptions, or any other judgemental element. In the valuation of ceded reinsurance, the counterparty risk is considered.

Material changes in assumptions made

No assumption changes were implemented in 2019, as the Company is running off a closed book.

Matching adjustment

Not applicable to the Company.

Transitional provisions

Not applicable to the Company.

Volatility adjustment

Not applicable to the Company.

Transitional deduction

Not applicable to the Company.

D3: Other liabilities

Other material liabilities

EUR thousands	Solvency II	Company Statutory	Difference
Insurance & intermediaries payables	35	35	-
Payables (trade, not insurance)	251	251	-
Total of all other liabilities not listed above	1	1	-
Total other liabilities	287	287	-

Other material liabilities by Solvency II valuation basis, as at 31 December 2019 were as follows (based on QRT balance sheet S.02.01.02):

Insurance & intermediaries payables

Solvency II and Company Statutory:

There is no difference between the Solvency II and the Company Statutory valuation of insurance payables.

Payables (trade, not insurance)

Solvency II and Company Statutory:

Trade payables are valued at their settlement value. There is no difference between the Solvency II and the Company Statutory valuation of trade payables.

Other liabilities not listed above:

Other liabilities under Company Statutory include the provision for foreign exchange rate, which is recognised in accordance with the local Generally Accepted Accounting Principles (GAAP).

Other classes of liabilities

The Company only applies liability classes as prescribed in the Solvency II balance sheet template.

Financial liabilities

The Company had no financial liabilities as at 31 December 2019.

Lease liabilities

As at 31 December 2019, the Company had no financial or operating lease liabilities.

Deferred tax liabilities

Due to materiality considerations, deferred income tax liabilities of zero have been recognised for all taxable temporary differences.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates and tax laws that have been enacted by the end of the reporting period.

Deferred tax liabilities to be settled after more than 12 months are zero.

Deferred tax liabilities to be settled within 12 months are zero.

Tax rate changes during the period

There are no tax rate changes during the period.

Contingent liabilities

The Company does not carry contingent liabilities on its Solvency II balance sheet as at 31 December 2019.

Employee benefits

As at 31 December 2019, the Company had no employee obligations.

Changes during the reporting period

No changes were made to the recognition and valuation bases used or on estimations during 2019.

Assumptions and judgements

No assumptions or judgements contribute materially to the valuation of other liabilities.

D4: Alternative methods of valuation

As at 31 December 2019, the Company uses valuation methods of assets and other liabilities as described in the sections "D1. Assets" and "D3. Other liabilities", respectively.

D5: Any other information

Other material information

All material information regarding the valuation of assets and liabilities for Solvency II purposes have been described in the sections above.

Section E: Capital management

E1: Own funds

Solvency ratios

The Solvency ratio expressed as eligible own funds as a percentage of the Solvency Capital Requirement as at 31 December 2019 was equal to 3 118% (2018: 15 093%).

Furthermore, as the Solvency Capital Requirement is below the absolute Minimum Capital Requirement of EUR 3 700 thousand (2018: EUR 3 700 thousand), the Solvency ratio expressed as eligible own funds as a percentage of the Minimum Capital Requirement as at 31 December 2019 was equal to 151% (2018: 178%).

Own funds – objectives, policies and processes

The Company ensures that it is appropriately capitalised for the risks that it incurs. The capital structure and the level of capitalisation are determined by regulatory capital requirements, management's assessment of the risks and opportunities arising from business operations and by financial management considerations.

The Company monitors the capitalisation level on a regular basis, taking into account relevant developments in the risk landscape and in its business portfolio.

Own funds – time horizon used for capital planning

The Company considers one-year and three-year time horizons for its capital planning.

Own funds by tier

The value of own funds, all Tier I, based on QRT Own Funds S.23.01.01, as at 31 December 2019 was as follows:

EUR thousands	2018	2019	Change
Ordinary share capital (gross of own shares)	5 000	5 000	-
Share premium account related to ordinary share capital	3 000	3 000	-
Reconciliation reserve	-1 409	-2 407	-998
Total basic own funds after adjustments	6 591	5 593	-998

The decrease in own funds over the reporting period was mainly driven by the administrative expenses incurred in 2019.

Eligible amount of own funds to cover the Solvency Capital Requirement

The eligible amount of own funds to cover Solvency Capital Requirement for 2019 is EUR 5 593 thousand, all of which is classified as Tier I.

Restrictions to available own funds

There are no restrictions to available own funds as at 31 December 2019.

Eligible amount of basic own funds to cover the Minimum Capital Requirement

The eligible amount of basic own funds to cover the Minimum Capital Requirement for 2019 is EUR 5 593 thousand, all of which is classified as Tier I.

Differences between equity in Solvency II and Company Statutory accounts

The material differences in equity as shown in the Company Statutory accounts and Solvency II as at 31 December 2019 were as follows:

EUR thousands	Equity reconciliation
Equity per Company Statutory accounts (excluding retained earnings)	8 000
Reconciliation reserve	-2 407
Total of reserves and retained earnings from financial statements	-2 407
Difference in the valuation of net technical provisions	0
Difference in the valuation of assets	0
Difference in the valuation of other liabilities	0
Solvency II own funds	5 593

Reconciliation reserve

The reconciliation reserve represents the movement in the valuation of assets, technical provisions or other liabilities in the adoption of the Solvency II valuation as well as retained earnings, including current year results and the legal reserve.

Basic own funds subjected to transitional arrangements

No own funds items are subject to transitional arrangements.

Ancillary own funds

There are no ancillary own funds in the Company.

Items deducted from own funds

No items have been deducted from own funds of the Company.

Subordinated capital instrument in issue at period end

No items have been deducted from own funds of the Company.

Capital instruments issued as debts

Not applicable to the Company.

Value of subordinated debt

There are no subordinated capital instruments in the Company.

Principal loss absorbency mechanism

The Company does not have a loss absorbency mechanism that qualifies as a high-quality own funds instrument.

Key elements of the reconciliation reserve

The reconciliation reserve based on QRT Own Funds S.23.01.01 as at 31 December 2019 was as follows:

EUR thousands	2019
Excess of assets over liabilities	5 593
Equity per the Company Statutory accounts (excluding retained earnings)	-8 000
Reconciliation reserve	-2 407

The difference between the excess of assets over liabilities under Solvency II and the equity value shown in the Company Statutory accounts is mainly due to different valuations applied under Solvency II for assets and technical provisions.

Total excess of assets over liabilities within ring-fenced funds

The Company does not have any ring-fenced funds.

E2: Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement and Minimum Capital Requirement

As at 31 December 2019, the Company Solvency Capital Requirement was EUR 179 thousand (2018: EUR 44 thousand) and the Minimum Capital Requirement was EUR 3 700 thousand (2018: EUR 3 700 thousand).

Solvency Capital Requirement split by risk category

The Company uses the standard formula to measure its capital requirement using 99.5% Value at Risk as described in Section C. The table below quantifies the Company's modelled risk categories as at 31 December 2019.

EUR thousands	2018	2019	change
Life and health underwriting risk	2	0	-2
Financial market risk	6	0	-6
Counterparty default risk	32	175	143
Diversification	-5	0	5
Basic Solvency Capital Requirement	34	176	142
Operational risk	9	4	-5
Shock Solvency Capital Requirement	44	179	135
Deferred tax impact	-	-	-
Solvency Capital Requirement	44	179	135

Simplification calculation

No simplifications apply in the calculation of the Solvency Capital Requirement.

Standard formula parameters

No undertaking-specific parameters are applied.

Non-disclosure of capital add-on during transitional period ending no later than 31 December 2020

This is not applicable to the Company.

Section E: Capital management

Standard formula capital add-on applied to Solvency Capital Requirement

This is not applicable to the Company.

Information on input used to calculate the Minimum Capital Requirement

Input used to calculate the Minimum Capital Requirement for non-life insurance or reinsurance obligations includes premiums written during the last 12 months, split by lines of business and best estimate technical provisions without a risk margin, split by line of business.

Material changes to Solvency Capital Requirement and Minimum Capital Requirement over the reporting period

The MCR remained constant at EUR 3 700 thousand. The Solvency Capital Requirement has increased driven by an increase in counterparty default risk due to more assets held in cash through a new cash-pooling arrangement with SRZ.

E3: Duration-based equity risk

Indication that the Company is using duration-based equity risk submodule

Not applicable to the Company.

E4: Differences between the standard formula and the internal model

The structure of the internal model

The Company does not use an internal model.

Risk categories concerned and not concerned by internal model

The Company does not use an internal model.

Aggregation methodologies and diversification effects

The Company does not use an internal model.

Risk not covered in the standard formula but covered by the internal model

The Company does not use an internal model.

E5: Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Any non-compliance with the Company Solvency Capital Requirement and Minimum Capital Requirement

The Company complied with the Company Solvency Capital Requirement and Minimum Capital Requirement during 2019.

E6: Any other information

Other material information

All material information regarding the capital management has been described in the sections above.

Glossary

Board	The Board of Directors of the Company.
CAA	Commissariat aux Assurances, Luxembourg
Claim	Demand by an insured for indemnity under an insurance contract.
Cover	Insurance and reinsurance protection of one or more specific risk exposures based on a contractual agreement.
Company	Swiss Re Portfolio Partners S.A.
Credit Insurance	Insurance against financial losses sustained through the failure, for commercial reasons, of policyholders' clients to pay for goods or services supplied to them.
GIA	Group Internal Audit
Health insurance	Generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.
Intra-group reinsurance	Reinsurance between subsidiaries of the same parent company or between a subsidiary and its parent; intra-group reinsurance aims to optimise capital allocation and tax efficiency for the Swiss Re Group as well as ensure adherence to regulatory Solvency requirements.
Intra-group transaction	This can be either in the form of a proportional (eg quota-share) or non-proportional (eg stop-loss or Cat XL) agreement.
Key functions	Risk Management, Compliance, Internal Audit and Actuarial.
Key function holder	The Board nominates individuals as designated representatives of the respective key functions towards the Company.
Minimum Capital Requirement, MCR	If, despite supervisory intervention, the available resources of the insurer fall below the MCR, then "ultimate supervisory action" will be triggered. In other words, the insurer's liabilities will be transferred to another insurer and the licence of the insurer will be withdrawn or the insurer will be closed to new business and its in-force business will be liquidated.
Non-life insurance	All classes of insurance business excluding life insurance.
Non-proportional reinsurance	Form of reinsurance in which coverage is not in direct proportion to the original insurer's loss; instead the reinsurer is liable for a specified amount that exceeds the insurer's retention; also known as "excess of loss reinsurance".
Operational risk	Risk arising from failure of operational processes, internal procedures and controls leading to financial loss.
ORSA	Own Risk and Solvency Assessment
Own funds	Excess of Assets over Liabilities including any amount that is deemed suitable to provide support for the SCR.
Premium	The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.
Premiums earned	Premiums an insurance company has recorded as revenues during a specific accounting period.
Premiums written	Premiums for all policies sold during a specific accounting period.
Proportional reinsurance	Form of reinsurance arrangement in which the premiums earned and the claims incurred of the cedent are shared proportionally by the cedent and the reinsurer.
QRT	Quantitative Reporting Template
Reinsurance	Insurance that lowers the risk carried by primary insurance companies. Reinsurance includes various forms, such as facultative, financial, non-proportional, proportional, quota share, surplus and treaty reinsurance.
Reserves	Amount required to be carried as a liability in the financial statements of an insurer or reinsurer to provide for future commitments under outstanding policies and contracts.
Retrocession	Amount of the risk accepted by the reinsurer that is then passed on to other reinsurance companies.
Risk	Condition in which there is a possibility of injury or loss; also used by insurance practitioners to indicate the property insured or the peril insured against.
Risk appetite	An expression of how the Company aims to deploy its risk capacity. It specifies the types of risk that the Company wishes to take and for each type the amount to be taken, while remaining within the boundaries imposed by the Company's stated risk.
Risk management	Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.
Risk profile	Threats to which an organisation is exposed. The risk profile will outline the type of risks and potential effect of the risks. This outline allows a business to anticipate additional costs or disruptions to operations.

Glossary

Risk tolerance	An expression of the extent to which the Board has authorised executive management to assume risk. It represents the amount of risk that the Company is willing to accept within the constraints imposed by its capital resources, its strategy, its risk appetite, and the regulatory and rating agency environment within which it operates.
Securitisation	Financial transactions in which future cash flows from assets (or insurable risks) are pooled, converted into tradable securities and transferred to capital market investors. The assets are commonly sold to a special-purpose entity, which purchases them with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors.
Solvency Capital Requirement, SCR	Solvency Capital Requirement under Solvency II – calculated using the standard formula. The SCR is based on a Value at Risk measure calibrated to a 99.5% confidence level over a one-year time horizon.
Swiss Re or Swiss Re Group or the Group	For the purposes of this report, the ultimate parent company and all its subsidiaries are referred to as Swiss Re or the Swiss Re Group or the Group.
Target capital	Defined by the Capitalisation Policy.
Technical result	Underwriting result defined as nominal premiums less nominal commissions and claims.
Underwriting performance	Premiums earned less the sum of claims paid, change in the provision for unpaid claims and claim adjustment expenses and expenses (acquisition costs and other operating costs and expenses).
GAAP	Generally Accepted Accounting Principles
Value at Risk	Maximum possible loss in market value of an asset portfolio within a given time span and at a given confidence level. The 99% Value at Risk measures the level of loss likely to be exceeded in only one year out of one hundred, while 99.5% Value at Risk measures the loss likely to be exceeded in only one year out of two hundred. The 99% Tail Value at Risk estimates the average annual loss likely to occur with a frequency of less than once in one hundred years.

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Report:
Reporting entity:
Reference Date:
Reporting currency:

S.02.01.e
Swiss Re Portfolio Partners S.A.
31 December 2019
EUR thousands

Balance sheet

	Solvency II value	
	C0010	
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	
Government Bonds	R0140	
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	142
Non-life and health similar to non-life	R0280	142
Non-life excluding health	R0290	
Health similar to non-life	R0300	142
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	2
Receivables (trade, not insurance)	R0380	5,605
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	259
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	6,009

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	Solvency II value	
	C0010	
Liabilities		
Technical provisions – non-life	R0510	129
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	129
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	129
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	1
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	33
Reinsurance payables	R0830	2
Payables (trade, not insurance)	R0840	251
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	416
Excess of assets over liabilities	R1000	5,593

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Premiums, claims and expenses by country

	Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations			
R0010			(IE) Ireland			
	C0080	C0140	C0090	C0090	C0090	C0090
Premiums written						
Gross - Direct Business	R0110					
Gross - Proportional reinsurance accepted	R0120					
Gross - Non-proportional reinsurance accepted	R0130					
Reinsurers' share	R0140					
Net	R0200					
Premiums earned						
Gross - Direct Business	R0210					
Gross - Proportional reinsurance accepted	R0220					
Gross - Non-proportional reinsurance accepted	R0230					
Reinsurers' share	R0240					
Net	R0300					
Claims incurred						
Gross - Direct Business	R0310	6	6			
Gross - Proportional reinsurance accepted	R0320					
Gross - Non-proportional reinsurance accepted	R0330					
Reinsurers' share	R0340	-23	-23			
Net	R0400	29	29			
Changes in other technical provisions						
Gross - Direct Business	R0410	0	0			
Gross - Proportional reinsurance accepted	R0420					
Gross - Non-proportional reinsurance accepted	R0430					
Reinsurers' share	R0440	0	0			
Net	R0500	0	0			
Expenses incurred	R0550	976	976			
Other expenses	R1200	10				
Total expenses	R1300	986				

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Non-life insurance claims information

Total Non-Life Business

Accident year / Underwriting year

Z0020	(2) Underwriting year
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Gross Claims Paid (non-cumulative)

(absolute amount)	Year	Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
Prior	R0100											
N-9	R0160	169,466	74,270	6,943	2,118	625	385	171	58	45	10	
N-8	R0170	180,295	73,725	7,656	1,651	772	293	191	75	54		
N-7	R0180	74,165	8,334	757	383	115	26	216	19			
N-6	R0190											
N-5	R0200											
N-4	R0210											
N-3	R0220											
N-2	R0230											
N-1	R0240											
N	R0250											

	Sum of years (cumulative)	
	In Current year	C0180
R0100		
R0160	10	254,091
R0170	54	264,712
R0180	19	84,015
R0190		
R0200		
R0210		
R0220		
R0230		
R0240		
R0250		
Total	R0260	83 602,818

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Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)

Share premium account related to ordinary share capital

Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings

Subordinated mutual member accounts

Surplus funds

Preference shares

Share premium account related to preference shares

Reconciliation reserve

Subordinated liabilities

An amount equal to the value of net deferred tax assets

Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that shall 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 shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand

Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand

Unpaid and uncalled preference shares callable on demand

A legally binding commitment to subscribe and pay for subordinated liabilities on demand

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC

Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	5,000	5,000			
R0030	3,000	3,000			
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	-2,407	-2,407			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	5,593	5,593			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	5,593	5,593			
R0510	5,593	5,593			
R0540	5,593	5,593			
R0550	5,593	5,593			
R0580	179				
R0600	3,700				
R0620	318%				
R0640	151%				

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EUR thousands

Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business

Expected profits included in future premiums (EPIFP) - Non-life business

Total EPIFP

C0060

R0700	5,593
R0710	
R0720	
R0730	8,000
R0740	
R0760	-2,407
R0770	
R0780	
R0790	

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Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	0		
Counterparty default risk	R0020	175		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	0		
Diversification	R0060	0		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	175		

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Calculation of Solvency Capital Requirement

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement, excluding capital add-on

Capital add-ons already set

Solvency Capital Requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

C0100

R0130	4
R0140	0
R0150	0
R0160	
R0200	179
R0210	0
R0220	179
R0400	
R0410	
R0420	
R0430	
R0440	0

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

Linear formula component for non-life insurance and reinsurance obligations

MCRNL Result

R0010	C0010	0
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- Medical expense insurance and proportional reinsurance
- Income protection insurance and proportional reinsurance
- Workers' compensation insurance and proportional reinsurance
- Motor vehicle liability insurance and proportional reinsurance
- Other motor insurance and proportional reinsurance
- Marine, aviation and transport insurance and proportional reinsurance
- Fire and other damage to property insurance and proportional reinsurance
- General liability insurance and proportional reinsurance
- Credit and suretyship insurance and proportional reinsurance
- Legal expenses insurance and proportional reinsurance
- Assistance and proportional reinsurance
- Miscellaneous financial loss insurance and proportional reinsurance
- Non-proportional health reinsurance
- Non-proportional casualty reinsurance
- Non-proportional marine, aviation and transport reinsurance
- Non-proportional property reinsurance

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
R0020	0	0
R0030		
R0040		
R0050		
R0060		
R0070		
R0080		
R0090		
R0100		
R0110		
R0120		
R0130		
R0140		
R0150		
R0160		
R0170		

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Linear formula component for life insurance and reinsurance obligations

MCRL Result **R0200** **C0040** 0

Obligations with profit participation - guaranteed benefits
 Obligations with profit participation - future discretionary benefits
 Index-linked and unit-linked insurance obligations
 Other life (re)insurance and health (re)insurance obligations
 Total capital at risk for all life (re)insurance obligations

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
R0210		
R0220		
R0230		
R0240		
R0250		0

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Reporting entity:

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Reporting currency:

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EUR thousands

Overall MCR calculation

Linear MCR

SCR

MCR cap

MCR floor

Combined MCR

Absolute floor of the MCR

Minimum Capital Requirement

C0070

R0300	0
R0310	179
R0320	81
R0330	45
R0340	45
R0350	3,700
R0400	3,700