Allianz Re Dublin Designated Activity Company

Solvency and Financial Condition Report
Year ended 31 December 2016

Registered number 307500

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Executive Summary

Allianz Re Dublin Designated Activity Company (hereafter 'AZRD', 'Allianz Re Dublin dac' or 'the Company'), has prepared this Solvency and Financial Condition Report (hereafter 'SFCR') for public disclosure in compliance with the requirements set forth in the Commission Delegated Regulation (EU) 2015/35 (hereafter 'Delegated Regulation') of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

The structure of the SFCR follows the requirements set forth in Chapter XII, Section 1, Article 290 – Article 303 of the Delegated Regulation, and consists of the following sections: (A) Business and Performance, (B) System of Governance, (C) Risk Profile, (D) Valuation for Solvency II Purposes and (E) Capital Management.

In accordance with Article 303 "Transitional arrangements on comparative information" of the Delegated Regulation, no comparison information for periods prior to Solvency II application is presented.

A Business and Performance

Allianz Re Dublin dac, a wholly owned subsidiary of Allianz Europe Limited, is a legal entity of Allianz Group with Allianz SE the ultimate parent company.

The Company is an Irish composite reinsurance entity under supervision of the Central Bank of Ireland and currently underwrites only Non-life reinsurance business from cedants within Allianz Group. Geographically, the main sources of business are France, Germany, Ireland and the United Kingdom.

In terms of underwriting result, 2016 was a strong year for the Company, mainly thanks to a very benign natural catastrophe environment. The reinsurance line of business non-proportional Property contributed strongly to this favourable result, more than offsetting headwinds experienced in the Motor and Casualty reinsurance lines of business. The underwriting performance was supported by a good investment result – despite the continuing pressure on yields.

B System of Governance

The section on the system of governance aims at enabling the public to assess whether the system of governance is set-up in an appropriate manner with regard to the Company's strategic objectives and business operations.

The Company's Board of Directors (hereafter 'the Board') is responsible for the overall management and oversight of the Company. The Board strives to keep the current corporate governance framework up to date with new legislation and to identify best practice. The Board is composed of a majority of non-executive directors and performs its duties with the support of Committees. Five committees have been established: Audit Committee, Risk Committee, Finance and Investment Committee, Underwriting Committee and Reserve Committee. The general operational management and control of the Company is delegated to the Chief Executive Officer.

The Company's Fit and Proper Policy sets out principles, criteria and processes to ensure the fitness and probity of those persons who manage the undertaking or work within key functions.
The Company has set-up a comprehensive risk management framework which ensures the coordination of the Company's business and risk strategies and the integration of the different elements of the risk management system.

The various control concepts of the internal control system are integrated within a common framework, the Comprehensive Control Concept ('CCC'). The CCC framework encompasses different risk areas which share a common, structured procedure. The Internal Controls over Financial Reporting ('ICOFR') are an appropriate example of the implementation of the CCC framework.

The internal control system of the Company comprises the set of activities undertaken to achieve the objectives of (i) effective and efficient operations, (ii) reliability of management and financial reporting and (iii) compliance with applicable laws and regulations. The Company's internal control system is embedded into the operational and organizational set-up throughout the Company and is articulated along the three-lines-of-defence model. According to the model, the first line of defence covers operational controls, assurance functions (risk management, actuarial and compliance) represent the second line, while internal audit provides the third line of defence.

C Risk Profile

The Company uses the Allianz internal model to calculate the Solvency Capital Requirement. For all material risks, a comprehensive quantitative and qualitative risk management process is in place that incorporates (i) risk identification, (ii) risk assessment, (iii) risk response and control activities, (iv) risk monitoring, and (v) risk reporting. The chapter also includes a description of the risk management, exposure and sensitivity for each material risk category.

With regards to the Prudent Person Principle, the chapter outlines how the security, quality, liquidity and profitability of the investment portfolio as well as an adequate mix and diversification are guaranteed. Specific rules adopted by the Company for certain investment categories, e.g. derivatives, are also described.

D Valuation for Solvency Purposes

This SFCR provides information on the Market Value Balance Sheet (hereafter 'MVBS') and Own Funds and a comparison of MVBS and statutory figures, which are based on FRS 101. Therefore, a quantitative and qualitative explanation for material differences in the valuation of assets, technical provisions and other liabilities is included.

E Capital Management

The Company uses the Allianz internal model for the calculation of the Solvency Capital Requirement and applies an integrated capital framework as described in its Capital Management Policy. The Company was sufficiently capitalized at year end 2016 with own funds exceeding the solvency capital requirement by EUR 403.8mn and a resulting solvency ratio of 195%.

A Business and Performance

1 Business

1.1 Financial supervision, group membership and legal structure

Allianz Re Dublin dac is a composite reinsurance entity domiciled in Ireland under financial supervision of the Central Bank of Ireland (P.O. Box 11517, Spencer Dock, North Wall Quay, Dublin 1 / Ireland).

The Company, a legal entity of Allianz Group, is a wholly owned subsidiary of Allianz Europe Limited, with a registered office at 6 St. Andrew Street, EC4A 3AE, London / United Kingdom. Allianz SE, the parent company of Allianz Group, has its headquarters in Koeniginstrasse 28, 80802 Munich / Germany and holds the legal form of a European company (Societas Europaea, 'SE').

The German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht ('BAFin'), Dreizehnmorgenweg 13-15, 53175 Bonn / Germany) is the group supervisor of Allianz Group.

The Company's position within Allianz Group's legal structure is shown below:

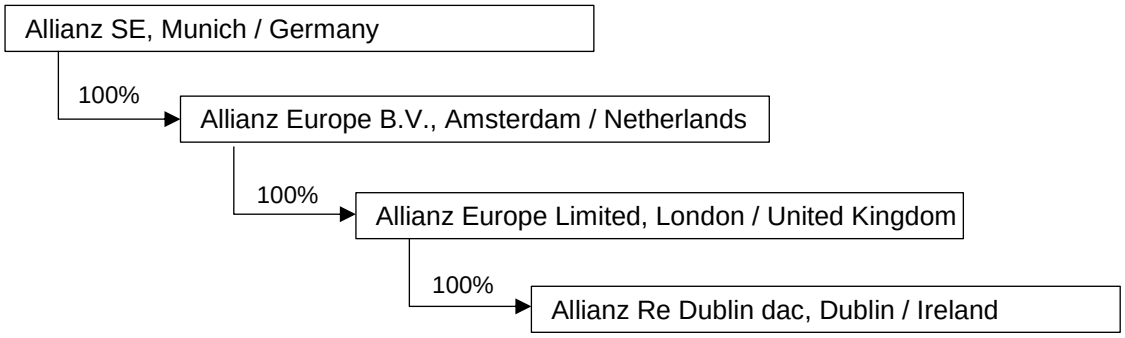

Figure 1: The Company's position within Allianz Group's legal structure as at 31 December 2016

1.2 External auditor

KPMG Chartered Accountants (1 Harbourmaster Place, IFSC, Dublin 1 / Ireland) audited the Company's financial statements. The conduction of the audit and the resulting opinion is stated in the auditor's report signed by the independent auditor Hubert Crehan.

1.3 Principal activities

The principal activity of the Company is the transaction of international reinsurance business. The Company is a composite reinsurance entity and utilises its in-house expertise to provide reinsurance to companies within Allianz Group.

The Company transacts property and casualty reinsurance with cedants domiciled in Central and Western Europe including the United Kingdom, Germany, Ireland, France as well as in the United States, providing both proportional and non-proportional reinsurance protection. The Company underwrites most property and casualty lines of business including property, natural catastrophe, motor, aviation, liability, marine, engineering, agricultural, credit risk and space.

1.4 Significant business and other events

Non-life

In 2016 the Company underwrote for the first time a new whole account net quota share reinsurance contract with Allianz p.l.c. (hereafter 'Allianz Ireland' / 'Allianz Ireland QS') assuming 24.5% of the net underwriting result of Allianz Ireland for the accounting year 2016. The leading lines of business on the contract were motor and property.

The Company renewed the whole account net quota share reinsurance contract with Allianz Insurance plc (hereafter 'Allianz UK' / 'Allianz UK QS'), first underwritten in 2015, at a higher share and assumed 40% of the net underwriting result of Allianz UK for the accounting year 2016, compared to 20% in 2015. The leading lines of business were property and motor.

The whole account stop loss ('WASL') with Allianz SE Reinsurance continued to be the Company's preferred retrocession strategy on a net retention basis. In 2016 the Company raised the retention level due to increased capacity and as a means of increasing the profitability potential of the Company.

On 27 February 2017, the UK Lord Chancellor announced that the Ogden Discount rate will be reduced to minus 0.75% from previously 2.5% – this represented a significantly stronger change than what had been expected. The Ogden discount rate is used to calculate lump sum payments by discounting future expected losses in personal injury and fatal accident cases. The change is considered an adjusting subsequent event as defined in IAS 10. Consequently, the Company's 2016 financial results were adjusted to include this impact.

Life

After the Life portfolio was held for sale as at year end 2015, the entire portfolio (including the related staff) was transferred to Allianz Global Life Ltd. on 1 January 2016. The portfolio consisted entirely of Variable Annuity ('VA') business underwritten by cedants in Japan and Taiwan. All hedge assets and liabilities belonging to the VA portfolio were transferred with the portfolio. The impact on the profit and loss account of the Company of the VA portfolio transfer that was held for sale at the 2015 year end was reflected in the 31 December 2015 financial statements.

Regulatory developments

The Solvency II directive came into effect on 1 January 2016. The Company completed Day One and quarterly submissions of the Quantitative Reporting Templates ('QRTs') to the Central Bank of Ireland ('CBI'), in line with requirements.

The Company's Head of Risk furthermore completed the Own Risk and Solvency Assessment ('ORSA') process and produced a draft ORSA report, which was reviewed and approved by the Board in May 2016. In addition, during 2016 a review of all policies, implemented per the Solvency II Directive requirements, was conducted to ensure each policy was fully executed and operational within the Company.

The Company uses the Allianz internal model for calculating its Solvency Capital Requirement.

The Company's Head of Actuarial Function, having previously held the role of Chief Actuary, was registered under the "in situ" process with effect from 1 January 2016.

2 Underwriting performance

The Company defines underwriting performance based on FRS 101 for all qualitative and quantitative information provided in this chapter in line with the Quantitative Reporting Templates S.05.01 and S.05.02 and its financial statements as

	premiums
+/-	*claims incurred*
+/-	*acquisition and administrative expenses incurred*
+/-	*change in other technical provisions*
=	*underwriting result*

Information is provided and commented net of retrocession if not stated otherwise.

2.1 Non-life underwriting performance

In 2016 the non-life ***gross written premiums*** of the Company increased strongly to EUR 2,081.2mn. The main drivers for this increase were the increased share of the Allianz UK QS contributing in total EUR 1,208.3mn and the new Allianz Ireland QS contributing EUR 189.4mn to the Company's top line. Excluding these two treaties, the Company's gross written premium remained stable in 2016.

In EUR mn	2016
Gross written premiums	2,081.2
Net earned premiums	1,623.4
Net claims incurred	(995.6)
Net change in other technical provisions	(1.9)
Net expenses incurred	(443.1)
Underwriting result	**182.8**

Table 1: Non-life underwriting performance

Despite the negative financial impact from the change in Ogden discount rate in the United Kingdom[1], 2016 has been a strong year for the Company in terms of ***underwriting result*** which was primarily due to an overall benign catastrophe environment.

The ***combined ratio*** for the non-life business in 2016 was 88.6% with individual contributors as follows: loss ratio reported at 61.3%, while the expense ratio was 27.3%.

The loss ratio increased compared to the prior year mainly due to (1) the impact from the change in Ogden discount rate[1] and (2) a higher share of proportional business in the Company's portfolio as a result of the increased share in the Allianz UK QS, the new Allianz Ireland QS and higher proportional cessions from Allianz Global Corporate & Specialty.

The improved expense ratio is predominantly the result of lower profit commission paid to Allianz SE Reinsurance on the Optima contract, a contract bundling eleven lines of business structured as stop losses.

[1] The change from 2.5% to minus 0.75% was announced 27 February 2017 and is considered an adjusting subsequent event as defined in IAS 10. Consequently, the Company's 2016 financial results were adjusted to reflect the impact from this event.

2.2 Non-life underwriting performance by material line of business

The Company underwrites most property and casualty lines of business including property, natural catastrophe, motor, aviation, liability, marine, engineering, agricultural, credit risk and space and provides both proportional and non-proportional reinsurance covers.

2016 underwriting performance by material line of business in EUR mn		Gross written premiums	Net under-writing result
accepted proportional reinsurance (r/i)	Motor*	520.1	(42.7)
	Fire and other damage to property	411.6	33.4
	Miscellaneous financial loss	269.6	12.6
	General liability	221.7	(24.7)
	Other accepted proportional r/i	128.7	(0.5)
accepted non-proportional reinsurance (r/i)	Property	339.0	185.2
	Casualty	131.4	(22.1)
	Other accepted non-proportional r/i	59.1	41.6
Total underwriting result		**2,081.2**	**182.8**

* Includes Motor vehicle liability and Other motor accepted proportional reinsurance
Table 2: Non-life underwriting performance by material line of business

Motor is the Company's biggest proportional line of business in terms of premiums, predominantly including Motor vehicle liability and to a smaller extent Motor own damage and other Motor lines of business. The results were negatively affected by the impact of the change in Ogden discount rate.

The ***Fire and other damage to property*** line of business benefitted from a positive contribution from run-off.

The ***Miscellaneous financial loss*** portfolio mainly consists of pet insurance and business interruption business.

Due to adverse loss development the ***General liability insurance*** portfolio's underwriting performance was unsatisfactory.

The following lines of business are summarized under ***Other accepted proportional reinsurance***:

- Assistance reinsurance;
- Marine, aviation and transport reinsurance;
- Legal expenses reinsurance;
- Income protection reinsurance;
- Credit and suretyship reinsurance.

The poor underwriting performance was mostly due to unfavourable loss development in the Marine, aviation and transport portfolio that favourable results in the lines Legal expenses insurance and Credit and suretyship insurance could not fully compensate for.

The major share of the ***accepted non-proportional reinsurance*** portfolio is in the ***Property*** line of business. The very strong underwriting performance reflects the overall benign losses from natural catastrophes in 2016.

Accepted non-proportional casualty was negatively affected by the impact of the change in Ogden discount rate.

The following lines of business are summarized under ***Other accepted non-proportional reinsurance***:

- Marine, aviation and transport;
- Health.

The very good underwriting result is predominantly due to favourable loss development in the non-proportional Marine, aviation and transport portfolio.

2.3 Non-life underwriting performance by material geographical area

The Company transacts property and casualty reinsurance mainly with cedants domiciled in Central and Western Europe including France, Germany, Ireland and the United Kingdom as well as the United States.

2016 underwriting performance by material geographical area in EUR mn		**Gross written premiums**	**Net under-writing result**
Country of residence	Ireland	213.2	(84.7)
Other material geographical areas	United Kingdom	1,236.4	(18.6)
	Germany	466.0	159.7
	Other markets	165.6	126.5
Total underwriting result		**2,081.2**	**182.8**

Table 3: Underwriting performance by material geographical area

The Company's country of residence is ***Ireland***. The figures for Ireland in the table above include not only the proportional and non-proportional cessions from the Company's Irish cedant but also the Company's full administrative costs and the expenses for the Whole Account Stop Loss retrocession.

The ***United Kingdom*** is the Company's biggest source of business in terms of premiums as the result of the Allianz UK QS cession.

The 2016 results from both the United Kingdom portfolio and the Irish portfolio were affected by the change in Ogden discount rate.

The net underwriting performance of the ***German*** portfolio as well as the result of ***Other markets*** benefitted from a benign natural catastrophe environment.

3 Investment performance

The below table provides details on the Company's investment performance based on FRS 101:

Investment performance in EUR mn	2016
Interest income on securities and deposits	45.9
Realised gains on other financial investments	3.6
Realised FX gains	193.8
Unrealised gains / (losses) on FX forwards	0.3
Investment return	**243.6**
Investment management expenses	(1.8)
Realised losses on other financial investments	(1.0)
Realised FX losses	(193.1)
Amortisation of securities	(12.3)
Investment charges	**(208.2)**
Investment result	**35.3**

Table 4: Investment income and expenses

In 2016 the Company achieved an investment return above prior year's level due to a higher asset base. It reported EUR 1.4bn worth of deposits to cedants relating to reinsurance accepted and EUR 1.5bn worth of debt and other fixed income securities. For further details on the fixed income portfolio please refer to chapter D.1.7 Valuation of Assets / Investments.

The below table provides information on gains / (losses) recognized directly in equity:

Other comprehensive income in EUR mn	2016
Unrealised gains / (losses) on available-for-sale investments	12.0
Tax on unrealised gains / (losses) on available-for-sale investments	(1.5)
Total	**10.5**

Table 5: Other comprehensive income

Related to the Solvency II Market Value Balance Sheet items, the Company defines securitization as the sum of investments in 'structured notes' and 'collateralized securities'. As of 31 December 2016, the Company's investments in structured notes was zero while investments in collateralized securities amounted to EUR 1.3mn. The collateralized securities are comprised of asset backed securities.

4 Performance of other activities

The Company has in place a serviced office rental agreement with Allianz p.l.c. for a term expiring 1 January 2023. A contractual break option allows the Company to terminate the contract after 5 years of the term (2019).

As at 31 December 2016 the Company had annual commitments payable on this operating lease expiring as follows:

As at 31 December 2016 in EUR mn	
Within one year	0.1
More than one year but less than five years	0.2
Total commitments payable	**0.3**

Table 6: Commitments payable from operational and financial leases

There were no other material lease arrangements – neither operational nor financial – in place as at 31 December 2016.

5 Any other information

All material information on the Company's business and performance has been provided in the previous chapters.

B System of Governance

1 General information on the system of governance

1.1 Roles and responsibilities

The Company is a wholly owned subsidiary of Allianz SE and a separate legal entity. At the same time, the Company is part of the global operating entity ('OE') Allianz Re (also 'AZ Re'). An operating entity consists of one or more legal entities. In this case Allianz Re is an object in the management hierarchy of Allianz Group, encompassing Allianz SE Reinsurance, the reinsurance department of the parent company, Allianz Re Dublin dac and further legal entities.

The Company is a composite reinsurer undertaking registered in Ireland with the company number 307500. A company registered in Ireland is subject to Irish regulations and laws. Company law requires the directors of the Company to prepare financial statements for each financial year. Under the law the directors have elected to prepare the 2016 Company financial statements in accordance with *FRS 101 Reduced Disclosure Framework* (hereafter 'FRS 101') addressing the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

To ensure an effective oversight and steering of the Company, the Board of Directors of Allianz Re Dublin dac define the Company's business strategy. In doing so, the directors work closely together with the Functional Board of Allianz Re. The overall responsibility for the global steering lies with the Functional Board of Allianz Re.

The Company's business strategy is formalised by a corporate management dialogue process which leads to a three-year business plan and ultimately to the Company's financial plans. This then forms the basis for the Company's capital management planning. The Company's financial three year plan is integrated in the three year plan of Allianz Re. This forms the basis for performance steering.

Business steering is aligned to local regulatory and solvency requirements with which the Company must comply together with the local guidance as laid down by the Central Bank of Ireland.

The business performance is monitored through monthly reviews of key financial and operational metrics. In addition to the performance steering, a specific risk steering process has been implemented.

1.1.1 The Board of Directors

Responsibility for Corporate Governance, i.e. the overall management and oversight of the Company, lies with the Company's Board of Directors (hereafter 'the Board'). The directors are committed to achieving and maintaining the highest standards of Corporate Governance in regards to the procedures, processes and attitudes according to which the organisation is directed and managed.

The Central Bank of Ireland Corporate Governance Requirements for Insurance Undertakings (the 'Requirements') issued in November 2015 set out the minimum core standards of Corporate Governance. The Company is subject to the Requirements and has been designated by the Central Bank of Ireland as a 'Medium-High' risk impact institution

and accordingly is required to comply with the majority of its requirements. The directors and senior management believe the Company is materially compliant with the Requirements.

The Board is constituted and regulated in accordance with and under the provisions of the Companies Act 2014. Board and director proceedings and conduct are regulated specifically by the provisions of the Company Memorandum and Articles of Association. In addition, the Board must comply with the provisions of the Corporate Governance Requirements.

On 10 May 2017, the Board issued the following Directors' Compliance Statement: "The directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations and have drawn up a compliance policy statement; put in place appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with the Company's relevant obligations; and reviewed, during the financial year, those arrangements or structures."

The current Board consists of six directors, the majority of whom (five) are non-executive directors ('NED'); two are independent non-executive directors ('INED'). The roles of the Board's Chairman and Company's Chief Executive Officer ('CEO') are separate. The Board Chairman is a non-executive director, in line with the provisions set forth in the Company's Board Charter.

The Company's directors are:

- Amer Ahmed (Chairman) – Non-executive
- Colm Costello – Chief Executive Officer
- Manfred Eberl – Non-executive
- David Kingston – Independent non-executive
- Frank Mee – Non-executive
- Stephen Melcher – Independent non-executive

There was no change to the Board during the reporting period. In accordance with the Articles of Association, the directors continue in office.

In 2016, the Board met a total of 5 times.

The overall Corporate Governance responsibility of the Board covers the following:

- The effective, prudent and ethical oversight of the Company;
- Setting the business strategy; and
- Ensuring that risk and compliance are properly managed within the organisation.

The Board operates an effective committee structure with defined terms of reference to assist it in its governance of the Company. The Committee framework comprises Board Committees and Management Committees, where only the executive director is represented. The Board retains responsibility for oversight of any matters delegated to any committee or to the management.

The directors and any person performing a pre-approval controlled function within the Company are subject to the Fitness and Probity standards, the Code issued under Section 50 of the Central Bank Reform Act 2010. All persons performing pre-approval controlled functions have declared that they meet the Fitness and Probity standards, that they are competent and capable, act honestly, ethically and with integrity, and are financially sound.

Responsibility for general operational management and control of the Company is delegated by the Board to the Chief Executive Officer with certain powers reserved (including those which cannot be delegated under law or the Articles of Association of the Company; these Board Reserve Powers are detailed in the Company's Board Charter).

The matters requiring approval by the Board include, but are not limited to:

- Approval of the Terms of Reference for all Board Committees;
- Any particular litigation matter involving an aggregate amount of potential liability which exceeds or potentially exceeds in value EUR 100,000;
- With the exception of current management of the Company's investment and hedge portfolios, any purchase, sale, transfer of shares or securities which impact the capital structure of the Company;
- Decisions regarding the dividend policy;
- The removal from office of the 'head of control functions', as defined by the Corporate Governance Code for Credit Institutions and Insurance Undertakings issued in November 2010 and amended in 2013;
- Any incorporation of or acquisition or control of any company including without limitation, by way of take-over or merger;
- Any project involving capital expenditure by the Company not included within the approved annual Budget, for an aggregate amount exceeding EUR 100,000;
- Approval of the audited financial statements of the Company, including approval of any significant changes in accounting policies or practices;
- Changes to the structure, size and composition of the Board including appointment and dismissal of the CEO;
- Approval of leases for the company's business premises.

1.1.2 Committee framework

The Board has established and maintains the following committees:

- Audit Committee (Board Committee)
- Risk Committee (Board Committee)
- Finance and Investment Committee (Board Committee)
- Underwriting Committee (Management Committee)
- Reserve Committee (Management Committee)

Committees aim to facilitate business steering and to safeguard the Company's oversight function (hereby also supporting the internal control system). Committees have clearly defined mandates, authority, appropriate independence and are composed in a manner properly reflecting different functions.

Committees report their decisions and activities to the Board for further discussions or for approval. For each committee, terms of reference have been approved and are regularly reviewed.

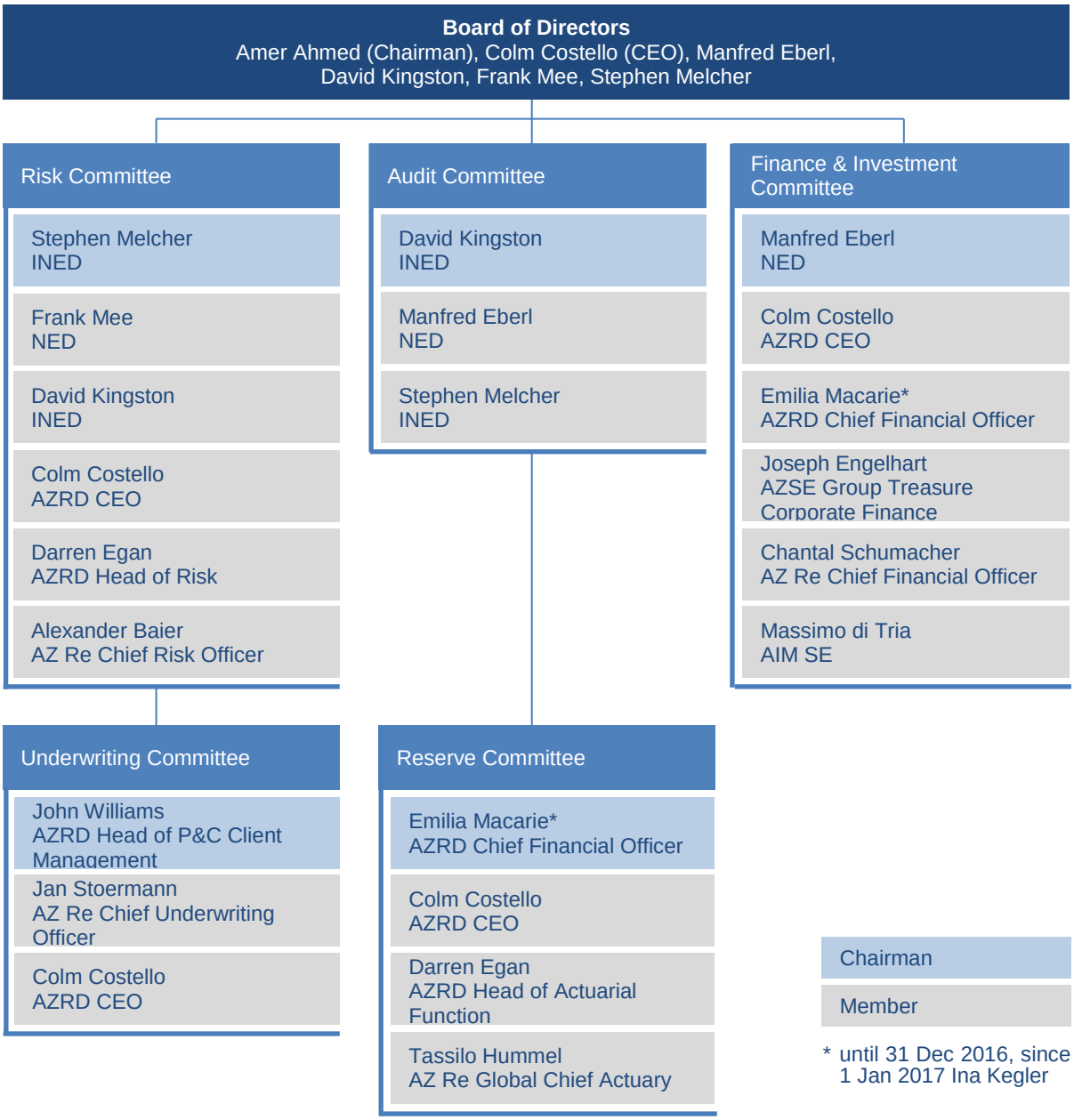

Figure 2: Overview of the Company's committee structure as at 31 December 2016

Board committees involve one or more Board member(s), though not the Chairman of the Board, along with additional participants who are either directly involved at the functional level or are involved in similar roles at Allianz SE or at Allianz Re. The committees admit guests (both standing and ad-hoc), but these have no voting rights.

Risk Committee

The Risk Committee is a committee of the Board, whose objective is to define and maintain oversight of all risk management activities within the Company. The Risk Committee supports the Board and supervises the Head of Risk, key function holder of the Company's risk management function, by acting as the primary risk controlling body within the Company.

Specific functions and responsibilities of the Risk Committee include the following:

- Oversee the overall risk position of the Company, monitoring all risk types (both quantifiable and unquantifiable, e.g. emerging risk, reputational risk);
- Define, maintain and monitor the structure and scope of the risk management and controlling frameworks, including risk limits, guidelines, the capital model and risk methodology (procedures for the identification, assessment, quantification and reporting of risks);
- Promote and enhance a strong risk culture and develop risk talent for the Company;
- Consider, assess and contribute to the development of the Company's risk / return strategy;
- Ensure that appropriate internal reporting, to the Committee, the Board and the Group, is in place both on regular and ad-hoc basis.

The Risk Committee is chaired by an independent non-executive director.

Audit Committee

The Audit Committee is a committee of the Board and is constituted to assist the Board in fulfilling its oversight responsibilities. In particular, specific oversight responsibilities of the Audit Committee include:

- The integrity of the Company's financial statements;
- The Company's compliance with legal and regulatory requirements, including reviewing and pre-approving of quantitative and qualitative reporting such as the QRTs and narrative reports;
- The independent auditor's qualifications and independence;
- The performance of the Company's internal audit function and independent auditors.

The Audit Committee is subject to particularly stringent requirements to ensure its independence. The Chairman of the Board shall not be a member of the Audit Committee. The Audit Committee is composed of non-executive directors, the majority of those directors being independent. At least one of the directors on the committee shall have an appropriate qualification and at least one of the directors on the committee shall be a person who has competence in accounting or auditing.

The Chairman of the Audit Committee must be an independent non-executive director.

Finance and Investment Committee

The Finance and Investment Committee is a committee of the Board and is constituted to support the Board in all tasks related to asset allocation, investment strategy and investment management. The Committee assumes the following main functions:

- Propose the Company's asset allocation and asset liability position for Board approval;
- Implement investment guidelines that represent the Board policies regarding the coordination of the investment process;
- Review the Company's capital needs;
- Review the Company's dividend policy;
- Propose to the Board guidelines for asset management;
- Review the IFRS investment income for the three-year plan and the coming year alongside the FRS 101 investment income, review the previous year's performance, and steer the current year's IFRS investment income;
- Monitor the Company's investment risk / return position and manage concentration risk.

The Finance and Investment Committee is chaired by a non-executive director.

Underwriting Committee

The Underwriting Committee is a management committee and is constituted to assist the Board in fulfilling its oversight responsibilities regarding underwriting activities. The mission of the Underwriting Committee is to establish the underwriting policies within the Company.

Specific responsibilities of the Underwriting Committee are:

- Oversee the overall underwriting position of the Company;
- Define the structure and scope of the underwriting management and controlling frameworks for approval by the Risk Committee, including underwriting policies, limits, guidelines and underwriting methodology;
- Keep under review the Standard for Non-Life and Life & Health[2] Underwriting and the Functional Rule Non-Life Treaty as well as procedures for underwriting;
- Propose to the Risk Committee the Standard for Non-Life and Life & Health[2] Underwriting and the Functional Rule Non-Life Treaty for approval;
- Discuss and propose approval of certain deals with high exposure to the Company;
- Monitor on an ongoing basis the performance of the Company's underwriting sections.

The Underwriting Committee is chaired by the Company's Head of Client Management P&C.

Reserve Committee

The Reserve Committee is a management committee and is constituted to assist the Board in fulfilling its oversight responsibilities regarding the Company's technical reserves for both Property & Casualty and Life & Health[2].

The mission of the Committee is to regularly review portfolio experience and the actuarial reserve proposals as well as to qualitatively review the risks inherent in the reserves. It reviews the level of loss and loss expense reserves to be carried by the Company under IFRS and the technical provisions under Solvency II regime at the close of each calendar quarter and makes a recommendation for the appropriate levels to be pre-approved by the Audit Committee and approved by the Board of Directors at year end.

In particular, the Committee assumes the following main functions and responsibilities:

- Maintain an adequate level of loss reserves to be carried by the Company on an FRS 101 and MVBS basis;
- Oversight of Reserving Policy, including proposing changes to the Audit Committee and Board for approval;
- Review the approach, methods and granularity of loss reserve analysis for the major business segments;
- Ensure that approved changes in carried reserves are well understood and communicated so that appropriate business responses are implemented in a timely manner.

The Reserve Committee is chaired by the Company's Chief Financial Officer.

1.1.3 Policy framework

Steering and controlling of the Company is supported by a set of corporate rules which are aligned with the corresponding corporate rules adopted by the Allianz Group. Corporate rules

[2] After the transfer or the Variable Annuities portfolio to Allianz Global Life Ltd. as at 1 January 2016, the company currently does not write Life & Health business.

include all the Company's internal rule setting documents issued by an authorized owner with the intention to establish binding regulations or guidelines of relevant topics (related to business segments, operations, functions, or specific issues). Each corporate rule needs documented approval by the respective approval body.

The Company has in place a defined policy framework that outlines the relevant criteria for creating and updating corporate rules including the underlying rule-setting process. The policy framework, in concrete, comprises four levels (from top to bottom):

- Code of Conduct;
- Policies;
- Standards;
- Functional Rules.

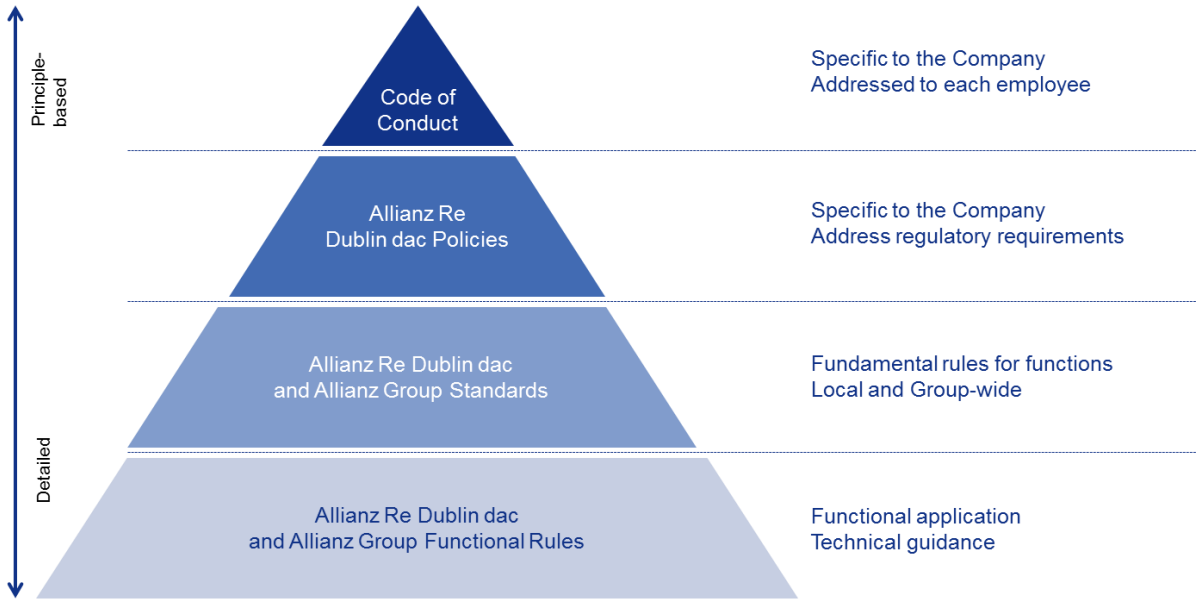

Figure 3: The Company's policy framework

In particular, the Company has adopted the below listed policies:

Policy	Owner	Rationale
Accounting and Reporting Policy	CFO	Defining the framework for the provision of reliable and high quality financial information by the Company
Actuarial Policy	Head of Actuarial Function	Describing the framework for actuarial work within the Company
Audit Policy	Head of Compliance	Ensuring the effectiveness of the controls necessary to achieve the Company's goals
Capital Management Policy	Head of Risk	Establishing the core principles and processes for the Company's capitalisation
Compliance Policy	Head of Compliance	Establishing core principles regarding the key responsibilities, the organizational framework and reporting and monitoring duties of the Compliance Function
Diversity Policy	Head of Compliance	Establishing core principles regarding diversity with regard to selection of persons for nomination to become members of the Board
Fit and Proper Policy	Head of Compliance	Establishing core principles and processes to ensure sufficient knowledge, experience, professional qualifications, integrity and soundness of judgment for senior management and key function holders
Governance and Control Policy	Head of Compliance	Describing core principles and processes to ensure an effective management and oversight of the Company's business
Outsourcing Policy	CFO	Determining the relevant processes and strategies for Outsourcing to ensure adherence to regulatory requirements
P&C Reserving Policy	Head of Actuarial Function	Establishing the core principles and processes for the calculation and reporting of non-life reserves
Retrocession Policy	AZ Re Head of Retrocession	Establishing the core principles and processes for retrocession placement
Risk Policy	Head of Risk	Laying down the fundamental elements of the risk management and risk controlling framework of the Company

Table 7: Policies adopted by the Company as at 31 December 2016

1.1.4 Internal control system

The Company's internal control system comprises the set of activities undertaken to provide reasonable assurance regarding the achievement of the objectives of (i) effective and efficient operations, (ii) reliability of management and financial reporting and (iii) compliance with applicable laws and regulations.

The Company's internal control system is embedded in the operational and organizational set-up throughout the Company and is articulated along the 'three-lines-of-defence model' with graduated control responsibilities.

The ***first line of defence*** is performed in the business through the management of day-to-day activities, risk management and controls. In particular, the first line of defence is responsible for the operational management of risks and returns by taking or directly influencing the origination and acceptance of risks.

The ***second line of defence*** provides independent oversight and challenges the day-to-day risk taking and controls by the first line. The second line of defence defines the overarching control frameworks within which the business is entitled to operate; it oversees adherence to control frameworks and challenges business decisions; and finally it advises on risk

mitigation strategies and control activities. The following functions are considered to represent the second line of defence: risk management function (Head of Risk), compliance function (Head of Compliance) and actuarial function (Head of Actuarial Function).

The ***third line of defence*** provides independent assurance across the first and second lines. Its activities include particularly an independent assessment of the effectiveness and efficiency of the internal controls of the Company, including the activities exercised by the first and second lines. The third line of defence is represented by the internal audit function.

To ensure an effective internal control system, all control functions are obliged to co-operate and to exchange necessary information and advice.

According to the Company's Governance and Control Policy, 'double hatting' (i.e. where second line and first line control activities are performed within one organizational unit) is permitted subject to a strict segregation of control activities within this organizational unit. Currently no 'double hatting' cases are in place within the Company.

For a more detailed description of how the internal control system is implemented at the Company, please refer to chapter B.4 Internal control system

1.1.5 Key functions

The Company's key functions have been identified as:

- Risk management function;
- Compliance function;
- Internal audit function;
- Actuarial function;
- Accounting and reporting function;
- P&C underwriting function[3].

Risk management function

The principles, responsibilities and governance structures for the Company's risk management are defined in the Company's Risk Policy.

The risk management function acts as 2nd line of defence of the internal control system (described in chapter B.1.1.4). In particular, the risk management function is responsible for:

- Developing the frameworks within which risks are managed;
- Risk management: (i) identify, (ii) prioritise, (iii) mitigate and (iv) report.

The Head of Risk is the key function holder as regards the independent risk oversight of the Company. Please refer to chapter B.3 for a detailed description of the set-up of the risk management function and the Head of Risk's roles and responsibilities.

Compliance function

Please refer to chapter B.4.4.1 for a detailed description of the roles and responsibilities of the Compliance function.

[3] Considered a key function by the Company although it is not mandated by Solvency II regulation.

Internal audit function
Please refer to chapter B.5 for a detailed description of the roles and responsibilities of the internal audit function.

Actuarial function
Please refer to chapter B.6 for a detailed description of the roles and responsibilities of the actuarial function.

Accounting and reporting function
The principles for the Company's accounting and reporting function are defined in the Company's Accounting and Reporting Policy:

- Transparency in cooperation with all internal & external stakeholders;
- Compliance with the legal framework;
- Consistency;
- Interpretation of external reporting requirements;
- Information quality – neutral, complete, unbiased, faithfully representing underlying economics, proportionate to the needs of the addressees;
- Collaboration between departments;
- Reporting culture minimizing the potential for errors.

Main responsibilities include:

- Establishment of accounting and reporting principles and procedures according to local accounting standards and regulatory guidance as set out by the CBI and in accordance with Allianz Group accounting and reporting principles and procedures;
- Support of Audit Committee in audit tender processes;
- Closing: coordination, information collection, closing entries & qualitative reviews;
- External reporting: regulatory reporting including Solvency II quantitative and qualitative reporting, reporting to Allianz Group, local statutory reporting;
- Documentation.

The Company's accounting and reporting function is embedded in the global Allianz Re accounting and reporting function.

The Chief Financial Officer is the key function holder for the accounting and reporting function, which is a pre-approval controlled function, and has a direct reporting line to the Audit Committee and the Board. A functional reporting line exists to the Allianz Re Chief Financial Officer.

P&C underwriting function
The Company's underwriting policies provide the basis for the P&C underwriting function. The Head of Client Management P&C is the key function holder for the P&C underwriting function and acts as chairman and secretary to the Company's Underwriting Committee. Please refer to chapter B.1.1.2 for a detailed description of the roles and responsibilities of the Underwriting Committee.

Underwriting authority framework:
The delegation of underwriting authority enables the authorized person to enter into binding reinsurance contracts on behalf of the Company. The underwriting authorities only apply to business where a decision within the Company is admissible by law and Group policies. The underwriting authority framework is proposed by the Head of Client Management P&C and requires approval by the Underwriting Committee and Risk Committee. Details of the current framework are outlined within the Company's Functional Rule for Non-Life Treaty Business.

Assignment of underwriting authorities:
Upon alignment with the Global AZ Re Chief Underwriting Officer ('CUO'), authority to the Head of Client Management P&C is assigned by the Company's Chief Executive Officer ('CEO') who will sign the respective authority letter together with the Company's Chief Financial Officer ('CFO').
The Head of Client Management P&C assigns, modifies and withdraws upon consultation with the Global AZ Re CUO and the Global Head of Allianz Re Underwriting Governance all other underwriting authorities by formal authority letters. The individual authority letters will be signed (wet ink) by the Company's CEO and the Head of Client Management P&C. The recipient of the underwriting authority has to acknowledge the assignment of authority by countersigning the authority letter.
Any delegation of underwriting authority to internal or external parties not outlined in the framework requires prior written authorization of the Underwriting Committee as well as the Board and has to be recorded by the Global Head of Allianz Re Underwriting Governance accordingly.

1.2 Material changes in the system of governance in 2016

After the transfer of the Variable Annuities portfolio to Allianz Global Life Ltd. as at 1 January 2016, the Variable Annuities Committee, a sub-committee of the Risk Committee, and the VA Reserving Policy were no longer applicable.

The Solvency II directive came into effect on 1 January 2016. The Company uses the Allianz internal model for calculating the Solvency Capital Requirement. No material changes to the internal model were implemented in 2016.

The Company's Head of Risk completed the Own Risk and Solvency Assessment ('ORSA') process and produced a draft ORSA report, which was reviewed and approved by the Board in May 2016. In addition, during 2016 a review of all policies, implemented per the Solvency II Directive requirements, was conducted to ensure each policy was fully executed and operational within the Company.

The Company's Head of Actuarial Function, having previously held the role of Chief Actuary, was registered under the "in situ" process with effect from 1 January 2016.

1.3 The Company's remuneration policy

Remuneration structures and incentives are designed to encourage sustainable value-creating activities. The remuneration policy provides for an appropriate balance of fixed and variable remuneration components for executive directors and other employees of the Company:

1, Base salary: Base salary is the fixed remuneration component. Annual adjustments also take account of sustained performance in the position, the performance of the Company and general economic and compensation market conditions. The proportion of the fixed component within total remuneration is designed to balance performance incentives to avoid excessive risk-taking. Base salary is expressed as an annual cash sum paid in monthly instalments.

2, Variable remuneration: Variable remuneration is designed to encourage and reward achievement of annual performance goals. Annual targets, both quantitative and qualitative are set in advance of the performance period and documented in Allianz Group's HR system.

In the case of breaches of the Allianz's Code of Conduct, compliance or other relevant criteria, pay-out can be reduced partially or in full.

Selected key performance indicators from the financial plans form the basis for the financial and operational targets which shall reflect the strategy of the Company and global Allianz Re. The performance management system has been furthermore adjusted to support Allianz Group's strategic Renewal Agenda. Under the new "Inclusive Meritocracy" approach, financial KPIs can make up half the performance equation. The remaining element is linked to individual performance which consists of quantitative and predominantly qualitative criteria. For executives the new approach places greater emphasis on behavioural aspects of performance through a common standard designed to drive cultural change across Allianz Group. These are Customer and Market Excellence, Collaborative Leadership, Entrepreneurship, and Trust. The relative importance of the fixed and variable components is based on the individual roles and responsibilities.

The Company's employees including members of the executive management and key function holders are entitled to join the Company pension scheme which is a defined contribution scheme. The Company contributes an amount equal to a percentage of the employee's base salary into the pension fund. The assets of the plan are held separately from the Company in independently administered funds. Employees contribute additional contributions.

Non-executive directors do not receive any performance-related variable remuneration but are entitled to a fixed remuneration in case of independent non-executive directors.

1.4 Material transactions

The Company paid a dividend of EUR 7.1mn to its sole shareholder Allianz Europe Limited (EUR 2.09 per share) in January 2016.

All material transactions of the Company with other Allianz Group entities were conducted on an arm's length basis, and were related to the following types of transaction:

- The Company holds a bond issued by Allianz SE;
- The Company engages in derivative transactions with Allianz SE to hedge FX risks;
- The Company engages in reinsurance transactions with Allianz SE Reinsurance and other Allianz Group entities.

2 Fit and proper requirements

The Company's Fit and Proper Policy sets out principles, criteria and processes to ensure the fitness and probity of those persons who manage the undertaking or work within key functions.

The Fit and Proper Policy provides guidance on how fitness and probity are assessed depending on the findings and information gathered during recruiting, regular reviews and ad-hoc reviews, and on the consequences of a negative assessment.

This policy contains a definition of fitness and probity and the requirements for the various relevant positions. The policy also describes the processes necessary to ensure the fitness and probity of the persons holding these positions.

At recruitment, the specific fitness requirements for both internal and external candidates must be determined. A CV should be submitted by each candidate and interviews are scheduled. Interviewers (by position and/or function) should be specified for each potential role. Notes from any interviews and/or how a person's previous performance equips him for the relevant function, are documented.

Reference checks and public media searches may be made by the Company as part of background checks to ensure the applicant's information is correct; in the absence of any document required as part of the background check the Company can request a self-declaration to serve as proof. Any employment contract for a pre-approval controlled function ('PCF') role is subject to receiving CBI approval initially and continually adhering to the Fit and Proper standards.

Performance reviews take place on a regular basis for all permanent employees of the Company in order to, amongst other goals, assess the fitness and probity of staff. In addition, PCF and controlled functions ('CFs') are required to certify that they are aware of the Fit & Proper standards, and to agree to continue to abide by those standards. These individuals must also declare whether they are aware of any material developments in relation to their compliance with the standards of which the Company ought to be aware.

On an ongoing basis, professional training ensures that the fit and proper requirements are constantly met and training on compliance topics (including ethical business behaviour, anti-fraud and anti-corruption) is offered to provide employees with clear rules for proper behaviour. The Company requires individuals to self-certify that they are compliant with their particular continuing professional developments requirements.

Ad-hoc reviews of a person's fitness and probity may take place in certain extraordinary situations giving rise to questions regarding a person's fitness or probity.

The Company's Fit and Proper Policy specifies that heads of department are key function holders and therefore comparable to the Central Bank of Ireland's designation of pre-approval controlled functions.

In respect of key function holders, the directors and any person performing a pre-approval controlled function within the Company are subject to the Fitness and Probity standards, the Code issued under Section 50 of the Central Bank Reform Act 2010.

All persons performing pre-approval controlled functions have declared that they meet the Fitness and Probity standards, that they are competent and capable, act honestly, ethically and with integrity, and are financially sound.

The Company's key functions holders have been identified as:

Key function	Key function holder
Risk management function	Head of Risk
Compliance function	Head of Compliance
Internal audit function	Outsourced to Allianz SE Reinsurance
Actuarial function	Head of Actuarial Function
Accounting and reporting function	Chief Financial Officer
P&C underwriting function*	Head of Client Management P&C

* P&C Underwriting considered a key function by the Company although it is not mandated by Solvency II

Table 8: Key function holders

The internal audit function is outsourced to Allianz SE Reinsurance which is – as part of Allianz SE – regulated by the 'Bundesanstalt für Finanzdienstleistungsaufsicht' (the German Federal Financial Supervisory Authority). The arrangement is governed by a service level agreement so is exempt from the CBI's Fit and Proper standard. In order to comply with the Company's Fit and Proper Policy, confirmation has been received from the service provider that all personnel are fit and proper.

3 Risk management system including the own risk and solvency assessment

3.1 Risk management framework

Figure 4 below shows how the various parts of the Company's Risk Management Framework (hereafter 'RMF') fit together. The Business Strategy (which is not part of the RMF) steers the Risk Strategy which, in turn, dictates the Risk Appetite. These three core elements of the business influence the Internal Model ('IM'), Top Risk Assessment ('TRA') , Risk Reports and Own Risk and Solvency Assessment ('ORSA'). The Internal Model and TRA are also used in both the Risk Reports and the ORSA, and any issues arising from the ORSA may be fed back into the TRA, or back into one of the core elements. The whole process is governed by the Risk Policy.

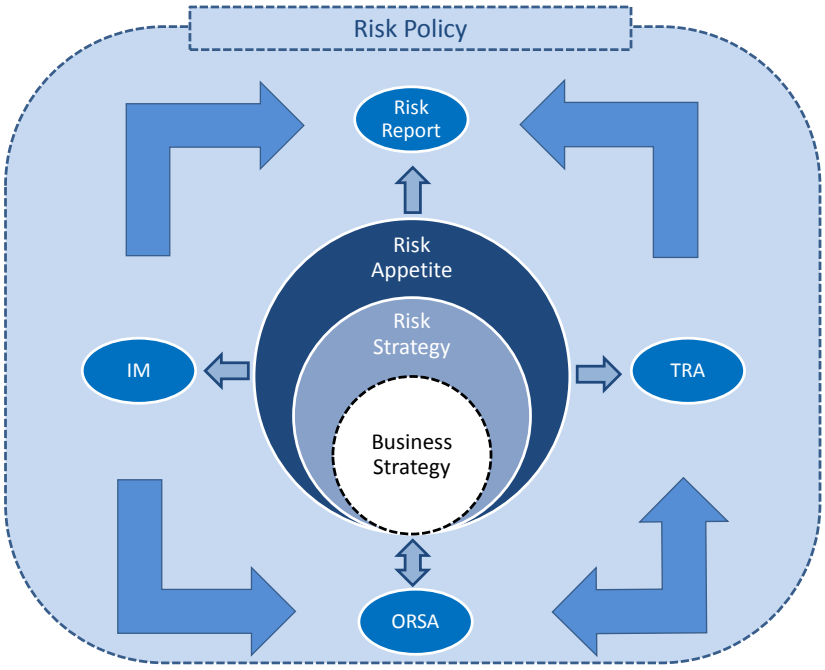

Figure 4: Risk management framework

The risk management framework's four primary components are:

Risk underwriting and identification: A sound risk underwriting and identification framework forms the foundation for adequate risk-taking and management decisions such as individual transaction approvals, new product approvals, and strategic asset allocations. The framework includes risk assessments, risk standards, valuation methods, and clear minimum standards for underwriting.

Risk reporting and monitoring: A comprehensive qualitative and quantitative risk reporting and monitoring framework provides directors and management with the transparency and risk indicators to help decide on the overall risk profile and whether it falls within delegated limits and authorities. For example, risk dashboards, internal risk allocation, and limit consumption reports are regularly prepared, communicated and monitored.

Risk strategy and risk appetite: The risk strategy clearly defines the Company's risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with the overall risk-bearing capacity. The risk / return profile is improved through the integration of risk considerations and capital needs into decision

making processes. This also keeps risk strategy and business objectives consistent with each other and allows the Company to take opportunities within its risk tolerance.

Communication and transparency: Finally, transparent and robust risk disclosure provides the basis for communicating this strategy to internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing. It also strengthens the risk awareness and risk culture throughout the Company.

3.2 Risk strategy

The Company's risk strategy and overall risk appetite are coordinated with and derived from the Company's business strategy and are set by the Board. The Company's risk strategy is defined in the Risk Policy. Specifically, insurance risks should be sought as long as the risk bearing capacities of the Company are not exceeded (e.g. by creating undue accumulations of risks) and they can generate enough profit or reduce capital, to create value for the shareholder. Any other risk should be actively avoided if possible or managed down to an acceptable level.

A detailed description of how the Company interprets the Risk Strategy is set out in the Risk Appetite Framework, which incorporates the Company's Risk Appetite Statement.
The Risk Appetite Statement outlines the level of risk the Company is willing and able to accept in pursuit of economic value. The Risk Appetite is expressed in qualitative and quantitative metrics for the key risks faced by the Company across a short, medium and long term horizon.

The Risk Appetite Framework covers the following five core elements:
1. Minimum target capital ratios;
2. Target ratings for top risks through the Top Risk Assessment;
3. Operational measures and limits for significant risks;
4. Appetite and controls for risks managed using policies, standards and guidelines;
5. Monitoring, escalation and reporting framework for these risks.

Risk Management activities throughout the Company must strive to achieve 'no surprises' beyond agreed risk limits and hence to:
- Provide a transparent and objective view of risk within the organisation;
- Raise the risk awareness among all employees and assure accountable ownership of risks at all levels;
- Ensure that actions are taken; and
- Increase the probability that the organisation meets its objectives.

Link to business strategy

The business strategy and the risk appetite are set by the Board and are dependent upon, and inter-related with, one another – as outlined in the Business Strategy of Allianz Re Dublin dac approved by the Board 11 May 2016.

The business strategy is implemented by a Group-wide management dialogue process which leads to a three year business plan and to the financial plan of the Company. The management dialogue consists of the following stages:

1. ***Strategic Dialogue:*** An annual strategic discussion takes place mid-year and confirms the key strategic objectives for the business over the medium term through discussion between Allianz Re and Allianz SE. Relevant strategic decisions are cascaded to the

Company and are recommended to the Board of Directors for approval. The final decision on the Company's strategy is made by the Company's Board of Directors.

2. ***Planning Dialogue:*** The planning dialogue takes place in the fourth quarter of each year and challenges the annual plan which is prepared following the strategic dialogue and represents the detailed planning phase of the process. The key performance targets and capital position, for the current forecast year and three following years, form the basis for discussions at the planning dialogue. It ensures the outcome is aligned with both the strategic dialogue and therefore Allianz Group's strategic direction. It is attended by Allianz Re and members of the Allianz SE Board of Management. Relevant planning decisions are cascaded to the Company. The agreed plan is then recommended to the Board for approval. The responsibility of the Company's plan is with the Company's Board.

Risk assessments, including outputs from the Internal Model, are an integral part of both steps. The Risk Appetite Statement is reviewed as part of the process. The business strategy is defined taking into consideration the amount of risk the Company is willing and able to accept, which is outlined in the Risk Appetite. As such, the entire business strategy process is part of the Company's ORSA process.

3.3 Principles for risk management

The fundamental principles of risk management, included in the Risk Policy, provide a high-level guidance to the risk management of the Company:

- The Board is responsible for the risk strategy;
- Risk capital is a key risk indicator;
- Line management responsibility and independent risk oversight is to be separated ('three lines of defence' concept);
- The organisational structure and risk process is to be clearly defined;
- Consistent qualitative and quantitative methods are to be used to measure and evaluate risks;
- A consistent limit system is to be developed to ensure adherence to the risk appetite and to manage concentration risk exposure;
- Appropriate risk mitigation techniques are to be employed to address instances where identified risks breach the established risk appetite;
- Consistent and efficient monitoring is to be established to ensure risk tolerance limits and top risk target ratings are adhered to;
- Complete, consistent and timely risk reporting and risk communication is to be made available to all relevant levels of management;
- Risk management processes are embedded within business processes wherever possible;
- All critical methods, procedures, structures and processes are documented in a comprehensive and timely manner.

3.4 Risk governance

Risk management is to be embedded throughout the Company and enacted at all levels of authority from executive management downwards. Responsibilities for risk management are clearly defined and allocated in a manner that allows for the appropriate separation of duties consistent with the three-lines-of-defence model.

Risk management is not a compliance focused activity that a few managers have to address once a year but it is aimed to become a mind-set that all employees share and apply in their day-to-day work.

Board of Directors
The Board holds ultimate responsibility for the Company. It is responsible for (i) setting and approving the Risk Strategy including the Risk Appetite and (ii) ensuring the Company's adherence to this Risk Strategy. Ultimately it is responsible for assessing the risk exposure of the Company and ensuring the risk management framework and internal control framework reflect its Risk Appetite. In carrying out this exercise, the Board shall clearly define the Risk Appetite and address separately the short, medium and long term horizons. Accordingly, the Board shall:

- Review and approve business strategies and main policies, as well as the Company Risk Strategy (including the Risk Appetite Statement);
- Identify and understand major risks faced by the Company within the execution of the business strategies;
- Ensure that a suitable and proportionate system of risk management is established and maintained, including regular internal reviews of the system of governance; and
- Ensure that the system of risk management is effective.

The Board needs to establish a risk culture within the Company which ensures that the business line management functions with a direct profit & loss responsibility (i.e. first line of defence, or 'risk taking units') support the assurance functions (i.e. second line of defence) in fulfilling their standard and ad-hoc risk reporting requirements. While risk management is the responsibility of the Board as a whole, one member of the Board (the Chairman of the Risk Committee) is designated to oversee the risk management system.

Risk Committee
The Risk Committee has the objective of defining and maintaining oversight of all risk management activities within the Company. It is therefore responsible for the oversight of the overall risk position of the Company, including monitoring all risk types. In addition, the Risk Committee defines, maintains and monitors the structure and scope of the risk management and controlling frameworks, including risk limits, guidelines, the capital model and risk methodology.

Underwriting Committee
The Underwriting Committee assists the Board in fulfilling its oversight responsibilities regarding underwriting activities.

Finance and Investment Committee
The Finance and Investment Committee supports the Boards of the Company in overseeing the risks arising out of the asset allocation, investment strategy and investment management, within the risk management framework established by the Risk Committee. Among its responsibilities, the Committee implements the credit risk limits set by the Allianz Group Finance and Risk Committee.

Reserve Committee
The Reserve Committee supports the Board by regularly reviewing portfolio experience and the actuarial reserve proposals.

Head of Risk
The Head of Risk is the key function holder as regards the independent risk oversight of the Company. The role is a pre-approval controlled function and reports into the Risk Committee. His core task is to establish and maintain the Company's risk management framework in close coordination with the global Allianz Re function, encompassing:

- Maintenance of risk policies and guidelines and the Risk Strategy for the Risk Committee and Board;
- Co-ordination of risk identification, assessment, measurement, monitoring and reporting;
- Co-ordination, tracking and follow-up on all risk mitigation actions taken;
- Organisation, collation, preparation and distribution of the Risk Report and other material for the Risk Committee;
- Ensuring proper operation of the risk capital calculations, performed jointly with the Risk Controlling team of Allianz Re;
- Supporting the Company's employees in the assessment and communication of risks upon request.

For day to day operations the Head of Risk is supported in his oversight and control responsibilities by the Risk Controlling team of Allianz Re (henceforth referred to as 'Risk Controlling Team'), of which he is a member. The Risk Controlling Team develops methods and processes for identifying, assessing and monitoring risks within all units of global Allianz Re, consistently with the Group's approach based on systematic qualitative and quantitative analysis.

The Head of Risk acts as secretary to the Risk Committee.

Head of Compliance
The compliance function is responsible for oversight, detection, prevention and advice with respect to the compliance risk areas of the Company. The Head of Compliance reports to the Audit Committee. A more detailed description of how compliance function is implemented at Allianz Re Dublin dac can be found in chapter B.4.4.1 Compliance Function.

Audit Committee and Internal Audit
The Internal Audit team represents the third line of the 'three lines of defence system'. Internal Audit present their reports to the Audit Committee. The Chairman of the Audit Committee sits on the Risk Committee, and the Chairman of the Risk Committee also sits on the Audit Committee. A more detailed description of how Internal Audit executes its control activities can be found in chapters B.5 Internal Audit and B.8.1 Assessment of adequacy.

Heads of department
Everyone with a line or project management role is responsible for assessing and communicating risks within their sphere of responsibility, including judging when a risk should be reported to the Head of Risk and maintaining a list of project risks. For support and advice on all risk related matters they are encouraged to revert to the Head of Risk.

3.5 Risk categorisation

According to the Allianz Group Risk Policy, which is referenced in the Company's Risk Policy, risk is defined as an unexpected, negative change in the appraisal value of Allianz or, insofar as influenced by a failure of Allianz to meet fiduciary or regulatory requirements, in the economic position of Allianz stakeholders. Appraisal value in this context includes both current economic value and the value of future business.

Allianz categorises all risks into one of the following eight broad risk categories, which may then be further broken down into risk types:

Market risk: Unexpected losses arising due to changes in market prices or parameters influencing market prices, as well as the resultant risk from options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related

undertakings driven by market parameters. In particular, these include changes driven by equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. By that it also includes changes in market prices due to a worsening of market liquidity.

Credit risk: Unexpected losses in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments (i.e. payment overdue).

Underwriting risk (or actuarial or insurance risk): Unexpected financial losses due to the inadequacy of premiums for catastrophe and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality or longevity.

Business risk: Unexpected decrease in actual results compared to business assumptions, which leads to a decline in income without a corresponding decrease in expenses; this includes lapse risk.

Operational risk: Unexpected losses resulting from inadequate or failed internal processes and systems, from human misbehaviour or errors or from external events.

Reputational risk: Unexpected drop in the value of Allianz share price, value of in-force business or value of future business caused by a decline in the reputation of Allianz Group or one or more of its specific operating entities ('OEs') from the perspective of its stakeholders.

Liquidity risk: Unexpected financial losses due to a failure to meet, or to meet based on unfavourable altered conditions, short-term current or future payment obligations, as well as the risk that in the event of an OE liquidity crisis refinancing is only possible at higher interest rates or by liquidating assets at a discount.

Strategic risk: Unexpected negative changes in OE value arising from the adverse effect of management decisions regarding business strategies and their implementation.

Some of the eight broad risk categories may accumulate as a result of an unbalanced risk profile with one or more disproportionately large risks (concentration risk). Similarly, changes to the profile of existing sub-categories of risk may arise and new sub-categories of risk may emerge within the eight broad risk categories (emerging risk). Concentration risk and emerging risk do not constitute separate risk categories.

3.6 Risk management process

For all material risks, a comprehensive quantitative and qualitative risk management process is in place that incorporates (i) risk identification, (ii) risk assessment, (iii) risk response and control activities, (iv) risk monitoring, and (v) risk reporting. The process is implemented and conducted within the confines of a clearly defined risk strategy and risk appetite and periodically assessed for adequacy.

3.6.1 Top Risk Assessment (qualitative approach)

All material quantifiable and non-quantifiable risks across all risk categories, including any risk concentrations, are analysed via performance of a Top Risk Assessment ('TRA').

The principle objective of the TRA is to identify and remediate significant threats to financial results, operational viability or the delivery of key strategic objectives, regardless of whether

they relate to quantifiable or non-quantifiable risks. It is the Company's approach for ensuring that top risks are identified, assessed, managed, mitigated and monitored.

The ultimate responsibility for identifying and assessing risks as well as for setting an appropriate risk target and implementing risk mitigation plans lies with the risk owner at senior management level.

The Company has adopted the methodology for TRA as laid down in the Allianz Standard for Top Risk Assessment.

3.6.2 Internal risk capital model (quantitative approach)

All material and quantifiable risks, including market, credit, insurance and operational risks, are calculated on a quarterly basis using the internal risk capital model.

The Company uses the internal model and its risk capital calculations to ensure that adequate capital exists to protect against unexpected, extreme economic losses. It is also used for decision-making and risk management processes with respect to each of the quantifiable risk categories. The Company considers the internal model in the following decisions:

- Setting the business strategy and capital planning as well as the risk strategy including limit systems;
- The underwriting process (covering underwriting and business risks) in the analysis and development, as well as in the pricing and approval, of new and existing treaties;
- Setting the retrocession strategy;
- The strategic asset allocation (the analysis of the risk bearing capacity with respect to market and credit risk).

The Board is responsible for approving the internal model and any material changes to it, subject to a stringent model validation process, thereby ensuring the ongoing appropriateness of the model for the Company's risk capital calculation.

The framework for model governance is given by the Company's Model Governance Guidelines, an implementation of the Allianz Standard for Model Governance. The framework covers the whole life cycle of the internal model from model development to model implementation and use, ensuring the on-going adequacy of the internal risk capital model to business profile. Specifically, key topics covered include: model changes, model updates, validation, approval, implementation and the monitoring of the ongoing appropriateness for use.

For model validation the following approach is applied:

- Model owner activities assess whether the results produced by the model are appropriate and the existing documentation is sufficient;
- Independent validation considers model specific validation topics, such as coverage, methodology, calibration, data, computational process, results and documentation as well as qualitative aspects, such as model governance, expert judgment, data quality, and use test;
- Suitability assessments assess whether central model components are appropriate taking into account local specificities;
- Transversal model validation is employed to validate the entire model taking into consideration results across all validation areas and the interrelation between them.

The annual validation report drafted by the Head of Risk and presented to the Risk Committee and Board for approval is used to document the results of the regular validation

assessment and approve the ongoing appropriateness of the overall internal capital model, as well as to fulfil Solvency II regulatory requirements.

The Allianz Group Standard for Model Change sets the rules and principles for ensuring the appropriateness of internal model changes:

- The internal risk capital model may need to be changed subsequent to initial validation and approval to ensure that it remains appropriate after events that may require a model change (e.g. changes in the risk profile, business model or operating environment);
- All model changes must go through a structured model change and approval process before they may be implemented;
- The depth of the respective model governance (i.e. approval body) depends on the materiality and proportionality of the model component;
- The quantitative impact of individual changes, as well as the combined impact of multiple changes, are analysed as an integral part of the model change process.

3.6.3 Risk reporting

The Head of Risk is responsible for the regular reporting of all major risks of the Company in a quarterly Risk Report. Once the Risk Committee has signed off the Risk Report (or requested changes have been implemented) the final version is made available to the Board and the employees of the Company.

At a minimum, the Risk Report covers all limits in the Risk Appetite Statement and all Key Risk Areas identified in the TRA process. In particular all Key Risk Indicators identified are reported on a regular basis to provide management with an early warning system.
Risk issues identified by management that have the potential for deterioration if not acted upon immediately are flagged to the Head of Risk without delay, who will include them in an ad hoc report to the Risk Committee.

Internally, risk management is embedded within the Company, ensuring that all staff understand the risk management strategy and their role in managing risks and keeping the risk register up to date. To do this, briefing meetings including resulting feedback and team meetings are used to promote increased awareness and understanding of general and operational risks and risk management performance issues.

3.6.4 Specific risk management processes

In addition to the Top Risk Assessment, all material risks are managed through the application of specific risk management processes. These processes are laid down in chapter C Risk Profile.

3.6.5 Comprehensive Control Concept (‘CCC’)

The objective of CCC is that all critical processes have controls adequate to ensure that they are performed accurately and completely and in as timely a manner as necessary to accomplish their intended purpose.

The following processes are currently in scope of the CCC:

- Financial statements and related processes (to be managed within ICOFR process);
- Risk capital calculation (managed within ICOFR process);
- Operational risk identification in main business areas (managed within RCSA process).

An overview of the CCC framework components is given in chapter B.5 Internal control system.

3.7 Own risk and solvency assessment ('ORSA')

The ORSA is a process that assesses the current and potential future risks and solvency of the Company. It is part of a cyclical and iterative system involving the Board, senior management, the risk function and employees of the Company. It aims to provide the Board with confidence on how the strategy of the Company will perform against various risks (both quantifiable and non-quantifiable). It goes beyond the determination of capital needs provided through application of risk capital models by additionally performing scenario analyses, stress tests and reverse stress tests and considering other non-quantifiable risks and how these risks translate into capital needs or are otherwise mitigated. As part of the scenario analysis, links between risks are considered, e.g. the impact of a large catastrophe event on market risk.

As such, the ORSA is an integral part of the business strategy and is performed at least once a year ('regular ORSA'). It is also performed whenever the risk profile changes significantly ('ad-hoc ORSA'). Whenever the process is completed, it is documented in the ORSA result report and provided to the Central Bank of Ireland.

In 2016 the Company issued its third official ORSA report, the first under the new Solvency II rules. The report documented the Company's capital adequacy situation under the Solvency II rules, from both Pillar I and Pillar II perspectives. Special attention was paid to the assessment of internal capital needs and to ensuring the Company meets the minimum coverage ratios.

4 Internal control system

4.1 Internal controls

Internal controls describe the set of activities undertaken by the Company to provide reasonable assurance regarding the achievement of the following objectives:

- Effective and efficient operations;
- Reliability of management and financial reporting;
- Compliance with applicable laws and regulations.

Regardless of the activity in question, the implementation of the Company's internal control system is based on the following general principles, as set out in the Company's Governance and Control Policy:

- Four eyes principle: material decisions are taken by at least two representatives of the Company;
- Segregation of duties; where appropriate, duties are segregated in order to avoid potential conflict of interest; examples include separating payments, settlement and bookings from trade takings; separation of limit setting and authorizations of transactions; separation of control performance and control testing or monitoring;
- Three lines of defence model: line management responsibility and independent risk oversight are separated in the internal control framework;
- Raising awareness to perform internal controls by defining and communicating clear responsibilities
- Implementing structured processes for which key controls are in place and are working effectively

The Internal Control system at the Company is thus articulated along three lines of defence, where each level performs different control types:

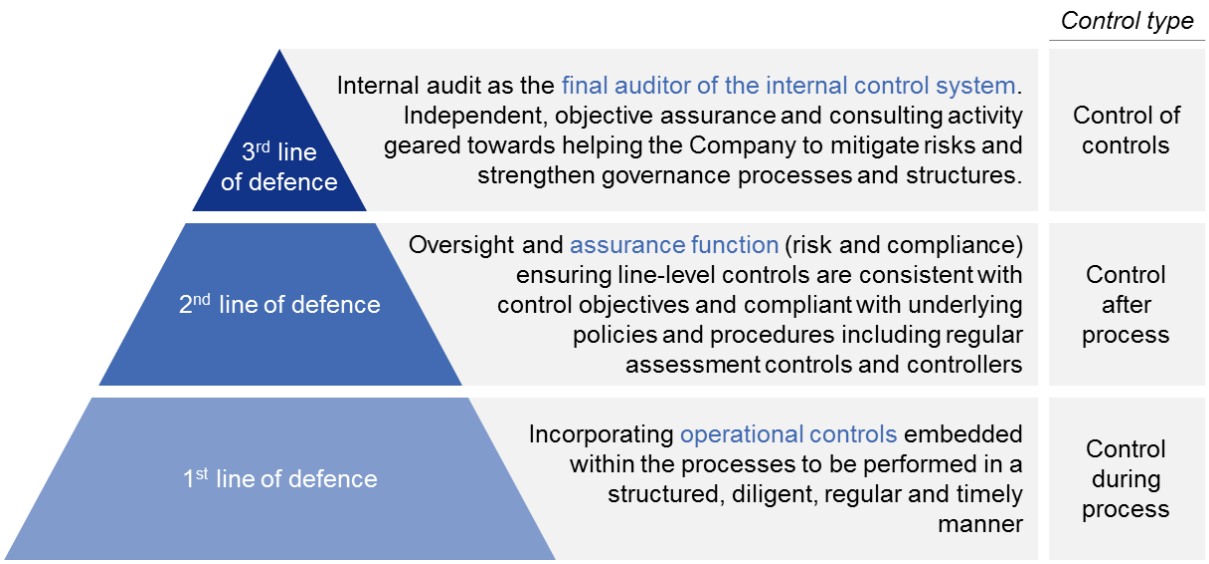

Figure 5: Internal control system

4.2 Internal control framework

The internal control system comprises various control concepts integrated within a common framework, the Comprehensive Control Concept ('CCC').

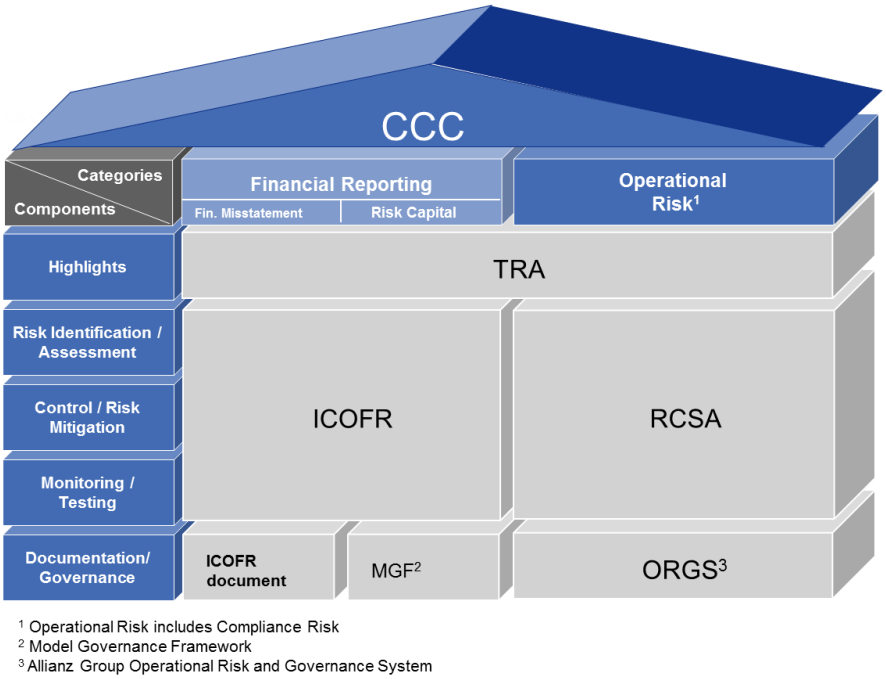

Figure 6: Internal control framework

The objective of CCC is that all critical processes have controls adequate to ensure that they are performed accurately and completely and in as timely a manner as necessary to accomplish their intended purpose.

The CCC framework encompasses different risk areas which share a common, structured procedure, consisting of several steps:

1. ***Scoping and process mapping.*** The process starts with a risk-based determination at the Company's level of its key processes, i.e. the processes whose performance is critical for the Company's operating model. Key processes are mapped and the inputs, processing activities, outputs and ownership of the process are documented.

2. ***Risk identification and assessment.*** After having mapped the key processes, the next step is to identify the risks that could hinder these key processes, or lead to material financial misstatements in the case of the Internal Control of Financial Reporting ('ICOFR'). As part of the risk assessment, risk scenarios that could result in a significant financial impact are identified and analysed with respect to both severity of the impact and associated occurrence probability ('RCSA').

3. ***Control identification and documentation.*** The CCC process then applies controls to reduce the likelihood and severity of a process failure risk occurring. The Company distinguishes between key controls and normal controls according to the frequency and severity of the respective risks. Key controls are subject to more stringent requirements in terms of testing and documentation than normal controls. For each key control a template is filled in with information regarding the control nature, type, frequency and ownership.

4. ***Control testing.*** Controls are evaluated in order to ensure that they are appropriately designed to mitigate all significant risks and that they are operating effectively.

5. ***Control deficiency remediation / evaluation / re-testing.*** An internal control deficiency may be identified through testing or through other sources, such as internal or external audit reports. Any identified control gaps or deficiencies are documented and an action/remediation plan is established. When a control deficiency is remediated, the control will be re-tested.

For an illustration of the CCC framework, ICOFR is an appropriate example. The Company is making progress towards a full implementation of controls over its financial reporting processes, with the objective of identifying and mitigating the risk of material errors in the Company's financial statements. In particular, ICOFR covers all relevant components of financial reporting:

Processes related to financial reporting:
The following table illustrates the Company's key processes:

Key Processes	
Process 1	Underwriting P&C
Process 2	Actuarial (MVBS sub process)
Process 3	Technical Accounting
Process 4	Financial Reporting & Closing*
Process 5	Retrocession
Process 6	IT*
Process 7	Risk (including Risk Capital Calculations)*
Process 8	Investments
Process 9	Claims Control & Payment
Process 10	Entity Level Controls*

* Mandatory processes according to Allianz Group
Table 9: The Company's key processes

Policies, procedures and controls necessary for reliable financial statements and financial reporting:
ICOFR controls have been established and their ownership has been assigned to control owners. As per year end 2016 the Company has not been included in the ICOFR scope by Allianz Group, therefore while all relevant controls are effectively in place, the process of documenting the overall control environment is still ongoing.

Maintenance of records:
Records are kept with reasonable level of detail that accurately and fairly reflect transactions and dispositions to prepare financial statements and receipts and expenditures are properly authorized.

Prevention or timely detection of unauthorised transactions:
Management provide assurance regarding prevention or timely detection of unauthorized transactions that could have a material effect on the financial statements and the necessary management involvement in the ICOFR activities.

Although no system of internal control can provide absolute assurance against misstatement or loss, the Company's systems are designed to provide the directors with reasonable assurance of the management of business objectives and compliance, and that physical and financial assets are safeguarded, transactions are authorised and recorded properly and material errors and irregularities are either prevented or detected with minimum delay.

4.3 Main control areas of first line of defence

In addition to the key controls illustrated above, in this chapter examples of normal controls that the Company has in place are described.

4.3.1 Controls around risk capital calculations

The Company is implementing a control concept in the risk capital calculation and aggregation process since the internal risk capital calculations incorporate economic factors which are not fully reflected in accounting results. This control concept will be integrated in the ICOFR framework to the extent possible, and thus the same requirements will apply (e.g. regarding documentation and clear assignment of responsibilities). Key risks have been identified and respective controls are implemented to mitigate risk capital miscalculation.

Additionally, the model governance framework adopted by the Company establishes a set of compulsory model governance and control principles in line with the Solvency II requirements for internal model use. The framework also defines the general requirements for data quality assurance and documentation, including the specific areas of expert judgment and external models and data. It ensures that all models used to determine solvency capital requirements produce reliable output.

4.3.2 Controls around underwriting

Underwriting is the Company's core activity and is therefore subject to thorough controls. The control environment on the underwriting process is partly comprised in the ICOFR framework, due to the risk of misstating financial and regulatory reporting. However, additional control frameworks exist for underwriting processes, in particular regarding underwriting new business.

Underwriting controls are set out locally in the Standard for Non-Life and Life & Health Underwriting and the Functional Rule Non-Life Treaty, which follow the Allianz Group Standard for P&C Underwriting. These documents jointly outline the set of rules detailing which exposures, clauses and conditions may or may not be written in the P&C business, or are subject to upfront approvals. The definition of the structure and scope of the underwriting governance and controlling framework is one of the key responsibilities of the Company's Underwriting Committee.

The Company's underwriting activities are subject to, among others, the following principles:

- **Four eyes principle:** Technical assessments, pricing decisions (including contract signing) are reviewed by at least two people. The four eyes principle is properly documented and prevails on all commitments made on behalf of the Company.
- **Segregation of duties:** Duties are segregated between client managers, underwriters, the underwriting processing team of Allianz Re (which manages the administration of the contracts) and the Company's accountants.
- **Transfer pricing (arm's length principle):** All reinsurance contracts, incoming as well as outgoing, between Allianz Group Companies and the Company are based on arm's length terms, i.e. rates and conditions are in line with market practice.
- **Technical pricing:** A technical pricing / risk assessment is an integral and mandatory part of the underwriting process.
- **Transaction Summary Sheet:** The creation of a Transaction Summary Sheet ('TSS') is mandatory for all business and includes the conclusions of the underwriter and where necessary the actuary, Cat modeller, etc. together with final conclusions of the client manager. Included in this summary sheet are flagging guidance (Red, Amber,

Green) for technical pricing economics, coverage & conditions and robustness of technical pricing, including data quality.

- **Expert consultation:** In specific circumstances defined by the guidelines, Allianz SE Reinsurance and Group experts are consulted prior to any underwriting decision (such case may be, for instance, Allianz SE Reinsurance Centre of Competence NatCat for natural catastrophes exposures).
- **Actuarial involvement and sign-off:** Certain reinsurance programs require a mandatory actuarial sign-off. For instance, for all long-tail transactions (transactions with significant development of losses) where an actuarial development of losses is necessary, the actuarial analysis has to be carried out by the responsible pricing actuary and is reviewed by a second actuary in accordance with the referral process.
- **Documentation:** All treaties have to be entered in the underwriting IT system ("GRIP4UW"), in order to ensure transparency and accountability.
- **Underwriting file reviews:** A self-review process whereby the underwriting files belonging to the business are regularly assessed against the underwriting practices and functions and their linkage to relevant underwriting guidelines to ensure continued compliance. Such reviews are conducted by independent underwriters within Allianz Re but from outside of the Company.

In addition to the controls implied by the underwriting principles, and the controls set up within the ICOFR framework, a fundamental control process is represented by the referral process which is fully documented in the Standard for Non-Life and Life & Health Underwriting and the Functional Rule Non-Life Treaty.

As the Company's underwriting strategy is steered in alignment with the overall global Allianz Re underwriting strategy, the referral process is also instrumental in coordinating portfolio steering across the entities and locations that comprise Allianz Re.

Therefore, for treaty programmes exceeding certain quantitative thresholds (expected premium income or exposure / capacity), a mandatory referral process is in place known as a Global Review. The Global Review is jointly performed by the AZ Re CEO, Global Managing Director Reinsurance and AZ Re CUO with AZ Re CRO as a permanent guest. Global referrals are pure underwriting referrals and following this consultation the final decision rests with the Underwriting Committee.

4.3.3 Controls around investments

In addition to the controls around investments included in the ICOFR framework (e.g. regular reconciliations of trades, positions, or cash flows), a high level control framework around the Company's financial assets is in place as part of the overall investment management governance.

The Company's Finance and Investment Committee, when defining the Company's Strategic Asset Allocation, monitors quotas and leeways for the main asset classes. The Committee, together with the Risk Committee, is also responsible for the financial control process, in particular for the oversight of investment risks and results.

4.3.4 Controls around IT

Activities related to IT application development and maintenance have been outsourced by the Company to Allianz SE Reinsurance, which is part of Allianz SE, a German, BaFin regulated entity, and the respective service level agreements are subject to the Company's Outsourcing Policy. Allianz SE Reinsurance in turn outsources IT activities to Allianz

Managed Operations & Services ('AMOS'). These outsourced processes are governed by the Group's IT standards and guidelines which require Allianz SE Reinsurance and AMOS to adhere to a group-wide IT risk management and internal control framework.

4.3.5 Entity Level Controls

Entity Level Controls represent control activities whose conduct has a fundamental impact on the operating effectiveness of the Company and its process level controls. Examples of entity level controls implemented at the Company are controls over the effectiveness of the organizational structure or controls over the implementation of the Allianz Code of Conduct. In line with the CCC framework, the Company has made progress towards documenting its entity level controls, including control ownership and control frequency.

The design and operating effectiveness of the entity level controls is expected to be regularly assessed by the internal audit function through an Entity Level Controls Assessment ('ELCA') and includes a follow-up to ensure that any associated control deficiencies are addressed in an appropriate and timely manner.

4.4 Second line of defence controls

Second line of defence controls are effected by the risk management function (Head of Risk), the actuarial function (P&C Chief Actuary) and the compliance function (Head of Compliance) in the ongoing performance of their duties. For a more detailed description of the relevant processes performed by the Head of Risk (Top Risk Assessment and the Risk and Control Self-Assessment) see Chapter B.3.6.1 Top Risk Assessment and Chapter C1.5 Operational Risk.

4.4.1 Compliance function

The Head of Compliance is the key function holder as regards the independent compliance function of the Company and is part of the second line of defence.

The objectives of the compliance function are:

- Support and monitor compliance with applicable law, regulations and administrative provisions to protect the Company against compliance risks. This includes the identification, assessment and mitigation of these risks;
- Advise senior management and the Board on compliance with laws, regulations and administrative provisions adopted pursuant to the Solvency II Directive.

The role is a pre-approval controlled function and the Head of Compliance has a direct reporting line to the Company's Audit Committee and a functional reporting line to the Head of Legal and Compliance of the operating entity Allianz Re.

The activities and processes of the compliance function are performed locally by the Head of Compliance with additional support provided by the Legal and Compliance department of Allianz Re.

The Company has in place a structured compliance risk assessment process which is described in the Company's Compliance Policy.

Compliance risk identification and assessment

Compliance risk is defined as the risk of legal or regulatory sanctions, significant financial loss or loss to reputation that the Company may suffer as a result of not complying with laws, regulations and administrative provisions as applicable to its activities.

The main areas of responsibility for the Head of Compliance relate to risks arising from non-compliance with the local regulation on reinsurance undertakings (i.e. Central Bank of Ireland regulations and guidelines). The Head of Compliance receives support provided by the Legal & Compliance Function of Allianz Re for assessing risks arising from other compliance areas (e.g. economic sanctions). It should be noted, however, that the Company only writes internal business and therefore places reliance on cedants adhering to the same Allianz Group compliance standards.

Within his area of responsibility, the Head of Compliance identifies and evaluates potential areas of compliance risk which might lead to damage to the Company's reputation, regulatory sanctions or financial loss. This is done on an ongoing basis when new requirements are issued or circumstances or evidence indicate that the Company is not compliant. Results of the assessment form the basis for the compliance plan, the compliance report and for the compliance risk sections of the Risk and Control Self-Assessment ('RCSA') and possibly of the Top Risk Assessment ('TRA'), both owned by the risk management function (Head of Risk). These assessments are agreed with the Head of Risk in terms of methodology, timing and procedure.

Compliance risk management

The Head of Compliance advises and assists the management with measures to prevent, mitigate or minimise compliance risks. In particular, he develops and implements an annual compliance plan, outlining the planned compliance control activities for the individual relevant risk areas including underlying timeframes. The Head of Compliance sets-up the local compliance plans by considering Allianz Re's and the Allianz Group's compliance plans.

A compliance culture is promoted within the Company through an on-going cycle of compliance training and education, with the aim of ensuring strong awareness and understanding of compliance standards, procedures and guidelines. Compliance related training is coordinated by the Head of Compliance.

The Head of Compliance is responsible for adequately responding to compliance violations, if required by escalating to the Company's Audit Committee or to the appropriate Allianz Group bodies (e.g. the Group's Integrity Committee). In order to capture relevant incidents, the Head of Compliance facilitates and channels employee reporting and analyses other evidence related to potential incidents. However, employees have also the possibility to independently report a compliance case using a dedicated functionality of the Allianz intranet (Allianz whistleblowing function).

Managing the relationships with regulatory bodies with respect to compliance risk matters, as well as overseeing and managing inspections by the Central Bank of Ireland, are an essential part of the Head of Compliance's duties.

Compliance risk reporting

The Head of Compliance has a direct reporting line to the Company's Audit Committee and a functional reporting line to the Head of Legal and Compliance of the operating entity Allianz Re.

A quarterly compliance report is prepared by the Head of Compliance for submission to the Audit Committee. The report outlines key activities, relevant compliance obligations and indicates any deficiencies and actions taken.

4.4.2 Top Risk Assessment

With the Top Risk Assessment ('TRA') the Company identifies and actively manages the most significant material quantifiable and non-quantifiable risks across all risk categories. For further details please refer to chapter B.3.6.1.

4.4.3 Risk and Control Self-Assessment

The effectiveness of the internal control system is regularly assessed in the Risk and Control Self-Assessment ('RCSA') by the Head of Risk. This is a risk-based, structured appraisal involving the entire management of the Company. The objective of the RCSA is to identify and assess operational risks with particular focus on low frequency high impact events, that may potentially result in significant financial losses or may have significant impacts on the balance sheet. In cooperation with the relevant functions, such risks are managed by assessing the control environment and establishing remediation activities and/or controls where necessary.

During the previous RCSA process, while the controls were reviewed and updated, they were not tested for design effectiveness or operating effectiveness. This was remedied during the RCSA process for 2016.

For further details please refer to chapter C.5.

5 Internal audit function

Internal Audit independently reviews processes and determines whether the Company's control framework, as designed and represented by the management, is adequate, in place and operating effectively.

The Internal Audit team is a key function and represents the third line of the three lines of defence system. The Internal Audit function is outsourced to the Internal Audit Department of Allianz SE Reinsurance, the arrangement being governed by a service level agreement and subject to the Company's Outsourcing Policy. The outsourcing of the internal audit services does not imply any delegation of management responsibility for the internal audit function, which remains the corporate responsibility of the Company.

In particular, audit activities are performed in accordance with the Company's strategic and annual audit plans, as agreed between the Company's Audit Committee and Internal Audit function. Results of audits completed are formally reported by the Internal Audit function to the Company's Audit Committee. Internal Audit assists the Company in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control touch points and governance processes. This means that a key responsibility of the Internal Audit is to assess the quality of the internal control system, while being independent of the activities which are audited.

Internal Audit has interfaces and a close cooperation with other functions. In line with regulatory requirements, reciprocal oversight is exercised amongst the other risk and control functions Head of Risk, Actuarial function and Compliance function, notwithstanding the Internal Audit function's responsibility to review and audit these functions.

The Internal Audit function reports to the Company's Audit Committee.

The following Allianz Group Audit Policy requirements ensure independence and objectivity of the Internal Audit function:

- The Internal Audit Function must have a standing within the organizational structure that ensures to maintain the necessary independence. Necessary independence means that no undue influence is exercised over the Internal Audit function, for instance in terms of reporting, objectives, target setting, compensation or by any other means. Internal Audit must avoid conflicts of interest in fact or appearance. Internal Auditors and the Internal Audit function have the authority to express assessment and recommendations but cannot give orders (except in cases of suspicion of illegal activities or fraud).

- Each holder of an Internal Audit function (i.e. head of the Internal Audit department) must report directly to the CEO and, when permitted, to the respective Group Company's Audit Committee. The Head of Internal Audit must regularly have direct interaction with the CEO and the Chair of the applicable Audit Committee, where existing. Internal Audit departments also report functionally to Allianz Group Audit and are subject to oversight from Group Audit.

- The Internal Audit function shall have the right to communicate with any employee and obtain access to any information, records or data necessary to carry out its responsibilities, to the extent legally permitted. It has the responsibility and the right to review activities, procedures and processes in all areas of the Group, without limitation. Internal Audit has the unlimited right to obtain information and management must inform Internal Audit of serious deficiencies and major changes in internal control systems. This information must be handled with discretion and confidentiality.

6 Actuarial function

The Head of Actuarial Function, a pre-approval controlled function, is the actuarial key function holder and part of the second line of defence in relation to reporting, oversight and controlling activities.

The core tasks performed by the actuarial function as a second line of defence are based on regulatory requirements, in particular:

- coordination of calculation of technical reserves for accounting and regulatory purposes and other controlling and reporting figures;
- expression of an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements; and
- contribution to the effective implementation of the risk-management system.

In line with the Domestic Actuarial Regime and Related Governance under Solvency II, implemented by the Central Bank of Ireland in 2015, the Head of Actuarial Function produces an Actuarial Opinion on Technical Provisions ('AOTP') for the Central Bank of Ireland and an Actuarial Report on Technical Provisions ('ARTP') supporting the AOTP for the Board. The regime also requires an independent peer review of the technical provisions and the associated AOTP and ARTP, thereby providing an "independent view of the company's reserving". For the Company, this peer review is to take place every three years.

With respect to the P&C portfolio, activities related to the calculation of technical reserves have been outsourced to the Actuarial Department of Allianz SE Reinsurance, the arrangement being governed by a service level agreement and subject to the Company's Outsourcing Policy. Oversight over the calculation of technical reserves is provided by the Company's Head of Actuarial Function.

7 Outsourcing

The Company has a Board approved Outsourcing Policy, which is the local implementation of the Allianz Group Outsourcing Policy. The policy requires that prior to the commencement of any outsourcing of critical or important functions or activities, formal written notification should be provided to the Central Bank of Ireland (CBI), in line with the CBI's Outsourcing Notification Process under Solvency II. All outsourcing arrangements are subject to on-going monitoring and annual review.

The Company seeks to retain a lean organisation, focused on the business of reinsurance and leverages other Allianz Group entities with capacity or core competencies in specific operational and technical areas.

The Company's outsourcing arrangements as at 31 December 2016 are set out below:

Provider	Outsourced service(s) or function(s)	Jurisdiction of Provider	Relationship Owner
Allianz SE Reinsurance	Claims Services	Germany	CEO, CFO
Allianz SE Reinsurance	IT Services	Germany	CEO
Allianz SE Reinsurance	Actuarial, NatCat & Risk Management Services	Germany	CRO, Head of Actuarial Function
Allianz SE Reinsurance	Internal Audit	Germany	CEO
Allianz Investment Management SE	Investment Management	Germany	CEO, CFO
PIMCO Europe Limited	Asset Management	United Kingdom	CEO, CFO

Table 10: The Company's outsourcing arrangements as at 31 December 2016

8 Any other information

8.1 Assessment of adequacy

The Company operates in a continually changing environment and new risks emerge continually, however, the Company has a successful track record of managing these risks. The directors have expressed their confidence that they have put in place a strong management team, a solid risk management and governance framework, processes and controls capable of dealing with risks as they arise.

Furthermore, in line with the Company's Audit Policy, the quality of the internal control system is assessed by a function, the Internal Audit, that is independent of the activities which are audited. In particular, audit activities are performed in accordance with the Company's strategic and annual audit plans, as agreed between the Company's Audit Committee and Internal Audit function. Results of audits completed are formally reported by the Internal Audit function to the Company's Audit Committee.

8.2 Any other material information

All material information on the Company's system of governance has been provided in the previous chapters.

C Risk Profile

The current risk profile of the Company is captured by the solvency requirements. The Company is subject to Solvency II and uses the Allianz internal model for the calculation of the Solvency Capital Requirement ('SCR').

As at 31 December 2016 in EUR mn	
Solvency Capital Requirement	427.1
Own Funds	830.9
Solvency Ratio	**195%**

Table 11: The Company's capital position and solvency requirements

The Company's internal model results per risk category are set out below:

As at 31 December 2016 in EUR mn		
Stand-alone	Market risks	88.2
	Credit risks	25.3
	Underwriting risks	347.9
	Business risk	6.4
	Operational risk	30.7
Aggregation (undiversified)		**498.4**
./. Diversification		(53.0)
Aggregation (diversified)		**445.4**
./. Tax		(18.4)
Solvency Capital Requirement		**427.1**

Table 12: The Company's internal model results per risk category

The Company has established risk limits for each of the main risks, using the internal risk capital model where appropriate. The first set of limits reflects the upper boundary of what the Board views as acceptable risks for the Company to assume, and therefore they are documented in the Risk Appetite Statement. Accumulation and aggregation of risks across categories and concentration of risks within categories are considered. All upper boundary limits are monitored in the quarterly risk report.

Secondary risk limits may be set to provide early warning or directional information. Early warning indicators are also included within the Risk Appetite Statement. All secondary risk limits are included in the quarterly risk report.

1 Underwriting risk

The underwriting risk (also referred to as insurance or actuarial risk) consists of:
- Non-Catastrophe (Non-Cat) premium risk,
- Catastrophe (Cat) premium risk, and
- Reserve risk.

They are the largest and most important strategic risks of the Company.

The framework for premium risks is set out in the Allianz Re Standard for Non-Life and Life & Health Underwriting, the Functional Rule Non-Life Treaty and the Non-Life Treaty Pricing Guidelines. These documents set out the types of insurance risk the Company is willing to accept, how premium adequacy is ensured and what reviews and approvals are required. All treaties are designed and priced independently of any risk-mitigating retrocession that may be available.

In summary, it is mandatory that an internal reference price is calculated in accordance with the guidelines and with the tools approved by Actuarial Pricing. The key points of the pricing methodology have to be approved by the Risk Committee. Final approval for the underwriting is provided by the Company's Underwriting Committee.

For details on controls for underwriting activities please refer to chapter B.4.3.2.

Reserve risk is managed according to the Company's Reserving Policy. The following processes are in place to ensure adequate reserve setting:
- Quarterly reserve calculations by dedicated actuarial department;
- Process and methodology in line with Group Actuarial reserving standards;
- Reserves are presented to and agreed by the Company's Reserve Committee;
- CCC documentation of the reserving process.

1.1 Concentration of underwriting risk

The Company writes various types of non-life insurance risks, including property, motor and liability. The most significant risks arise from natural catastrophes (high-severity low-frequency events); this risk is not geographically specific, and hence there is little concentration risk under these treaties. Concentration of risk may also arise from insurance contracts issued to a cedant, within a geographical location. The relative variability of the outcome is mitigated if there is large portfolio of similar risks. Concentration of risk is also mitigated through retrocession.

1.2 Sensitivity of underwriting risk

In order to adequately manage the Company's risk exposures scenario analyses are performed. A one in ten year NatCat event for example would decrease the Company's Solvency II ratio to 141%.

1.3 Retrocession of underwriting risk

The Company utilises retrocession to mitigate its underwriting risk to within the defined risk appetite, to protect the solvency of the Company, to improve the efficiency of its use of capital and to meet Group strategic goals.

The Company's Retrocession Policy specifies the principles that govern the appropriate structures and counterparties for retrocession arrangements. The Risk Appetite Statement defines the Company's risk limits and the associated minimum levels of retrocession that are appropriate for the Company.

The Risk Committee is responsible for all outgoing retrocession activities, while very large or strategically significant treaties require the approval of the Board. The underwriting function acts as point of entry for all Company retrocession topics and is responsible for monitoring compliance and non-compliance with the Retrocession Policy.

The Whole Account Stop Loss ('WASL') treaty, the primary risk mitigation program in place for the Company's insurance business, limits the overall non-life exposure of the Company and ensures that the potential non-life underwriting losses of the Company are within acceptable limits. The retrocession limit has been calibrated to cover 1:200 year losses.

2 Market risk

Investment risk for the portfolio, including liquidity, is monitored in the Risk Committee. The management of the investment assets of the Company is the responsibility of the Finance and Investment Committee ('FICo'), who have outsourced the execution within a specified mandate to Pacific Investment Management Company ('PIMCO') and receive advice from Allianz Investment Management SE ('AIM').

The FICo is responsible for the Strategic Asset Allocation ('SAA') of the portfolio which aims to ensure that the assets and liabilities are appropriately matched by currency and duration, with a certain amount of leeway to cover tactical decisions and market or liability movements. The internal model is used in setting the SAA. In particular the liability values and durations by currency are taken from it, while asset values are taken from AIM.

The robustness of Allianz Group's Non-Life SAAs are annually tested under several dimensions, including market stresses, using both historic data and forward looking scenarios (e.g. AIM capital market scenarios). Changes to the portfolio of assets would be tested against internal model capital limits.

Other than some assets used to hedge foreign exchange exposures and the assets to meet liquidity requirements, the remainder of the investments are made in various types of bonds (sovereign, covered, corporate, etc.) with the aim of generating maximum return, subject to acceptable risk (credit default, asset liability mismatch, etc.). Hence, all investments have market-based values that are readily verifiable. There are no further asset-liability management risk mitigating techniques employed.

The target level of security of the portfolio of assets, including quantitative limits, is set out in the Risk Appetite Statement and monitored in the quarterly risk reports. The target profitability for investments is based on benchmark indices which are stated in the investment mandates.

The Company is exposed to various forms of market risk. These risk factors include interest rate risk, foreign exchange risk and market sensitivity risk. The Company targets assets (mainly bonds) that match its portfolio of liabilities by currency and by duration. Hence, the Company is exposed to concentration risk by product (bonds) and by currency (and therefore by geographical area). Other asset characteristics (industry, counterparty, etc.) are well diversified.

2.1 Market sensitivity risk

Market risk is mitigated by the formulation of, and adherence to, clearly defined investment policy statements. Limits are set in relation to the magnitude and nature of risk exposure which can be undertaken. These guidelines are subject to strict internal controls and reporting procedures and are monitored by the Finance and Investment Committee, which is chaired by a Director. The contractual appointment of external investment experts also serves to mitigate the risk.

2.2 Interest rate risk

For the Company's non-life reinsurance business, interest rate risk arises primarily from investments in fixed interest securities. Interest rate risk is managed, in the main, by matching the average duration of the fixed interest debt securities held to the average

duration of the insurance liabilities they support. The average expected duration of the liabilities was approximately 3.0 years for the reporting period. Interest rate risk in respect of cash holdings is mitigated by holding cash and term deposits only to provide short term liquidity.

As of 31 December 2016, sensitivity analyses show that a decrease in interest rates by 100 basis points would cause a drop in the Solvency II capital ratio from 195% to 188%.

2.3 Foreign exchange risk

The Company currently transacts business primarily in three currencies – Euro, Sterling and US Dollar. Therefore, it has to hold technical reserves and balances in these currencies. The Company's accounting currency is Euro. This means that exchange movements in Sterling or US Dollar against the Euro can result in foreign exchange gains or losses in the Company's Euro denominated accounts. This risk is mitigated with the help of FX forwards and by ensuring that assets and liabilities match by currency in FRS 101 so that any exchange movement in foreign currencies against the Euro results in matching foreign exchange gains and losses.

As of 31 December 2016, sensitivity analyses show that a weakening of 10% of foreign currencies would cause a drop in the Solvency II capital ratio from 195% to 190%.

2.4 Credit spread risk

The internal risk capital framework fully acknowledges the risk of declining market values for the Company's fixed income assets due to the widening of credit spreads. However, the Company's risk management and appetite also take into account the business model's underlying economics. Applying the volatility adjustment – a standard method developed for this case – to the underlying interest rate curve, reflects the fact that fixed income assets are typically held until maturity which means that short-term changes in market prices do not materially affect the Company. This allows the Company to invest in bonds yielding spreads over the risk-free return and earning this additional yield component as a long term investor.

As of 31 December 2016, sensitivity analyses show that an increase in credit spread of 100 basis points for government bonds would cause a drop in the Solvency II capital ratio from 195% to 191%.

2.5 Inflation risk

As a reinsurance entity the Company is exposed to changing inflation rates, predominantly due to its non-life insurance obligations. Since inflation increases both claims and costs, higher inflation rates will lead to higher liabilities. Inflation assumptions are taken into account in pricing and the risk of changing inflation rates is reflected in the Allianz internal model.

3 Credit risk

For the Company credit risk generally arises from one of two sources: outgoing reinsurance (i.e. retrocession) and investments.

Retrocession is managed according to the Company's Retrocession Policy. Investments in fixed income securities are governed by the FICo, with reference to the SAA and credit limits set in the Risk Appetite Statement. Derivatives are marked to market. However, Potential Future Exposures (PFE) generate additional credit risk which is monitored through CRisP, the Credit Risk Platform of Allianz Group.

The Company assesses its credit risk by using Group Risk's Credit Risk Modelling Framework. CRisP is used for the quarterly monitoring of credit risk accumulation and as a limit framework.

CRisP is a proprietary Allianz Group-wide obligor and country limit management system for identification, assessment and management of exposure concentration risk in order to restrict potential losses from single credit events and on annual aggregated basis at the Group and entity level. The limit framework covers obligor concentration risk related to credit and equity exposures. Credit risk limits are set by the Company's Risk Committee, while the implementation is delegated to the Company's Finance and Investment Committee. It is the responsibility of the Head of Risk, supported by the Allianz Re Risk Controlling Team, to monitor the exposure and request corrective actions in case of breaches.

4 Liquidity risk

The SAA, including appropriate minimum and maximum parameters, takes cognisance of the Company's liquidity requirements in meeting all liabilities as they fall due over the short and medium term. In general, the Company generates sufficient operational cash inflows to satisfy most payment requirements in conjunction with the minimum cash holding parameters.

However, there are limited incidences of material external cash transfers, mostly represented by periodic dividend and retrocession premium payments. As these are known well in advance, liquidity planning is relatively straightforward. Significant claims also require liquidity, although these tend to take a number of months to finalise, allowing the Company to liquidate assets in a timely manner if necessary, especially if the timing of retrocession recoverables does not match the claim payments.

The Company has an overdraft facility with the Allianz SE cash pool to assist with short term liquidity. In addition, the majority of the Company’s investment portfolio consists of bonds (government gilts, corporate and covered bonds) which are very liquid and could be sold quickly if necessary, with minimal losses assuming a non-stressed market environment. Liquidity Risk is monitored in the quarterly Risk Report, analysing liquidity sources and needs over various time horizons and stress scenarios.

The expected profit included in future premiums net of reinsurance as at 31 December 2016 amounted to EUR 107.1mn.

5 Operational risk

The Company's operational risk management framework is set by adopting the Allianz Standard for Operational Risk Management. The operational risk is managed through a combination of processes, the main ones being the Operational Risk Loss Data Capture Process and the Risk and Control Self-Assessment ('RCSA').

The capture and reporting of operational risk event data is required to meet Allianz operational risk management requirements and external regulatory requirements. The Operational Risk Loss Data Capture Process collects all potential or realised operational losses in a central IT-System "Open Pages" (also called Operational Risk Governance System, 'ORGS'). The Company leverages the framework and processes of Allianz Re which are implemented in line with the Group guidelines and described in the Allianz Re Operational Risk Loss Data Capture Process. This is the Allianz Re implementation of the Allianz Group Operational Risk Event Capture Guideline.

The Risk and Control Self-Assessment process is a group-wide process, similar to the TRA but focussing only on operational risk with the following objectives:

- to ensure, through scenario based analyses, that effective risk mitigation activities are in place for all potentially large operational risks;
- to identify operational risk scenarios to be included in the operational risk capital model;
- to identify operational risks that may be subject to the Top Risk Assessment process (TRA).

There is a clear link between TRA and RCSA:

- Risk experts from the TRA are risk owners in the RCSA process to ensure proper communication and information.
- Operational top risks correspond to one or more risk scenarios in the RCSA.
- Every year, relevant risk scenarios are identified for each business area, based on expert opinion and experience, incorporating an operational risk scenario catalogue made available by Group Risk. A risk owner at management level is appointed for each identified risk scenario.

The RCSA process feeds into a detailed Scenario Analysis ('ScA'), which gives input into the operational risk capital model. The framework for the RCSA process is described in the Operational Risk and Control Self-Assessment Guideline issued by Group Risk. The RCSA process forms part of the overall CCC framework.

In addition to the general operational risk management processes described above, additional framework and processes focused primarily on specific operational risk types also exist. Most notable amongst these are the frameworks related to Legal and Compliance Risk, Business Continuity Risk and Outsourcing Risk.

Legal and compliance risk

The Company leverages guidelines issued from Group Legal and Compliance. The Company's Governance and Control, Compliance and Fit and Proper policies have been developed using this process, adjusted for specific local requirements (e.g. CBI Fitness and Probity requirements, CBI Corporate Governance Code). Regular assessments regarding Legal and Compliance risk are conducted. The results of these assessments are shared with the Head of Risk. As Legal and Compliance risk forms part of operational risk these aspects are also discussed on an aggregate level in the RCSA.

Business continuity risk

The Company leverages the Business Continuity Management ('BCM') Framework as defined by the Group BCM Core Team. As required, a BCM plan, a business impact analysis and risk identification assessment have been developed. They are updated annually by the Company's BCM officer and reviewed by the Company's Head of Risk.

Outsourcing risk

The governance of all outsourced activities is covered by the Company's Outsourcing Policy. In addition, IT application development and maintenance are outsourced by the Company to Allianz SE Reinsurance who in turn outsources IT-related activities to AMOS. These processes follow Allianz Group's IT standards and guidelines.

6 Other material risks

Reputational risk
The Company does not see high potential for reputational risk as reinsurer, as it writes only internal business. The Company places reliance on the fact that Allianz operating entities should already conduct a detailed reputational risk assessment in accordance with Group requirements set out in the Allianz Standard for Reputational Risk and Issues Management. Nonetheless, at Allianz Re level there is a defined process in place to identify, assess and manage and report reputational risk which is followed by the Company. Among the reputational risk management activities, reputational risk is assessed annually for each top risk within the Top Risk Assessment. Action plans (if in place) are monitored and reported according to the TRA process.

Business (cost and lapse) risk
This is the risk of not writing new business and still incurring fixed acquisition cost (cost risk) and the risk of not renewing existing business and hence losing profits embedded in these contracts (lapse risk). Given the internal nature of the Company's clients and the structure of many of the treaties, this risk is seen as low for the Company. Accordingly, business risk has a minimal impact on the Company's risk capital.

Key person risks
Within the business, sudden and unsought departures for most roles can be covered in the short-term by other employees elsewhere in the Group. However, there are certain roles which require skills and experience that are not widely available within the Group and therefore represent significant risk should the current employee leave the Company or is unable to fulfil his role. These key person risks are managed by the CEO and monitored by the Risk Committee.

New product risks
Most P&C reinsurance renewal arrangements do not constitute new products as they are traditional reinsurance treaties. This risk is most likely to materialise as part of a non-traditional, capital management reinsurance strategy for the Group or for one of the OEs.
There is a defined process for new products in the underwriting guidelines, and new products require approval from the Risk Committee and the Board.

Emerging risk
Emerging risks include risks from new technological developments, new or changing environmental, industry or regulatory risks or socio-demographic changes. These risks have implications on credit and insurance risks, bear a high loss potential (e.g. asbestos, drug related product liability claims and gene technology) and are often difficult to quantify due to a lack of historical information.
Other emerging risks may be identified during normal business activities and should be reported to the Head of Risk.

7 Any other information

7.1 The Prudent Person Principle

The specific requirements of the Prudent Person Principle and its implementation within the Company are detailed in the Company's Standard for Insurance Investment Assets. This standard outlines the principles and rules which apply to the investment assets of the Company. The implementation of the Prudent Person Principle comprises rules concerning the due diligence and processes, the care, skills and delegation, the quality of investments, diversification, and specific rules for certain investment categories.

General rules
In general, the Company only invests in assets and instruments whose risks it can properly identify, measure, monitor, manage, control and report, taking into account the assessment of its overall solvency needs, the specific risk profile, approved risk tolerance, limits including limits for off-balance exposure and the business strategy. Accordingly, an investment is only admissible if it can be properly modelled in the applied internal risk model, adequately reflecting its risk profile.

Asset Liability Management is the central part of the Investment Process for the Company: assets held to cover technical provisions are invested in accordance with the nature and duration of the liabilities.

Due diligence and processes
The Company has established an investment management function to ensure the security, quality, liquidity, profitability and availability of its investment portfolio as a whole. In performing its investment management function, the Company has transferred its investment management tasks to Allianz Investment Management SE ('AIM') in accordance with the rules and procedures as described in the Company's Outsourcing Policy. The services to be performed are described in the service level agreements between AIM and the Company.

Care, skill and delegation
The Company ensures, within the service level agreements with AIM, that the involved and appointed parties and individuals have the necessary knowledge and qualifications for managing, steering and controlling the investment portfolios in order to understand (i) the risks associated with the investments, (ii) the Company's Investment Risk Management Policy, (iii) the necessary level of "familiarity" with the liabilities and (iv) regulatory constraints to appropriately carry out their responsibilities.

Qualitative features of investments
The Company invests all Insurance Investment Assets in such a manner as to ensure achievement of the target level for the security, quality, liquidity, profitability and availability of its portfolio as a whole. The target level of security of the portfolio of assets, including quantitative limits, is set out in the Risk Appetite Statement and monitored in the quarterly risk reports. The target profitability for investments is based on benchmark indices which are stated in the investment mandates.

The level of security and quality of the overall portfolio of Insurance Investment Assets is high in order to ensure that the Company can fulfil promises to its cedants at all times. That means that risks taken in the investment portfolio are in line with overall solvency and risk bearing capability of the Company and of Allianz Group as a whole, taking into account characteristics of the assets such as tangibility, sustainability, rarity, demand, liquidity, credit quality of counterparties, gearing or encumbrances, tranches, localization and availability.

The investment portfolio consists mainly of fixed income investments and cash, with a limited amount of FX forwards used to hedge foreign exchange risk within the framework set by the Company's hedging strategy.

The Company diversifies its whole portfolio of Insurance Investment Assets to increase the security of the portfolio, to ensure the coverage of the technical provisions and to avoid excessive reliance on any particular asset, excessive exposure to any issuer or group of undertakings, excessive concentration of risk in a geographical area or excessive accumulation of risk in the portfolio as a whole.

Security and quality of investment portfolios are regularly assessed, both within the investment management tasks performed by AIM and also in the Company's relevant committees. In particular, the Company's Finance and Investment Committee oversees the investment portfolio of the Company. Appropriate KPIs have been implemented to measure and monitor the level of security and quality of the assets of the portfolio.

Fixed income investments are measured by means of credit quality and market risk. Credit quality is continuously monitored to ensure that total portfolio credit risk is in line with the overall solvency situation. The quality of the fixed income investments is not solely measured on the basis of ratings but by calculating credit risk using probability of default and loss given default and tenor concentration (as described in Chapter C.3 Credit Risk).

Specific rules for derivative instruments

Derivative investments are only allowed at the Company insofar as they contribute to a reduction of risks, i.e. to hedge foreign exchange risk.

Specific rules for Investments in new asset classes or otherwise unusual, large or complex investments

An investment or investment activity is of a non-routine nature if it concerns a new asset class or requires material changes in operating processes (e.g. settlement, accounting, monitoring and cost controlling), in risk capital models, in IT systems, or shows significant impact from an accounting, compliance, legal, regulatory or tax view (e.g. implementation of a complex holding structure) or from a treasury perspective (e.g. in case of significant cash outflows or need to provide collaterals).

The Company restricts its hedging activity to short-dated FX forwards. The Company currently does not hold any unusual or non-routine investments. Should the Company consider using non-routine investments, before making any investment or performing any investment activity of a non-routine nature, the New Financial Instrument Implementation Process would have to be adhered to in order to assess, in particular:

- The ability to evaluate, perform and manage the investment or the investment activity;
- The risks specifically related to the investment or the investment activity and the impact of the investment or the investment activity on the Company's risk profile;
- The consistency of the investment or investment activity with the beneficiaries' interest, liability constraints set by the Company and efficient portfolio management; and
- The impact of this investment or investment activity on the quality, security, liquidity, profitability and availability of the whole portfolio. This impact has to be such that it improves the characteristics of the portfolio and does not significantly deteriorate one characteristic.

Investments in assets which are not admitted to trading on a regulated financial market are kept to prudent levels. Prudent levels mean that the Company, in particular through its investment management and risk functions, ensures that any risk arising out of such investments does not endanger the overall solvency situation, risk bearing capability and liquidity of its investment portfolio.

Such assets are known as over the counter derivatives (‘OTC’). OTC derivative contracts are traded directly between two parties, without going through an exchange or other intermediary. The Company has only one type of OTC derivative: FX Forwards. These assets are used to hedge foreign exchange risk for the portfolio.

7.2 Any other material information

The Company has not transferred risk to a special purpose vehicle and does not hold any material off-balance sheet positions.

D Valuation for Solvency Purposes

1 Assets

In order to compare the assets as reported in the Financial Statements based on FRS 101 and the Solvency II Market Value Balance Sheet figures, the FRS 101 data is remapped to the MVBS line item structure. Accordingly, the classes shown below are those used in the Solvency II Market Value Balance Sheet ('MVBS').

Assets as at 31 December 2016	MVBS	FRS 101 (MVBS class.)	Delta
1. Goodwill	0.0	0.0	0.0
2. Deferred acquisition costs	0.0	124.5	(124.5)
3. Intangible assets	0.0	0.0	0.0
4. Deferred tax assets	0.0	0.0	0.0
5. Pension benefit surplus	0.0	0.0	0.0
6. Property, plant and equipment held for own use	0.0	0.0	0.0
7. Investments(other than assets held for index/unit-linked)	1,466.5	1,466.5	0.0
7.1 Property (other than for own use)	0.0	0.0	0.0
7.2 Participations	0.0	0.0	0.0
7.3 Equities	0.0	0.0	0.0
7.4 Bonds	1,464.5	1,464.5	0.0
7.5 Collective investments undertakings	0.0	0.0	0.0
7.6 Derivatives	0.4	0.4	0.0
7.7 Deposits other than cash equivalents	1.6	1.6	0.0
7.8 Other investments	0.0	0.0	0.0
8. Assets held for index-linked and unit-linked funds	0.0	0.0	0.0
9. Loans and mortgages	113.8	113.8	0.0
9.1 Loans on policies	0.0	0.0	0.0
9.2 Loans and mortgages to individuals	0.0	0.0	0.0
9.3 Other loans and mortgages	113.8	113.8	0.0
10. Reinsurance recoverables from:	78.9	101.3	(22.5)
10.1 Non-life and health similar to non-life	78.9	101.3	(22.5)
10.1.1 Non-life excluding health	77.5	99.4	(21.8)
10.1.2 Health similar to non-life	1.3	1.9	(0.6)
10.2 Life & health similar to life, excl. health/index-linked	0.0	0.0	0.0
10.3 Life index-linked and unit-linked	0.0	0.0	0.0
11. Deposits to cedants	1,372.0	1,372.0	0.0
12. Insurance and intermediaries receivables	14.4	14.4	0.0
13. Reinsurance receivables	13.1	13.1	0.0
14. Receivables (trade, not insurance)	4.6	1.0	3.6
15. Own shares	0.0	0.0	0.0
16. Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.0	0.0	0.0
17. Cash and cash equivalents	16.4	16.4	0.0
18. Any other assets, not elsewhere shown	0.0	1.9	(1.9)
Total assets	**3,079.8**	**3,225.1**	***(145.3)***

Table 13: Comparison of MVBS and FRS 101 – Assets

1.1 Goodwill

Not relevant for the Company

1.2 Deferred acquisition costs

Under FRS 101 deferred acquisition costs ('DAC') represent any un-expensed acquisition costs. They are recognized on the balance sheet and calculated in line with the unearned premium to which they are attributable. In MVBS deferred acquisition costs are included in the best estimate of the technical provisions and are not recognised separately on the asset side. Therefore, in contrast to FRS 101, the MVBS does not contain an asset for deferred acquisition costs. For further details please refer to the chapter on technical provisions.

1.3 Intangible assets

Not relevant for the Company.

1.4 Deferred tax assets

Deferred tax assets ('DTA') are the amounts of income tax recoverable in future periods with respect to deductible temporary differences, tax losses and tax credits. Deferred taxes – except deferred tax assets arising from the carry forward of unused tax losses or unused tax credits – shall be valued on the basis of the difference between:

- the values ascribed to assets and liabilities recognised and valued in accordance with the Solvency II Directive and
- the values ascribed to assets and liabilities as recognised and valued for tax purposes.

Deferred taxes shall be recognised and valued in relation to all assets and liabilities that are recognised for Solvency II or for tax purposes. Please also refer to chapter D.3.5 Deferred tax liabilities for further details.

1.5 Pension benefit surplus

The Company operates a defined contribution pension scheme and therefore does not have a pension benefit surplus (or deficit).

1.6 Property, plant and equipment held for own use

Property, plant and equipment held for own use include tangible assets, which are intended for permanent use, and property held by the undertaking for own use. Property, plant and equipment is measured at fair value in MVBS.

In 2016 the Company had the following tangible fixed assets: computer equipment, software office fixtures and fittings. These are stated at cost less depreciation in statutory accounts. The charge for depreciation is calculated to write down the cost to their estimated residual values by equal instalments over their expected useful lives which are as follows:

- Computer equipment and software 3 years;
- Office fixtures and fittings 5 years.

The asset class is immaterial for the Company.

1.7 Investments (other than assets held for index/unit-linked)

Property (other than for own use)
Not relevant for the Company.

Participations
Not relevant for the Company.

Equities
Not relevant for the Company.

Bonds
This category includes government and corporate bonds, as well as collateralised securities. Government bonds are bonds issued by public authorities, e.g., central governments, supra-national government institutions, regional governments or municipal governments. Corporate bonds are bonds issued by corporations and covered bonds which are backed by cash flows from mortgages or public sector loans.

As at 31 December 2016 in EUR mn	
Government bonds	668.3
Corporate bonds	794.9
Structured notes	0.0
Collateralised securities	1.3
Total	**1,464.5**

Table 14: The Company's bond portfolio

There is no difference in valuation between FRS 101 and MVBS for bonds. Their fair values are based on quoted bid prices on an active market. Fair values for unlisted securities, if held, are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Securities for which fair values cannot be measured reliably are recognised at cost less impairment. The Company reported no impairments.

Collective investments undertakings
Not relevant for the Company.

Derivatives
Derivatives are financial instruments that have values based on the expected future price movements of the assets to which they are linked. The Company holds only short-dated FX forwards.

Derivatives with positive values are reported on the asset side. All derivatives are valued at fair value. Fair values are obtained from quoted prices prevailing in active markets where available. Otherwise, valuation techniques including discounted cash flow analysis and option pricing are used to value the instruments. There is no difference between FRS 101 and MVBS.

Deposits other than cash equivalents
Deposits other than cash equivalents include short-term investments measured at nominal amount as the nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles. These include deposits the Company has with the cash pool operated by Deutsche Bank. There is no difference between FRS 101 and MVBS values.

Other investments
Not relevant for the Company.

1.8 Assets held for index-linked and unit-linked funds

Not relevant for the Company.

1.9 Loans and mortgages

In MVBS, loans and mortgages are financial assets created when creditors lend funds to debtors, with collateral or not.

In line with the definition under MVBS, loans and mortgages include EUR 113.8mn the Company holds in the cash pool with Allianz Group which is operated by Allianz SE. This is measured at nominal value as it is considered a good proxy for the fair value within the materiality and proportionality principles.

There are no differences between FRS 101 and MVBS.

1.10 Reinsurance recoverables

Under MVBS the amounts recoverable from reinsurance contracts are calculated consistently with the contract boundaries of the underlying reinsurance treaties to which they relate. Reinsurance recoverables are calculated as best estimate. No risk margin is reported in this section as the risk margin recognised within the technical provisions is already net of reinsurance. In addition, a counterparty default adjustment (‘CDA’) is calculated.

Cash in-flows include (1) recoverables from reinsurance contracts for claims payments or benefits and for related expenses and (2) reinsurance commission and profit participation as specified in individual reinsurance contracts. Cash out-flows include future premiums for reinsurance contracts.

Reinsurers’ share of Best Estimate Liabilities (‘BEL’) are adjusted for the probability of default of the counterparty and the resulting average loss.

Furthermore, the valuation basis for Reinsurance recoverables is different under FRS 101 and Solvency II. Solvency II Technical Provisions are calculated by discounting the cash-flows with a risk-free interest rate curve, while there is no discounting of non-life reserves in FRS 101.

The difference between FRS 101 and MVBS values results from the different measurement bases described above (CDA and discounting). For further details please refer to the chapter on Non-Life Technical Provisions D.2.

Life and health similar to life and Life index-linked and unit-linked reinsurance recoverables are not relevant for the Company.

1.11 Deposits to cedants

Deposits to cedants include deposits relating to reinsurance accepted. Deposits to cedants are measured at fair value. There are no differences between MVBS and FRS 101.

1.12 Insurance and intermediaries receivables

Insurance and intermediaries receivables include amounts past-due by policyholders, insurers, and others participating in the insurance business that are not included in cash inflows of technical provisions. Receivables from insurance and intermediaries are generally measured at their nominal amount with an adjustment for the probability of default of the counterparty. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles.

Therefore, insurance and intermediaries of receivables are measured at nominal value with an adjustment for probability default for counterparty in IFRS and MVBS, unless the market value deviates materially from the adjusted nominal value. Then, the market value is used in the MVBS.

1.13 Reinsurance receivables

Reinsurance receivables include amounts due by reinsurers that are linked to the reinsurance business but that are not Reinsurance recoverables. They might include creditors from reinsurers that relate to settled claims of policyholders or beneficiaries, payments in relation to non-insurance events or settled insurance claims. Reinsurance receivables are generally measured at their nominal amount with an adjustment for probability of default of counterparty. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles. There are no differences between MVBS and FRS 101.

1.14 Receivables (trade, not insurance)

Receivables (trade, not insurance) include amounts owed by employees or various business partners and tax-related receivables. They are not insurance-related. Receivables (trade, not insurance) are generally measured at their nominal amount for both FRS 101 and MVBS, unless the market value deviates materially from the nominal value.

1.15 Own shares

Not relevant for the Company.

1.16 Amounts due in respect of own fund items or initial fund called up but not yet paid in

Not relevant for the Company.

1.17 Cash and cash equivalents

Cash and cash equivalents include notes and coins in circulation that are commonly used to make payments, and deposits with very short duration exchangeable for currency at par and which are directly usable for making payments by cheque, draft, giro order, direct debit/credit or other direct payment facility without penalty or restriction.

Cash and cash equivalents are measured at nominal amount. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality

principles. There is no difference between FRS 101 and MVBS values as the respective assets are measured at their nominal values.

1.18 Any other assets, not elsewhere shown

Any other assets, not elsewhere shown include any assets that are not included in the other Balance Sheet items. They are generally measured at fair value or at nominal amount. This asset class is immaterial for the Company.

2 Technical provisions

2.1 Non-life technical provisions per material line of business

The following table shows the Company's non-life technical provisions[4] net of reinsurance by material lines of business:

As at 31 December 2016 In EUR mn		Net Best Estimate Liabilities	Risk Margin	Net Technical Provisions
accepted proportional reinsurance (r/i)	Motor*	722.5	22.6	**745.1**
	Fire and other damage to property	250.0	9.1	**259.1**
	Miscellaneous financial loss	28.0	0.6	**28.7**
	General liability	465.8	15.6	**481.4**
	Other accepted proportional r/i	91.1	3.7	**94.8**
accepted non-proportional reinsurance (r/i)	Property	45.0	17.7	**62.8**
	Casualty	326.4	30.3	**356.7**
	Other accepted non-proportional r/i	24.4	4.5	**28.8**
Total[4]		**1,953.3**	**104.1**	**2,057.4**

* Includes Motor vehicle liability and Other motor accepted proportional reinsurance
Table 15: The Company's technical provisions net of reinsurance by material line of business

The technical provisions correspond to the current amount that the Company would have to pay if it was to transfer its reinsurance obligations immediately to another reinsurance undertaking. It equals the sum of the Best Estimate Liabilities ('BEL') and the Risk Margin ('RM'), which are calculated separately.

Compared to the previous year, there were no material changes in the assumptions that the calculation of technical provisions is based on.

2.1.1 General principles for the calculation of technical provisions

Proportionality
The actuarial function ensures that technical provisions are determined appropriately, using data, assumptions, and methods proportionate to the risk profile of the legal entity, taking into account the nature, scale and complexity of the risks in question.

Materiality
The concept of materiality is an essential dimension of the calculation of technical provisions. It is reflected in the Allianz Group's materiality concept for technical provision, which applies to the scope, valuation method, assumptions, and data quality. The materiality concept is used in model governance to ensure that actuarial models are appropriate for the calculation of technical provisions.

Expert judgment
In line with the above, the valuation of technical provisions for all lines of business is a process that requires expert judgment in a number of areas – for example, regarding the credibility assigned to historical data, the extent to which prospective models can be relied on, and the appropriate extent to which uncertainty must be considered in an estimation. Regardless of the technique, judgment is required in making additions or adjustments to estimates in order to allow for circumstances hitherto not included and which need to be incorporated in the BEL (for example, binary events). Hence, expert judgment cannot be

[4] Excluding 57.8mn Life technical provisions comprising 54.9mn Best Estimate Liabilities and 2.9mn Risk Margin.

regarded separately from all other tasks performed by the actuarial function. Rather, its role is to complement the statistical analysis performed, interpret the results obtained, and identify a solution in the event of any shortcomings.
As part of the analysis, the actuarial function substantiates the appropriateness of the expert judgment, in order to avoid biased estimates that either over- or underestimate the true underlying risk. That said, expert judgment is not applied in isolation, unless there is no reliable alternative, for example because of a lack of relevant data. Where an assumption depends on expert judgment, it is expressed by person(s) with relevant knowledge and a comprehensive understanding of the subject.
The internal governance framework, which is set up by Allianz Group, requires documentation on the expert judgement applied. The selection of the level and scope of documentation considers proportionality and materiality based on quantitative and qualitative indicators.

2.1.2 Best Estimate Liabilities

- BEL are calculated for all in-force policies at the valuation date.
- The BEL are defined as the probability-weighted average of the future cash flows, taking into account the time value of money (expected value of future cash flows), using the relevant risk free interest rate term structure.
- The calculation of the BEL is based on up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods.
- The cash flow projection used in the calculation of the BEL takes account of all the cash inflows and cash outflows required to settle the reinsurance and retrocession obligations over the lifetime thereof, including future claims, future expenses (maintenance, servicing, overhead, commission, investment management), future premiums (contracted premiums). The BEL comprise claims provisions and premium provisions.
- The calculation is gross without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles. These amounts are calculated separately.

The Best Estimate Liabilities represent the mean of the cash flows, including the best estimate of claims reserves allowing for salvage and subrogation and loss adjustment expenses and the best estimates of premium provisions. The claims provisions consider the full range of future events and includes low probability and extreme events (‘low frequency, high severity’), i.e. latent claims and ‘binary events’.

The Best Estimate Liabilities for non-life and health (similar to non-life) insurance obligations are calculated separately for the claims provisions and for the premium provisions. The premium provisions relate to future expected claim events covered by reinsurance obligations falling within the contract boundary. The best estimate of the premium provision is defined as the expected present value of future in- and out-going cash flows including (for example) future premium payments, future claims, future expenses, etc. It follows from the definition that in some cases, the resulting premium provision might lead to a negative provision, i.e. an asset.

The claims provisions relate to claim events that have already occurred, regardless of whether the claims arising from these events have been reported or not. Cash flow projections for the calculation of the provisions for claims outstanding include benefits, expenses and premiums relating to these events. For discounting, the relevant risk-free interest rate for the term (i.e. currency specific swap-rate curve with volatility adjustment) is used.

2.1.3 Risk Margin

Solvency II requires an allowance for the cost of holding non-hedgeable risk capital. No Risk Margin ('RM') is required for hedgeable financial risks as these are transferred to the capital markets. A RM is required for non-hedgeable risks - the financial risks (including insurance and operational risks but excluding market risk) that cannot be transferred to the capital markets. The cost of capital is the expected cost of transferring the non-hedgeable financial, insurance and operational risks to another insurer, reinsurer or other market participants. The non-hedgeable Solvency Capital Requirement ('SCR') consists of the SCR for insurance and operational risks plus the SCR for non-hedgeable financial risks. It includes maintenance and inflation expenses.

The SCR is the risk capital required for one year only. Hence the SCR for individual points of time in the future needs to be estimated. Allianz follows the general guidance given by the CRO-Forum which assumes a cost of capital approach for the run-off of the business in scope for MVBS closing.

In cases where the non-financial risk capital depends on further risk drivers and parameters than the ones considered in Allianz standard methodology for non-financial risk capital, additional risk capital is included on the basis of an adequate shock scenario of the market value balance sheet, and allowed for in the non-hedgeable SCR.

Appropriate diversification benefits between lines of business ('LoB') are reflected in the calculation of the Risk Margin at the reporting entity level. It is noted, that diversification between Life and Non-life lines of business is not allowed under Solvency II.

The Company's insurance risk is capped due to the Whole Account Stop Loss ('WASL'), and this is taken into account in the calculation of the Risk Margin, along with future WASL premiums to reflect the cost of future capital restrictions.

2.1.4 Other aspects of technical provisions

To evaluate the market value of technical provisions, cash flow patterns, discounted claims and premium provisions and risk margins have to be calculated. For cash flow projections the in-coming and out-going cash flows (including expenses) required to settle the insurance obligations have to be considered. It is necessary to consider the currency of the cash flows unless the concept of proportionality applies.

If benchmarks for cash flow patterns are used, the time lags in the patterns between direct, assumed and ceded (especially non-proportional) business are taken into account. The estimate of a market value requires discounting. For discounting the relevant interest rate for the term is used.

The calculation of the technical provisions is done using an appropriate valuation method. The selection of the method is crucial as it ensures that the nature and complexity of the insurance risks are appropriately addressed and the limitations are known. For example, in the separation of annuity losses in a non-life segment, the principle of substance over form is applied. The choice between life or non-life actuarial methodologies is based on the nature of the liabilities being valued and on the identification of risks which materially affect the underlying cash flows.

The selection of the appropriate method is based on expert judgment which considers, among other factors, the quality, quantity and reliability of the available data and analyses all important characteristics of the business. The method is designed to ensure that the

assumptions and parameters used in the method are clear and explicit. The key drivers and uncertainties associated with the BEL are explored and described. This is done, for example, by the application of stress and scenario testing. Back-testing methods, i.e. actual versus expected values and movement analyses, are used to follow up on reserves development over time as an additional method to validate estimates.

The calculation of the technical provisions does not rely solely on models; rather it relies on a variety of techniques including the application of expert judgment or the assessment of a range of best estimate liabilities based on sound reasoning and business knowledge. This allows the actuarial function to calculate one (defined and justified) value for the BEL even when there is inadequate or scarce data or unreliable information.

2.2 Sources of uncertainty in the Non-life technical provisions

There is a limitation upon the accuracy of the estimates in that there is an inherent uncertainty in any estimate of loss reserves. This is because the ultimate liability for claims is subject to the outcome of events yet to occur. Examples of these events include jury decisions, court interpretations, legislative changes, subsequent damage to property, changes in the medical conditions of claimants, public attitudes and social/economic conditions such as inflation. The estimation of reinsurance reserves introduces additional uncertainty as the reinsurer is a further step removed from the actual underlying claims and exposures and is heavily reliant on the claims administration, underwriting and reporting of its cedants.

So while the technical provisions reflect the best estimate of the exposed ultimate claims liability to the contract boundary, future claims emergence is likely to deviate, possibly materially, from these estimates.

The projection of future claim reporting and payment profiles is based, in part, on historical experience. It is possible however, that this historical data will not be predictive of future claim reporting and this would impact the accuracy of the estimates. While this is always an issue for any insurance company, it is amplified for reinsurance business where changes to any one of the numerous underlying cedants' claims handling processes have the potential to reduce the accuracy of projections based on historical development.

Likewise, the methodologies implicitly assume that relevant claims inflation in the future will reflect the experience of previous years. When this turns out not to be the case, it has the potential to result in losses different to the estimates contained within the technical provisions. This is likely to be most material for those classes of business that are most exposed to inflation (e.g. long-tailed liability classes) and for non-proportional structures that inherently amplify the effects of changes in inflation.

The claims provisions attempt to take into account the full range of possible loss outcomes on a probability-weighted basis, including an allowance for low frequency, high severity scenarios known as 'binary events' or 'events not in data'. However, because these events have a low probability of occurrence, the provisions held for these events on a probability-weighted basis are likely to be minimal. This means that losses due to potential future claims arising from causes that are not substantially recognised in the historical data have the potential to significantly exceed the expected losses contained within the technical provisions. For example, if a new latent claim type liability were to arise in respect of policies issued by the Company, this could substantially increase the technical provisions going forward (as this new type of claim now becomes far more likely).

The premium provision is subject to additional uncertainty over and above that contained within the claims provision in that it contains cost estimates for events that have not yet occurred. Particularly at year end, it must also contain an allowance for business bound in the main renewal season for 2017 that are not yet recorded on the system but which nonetheless fall within the contract boundary. Similarly, allowance must be made for premium contracted and on the system but not yet received. Both of these involve additional assumptions which increase the level of uncertainty, although this is mitigated to a degree by reasonableness checks.

For the Company, there is a further significant source of uncertainty arising out of quality of historical data, although there is an ongoing effort to improve the data. There is currently no way of distinguishing large individual losses or losses due to large loss events from attritional losses in the data. In general, these two types of losses would be expected to develop differently and their inclusion in triangles may distort the derived development patterns. Although judgmental adjustments may be made from knowledge of the timing of such losses, these adjustments can never be as accurate as they would be from correctly identifying such losses. These data issues add materially to the uncertainty associated with the estimates of the technical provisions.

2.3 Comparisons between Solvency II and FRS 101

Although the wording for the definition of best estimate under FRS 101 and Solvency II is not identical, the same theoretical concepts and calculation methods are applied in the estimation process. Judgments with regard to model selection and calibration are also identical. Binary events under Solvency II, which are a form of scenario testing under FRS 101, are considered under both regimes.

Hence, the main differences between FRS 101 and MVBS can be clustered into BEL, RM, discounting effect and other differences between the best estimate of reserves for claims including salvage and subrogation and loss adjustment expenses under FRS 101 and the undiscounted estimate of claims provisions under Solvency II.

In comparison with FRS 101, there are four additional aspects under Solvency II: premium provisions, estimation of cash flow pattern, discounting with risk-free rates and Risk Margin. Separate calculations of these four individual aspects are required. The following table sets out differences between valuation for financial reporting and valuation for solvency purposes.

As at 31 December 2016 in EUR mn	FRS 101	MVBS	*Delta*
UPR / Premium Provision	616.9	310.8	*306.1*
Claims Reserves / Provision	1,782.2	1,721.3	*60.9*
Risk Margin	n/a	104.1	*(104.1)*
Non-life technical provisions	2,399.1	2,136.3	*262.8*

Table 16: Valuation differences of Non-life technical provisions

The differences between the best estimate technical provisions valuation for Solvency purposes and the valuation in the financial statements can be split into the following drivers:

- The premium provision in Solvency II relates to the liabilities for premiums received but not earned (similar to Unearned Premium Reserves ('UPR') on FRS 101) and also the (net) liabilities for premiums expected to be received on contracts already written. As most business written is profitable, the inclusion of future premiums reduces the MVBS premium provision versus the FRS 101 UPR.

- There is an explicit Risk Margin in Solvency II. There is an additional prudence margin under FRS 101, but this is considered part of the best estimate and therefore included within the Claims Provision for MVBS.
- The remaining difference is related to discounting.

2.4 Retrocession Recoverables

The amounts recoverable from retrocession / reinsurance contracts are best estimates and calculated consistently with the boundaries of the underlying retrocession contracts to which they relate. No risk margin is reported in the section of the retrocession recoverable as the risk margin recognised within the technical provisions is already net of retrocession. However, the retrocession recoverable is reduced to take into account the expected losses due to default of the counterparty. That adjustment is based on an assessment of the probability of default of the counterparty and the average loss resulting therefrom (loss-given-default). For the purpose of calculating the amounts recoverable from retrocession contracts the cash-flows only include payments in relation to compensation of insurance events and unsettled insurance claims.

Cash in-flows include at least (1) recoverables from retrocession contracts for claims payments or benefits and related expenses; and (2) retrocession commission. Cash out-flows include at least future premiums for retrocession contracts.

2.5 Methods

The methods used are appropriate for the nature and complexity of the risks. Some aspects (not exhaustive) that are considered are as follow:

- Whether the analysis is by accident period or underwriting period;
- The type of business being valued;
- The type of reinsurance cover provided;
- The maturity of the business;
- Relevant industry practice.

In the analysis of the claim experience, the following aspects (not exhaustive) are considered:

- Claim frequency;
- Claim severity;
- Development of reporting of claims;
- Development of claim settlement or finalisation;
- Development of claim payments;
- Development of incurred losses;
- Incidence and development of large claims;
- Potential impact of catastrophes.

Diagnostics are also used to help identify potential trends and/or anomalies in the data:

- Paid loss / incurred loss;
- Incurred loss / earned premium.

The Company applies the volatility adjustment according to art. 77d of the Directive 2009/138/EC. As at 31 December 2016 a change of the volatility adjustment to zero would

- increase the technical provisions by EUR 13.2mn and accordingly decrease the own funds by EUR 11.5mn;
- increase the Solvency Capital Requirement by EUR 6.6mn and the Minimum Capital Requirement by EUR 3.0mn.

The Company does not apply:

- The matching adjustment (Art. 77b of Directive 2009/138/EC);
- The transitional risk-free interest rate term structure (Art. 308c of Directive 2009/138/EC);
- The transitional deduction (Art. 308d of Directive 2009/138/EC).

3 Other liabilities

In order to compare the liabilities as reported in the Financial Statements based on FRS 101 and the Solvency II Market Value Balance Sheet figures, the FRS 101 data is remapped to the MVBS line item structure. Accordingly, the liability classes shown below are those used in the Solvency II Market Value Balance Sheet.

Liabilities as at 31 December 2016	MVBS	FRS 101 (MVBS class.)	*Delta*
19. Technical provisions - non life	2,136.3	2,399.1	*(262.8)*
19.1. Technical provisions - non-life (excluding health)	2,123.7	2,382.4	*(258.7)*
19.1.1 TP calculated as a whole	0.0	0.0	*0.0*
19.1.2 Best Estimate	2,020.5	2,382.4	*(361.9)*
19.1.3 Risk margin	103.2	0.0	*103.2*
19.2. Technical provisions - health (similar to non-life)	12.6	16.7	*(4.1)*
19.2.1 TP calculated as a whole	0.0	0.0	*0.0*
19.2.2 Best Estimate	11.6	16.7	*(5.1)*
19.2.3 Risk margin	1.0	0.0	*1.0*
20. Technical provisions - life (excl. index/unit-linked)	57.8	54.9	*2.9*
20.1. Technical provisions - health (similar to life)	0.0	0.0	*0.0*
20.1.1 TP calculated as a whole	0.0	0.0	*0.0*
20.1.2 Best Estimate	0.0	0.0	*0.0*
20.1.3 Risk margin	0.0	0.0	*0.0*
20.2. Technical provisions - life (excl. health similar to life)	57.8	54.9	*2.9*
20.2.1 TP calculated as a whole	0.0	0.0	*0.0*
20.2.2 Best Estimate	54.9	54.9	*0.0*
20.2.3 Risk margin	2.9	0.0	*2.9*
21. Technical provisions - index-linked and unit-linked	0.0	0.0	*0.0*
21.1 TP calculated as a whole	0.0	0.0	*0.0*
21.2 Best Estimate	0.0	0.0	*0.0*
21.3 Risk margin	0.0	0.0	*0.0*
22. Other technical provisions	0.0	0.0	*0.0*
23. Contingent liabilities	0.0	0.0	*0.0*
24. Provisions other than technical provisions	0.2	0.2	*0.0*
25. Pension benefit obligations	0.0	0.0	*0.0*
26. Deposits from reinsurers	0.0	0.0	*0.0*
27. Deferred tax liabilities	17.1	2.9	*14.1*
28. Derivatives	0.1	0.1	*0.0*
29. Debts owed to credit institutions	0.0	0.0	*0.0*
30. Financial liabilities other than debts owed to credit institutions	0.0	0.0	*0.0*
31. Insurance and intermediaries payables	17.1	17.1	*0.0*
32. Reinsurance payables	18.0	18.0	*0.0*
33. Payables (trade, not insurance)	0.2	-1.3	*1.5*
34. Subordinated liabilities	0.0	0.0	*0.0*
35. Any other liabilities, not elsewhere shown	2.2	2.2	*0.0*
Total liabilities	**2,248.9**	**2,493.2**	***(244.3)***
Excess of assets over liabilities	**830.9**	**731.9**	***99.0***

Table 17: Comparison of MVBS and FRS 101 – Liabilities

3.1 Contingent liabilities

Not relevant to the Company.

3.2 Provisions other than technical provisions

These provisions refer to liabilities of uncertain timing and amount. They may include, e.g., staff-related provisions, and provisions for legal expenses. The provisions are valued at nominal value and this is considered to be a good proxy for fair value. Therefore, there are no material differences between FRS 101 and MVBS values.

3.3 Pension benefit obligations

The Company operates a defined contribution pension scheme and has made all contribution obligations by end of year.

3.4 Deposits from reinsurers

Not relevant to the Company.

3.5 Deferred tax liabilities

Deferred tax liabilities (DTL) are the result of temporary differences between the company's accounting and tax carrying values, the anticipated and enacted income tax rate, and estimated taxes payable for the current year. This liability may or may not be realized during any given year, which makes the deferred status appropriate.

Deferred taxes – except deferred tax assets arising from the carry forward of unused tax losses or unused tax credits – shall be valued on the basis of the difference between:

- the values ascribed to assets and liabilities recognised and valued in accordance with the Solvency II Directive and
- the values ascribed to assets and liabilities as recognised and valued for tax purposes.

Deferred taxes shall be recognised and valued in relation to all assets and liabilities that are recognised for Solvency II or for tax purposes.

The difference between MVBS and FRS 101 relates mostly to deferred taxes on temporary differences resulting from revaluation adjustments concerning values of assets and liabilities under FRS 101 and MVBS. The delta mainly comes from the different valuation of Technical Provisions.

3.6 Derivatives

Derivatives are financial instruments that have values based on the expected future price movements of the assets to which they are linked. Derivatives with negative values are reported on the liabilities side. All derivatives are valued at fair value. Fair values are obtained from quoted prices prevailing in active markets where available. Otherwise, valuation techniques including discounted cash flow analysis and option pricing are used to value the instruments. The Company holds only FX forwards. There is no difference between FRS 101 and MVBS values.

3.7 Debts owed to credit institutions

Not relevant to the Company.

3.8 Financial liabilities other than debts owed to credit institutions

Not relevant to the Company.

3.9 Insurance and intermediaries payables

Insurance and intermediaries payables refer to amounts past-due to insurers and others participating in the insurance business, but are not technical provisions. They include amounts past-due to (re)insurance intermediaries (e.g. commissions due to intermediaries but not yet paid) and excludes loans and mortgages due to insurance companies, if they are not linked to insurance business but are only related to financing (and are, therefore, included in financial liabilities).

They are generally measured at their nominal amount with an adjustment for the probability of default of the counterparty and without taking account of subsequent changes to own credit standing. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles.

Insurance and intermediaries payables are measured at nominal value with an adjustment for the probability of default of the counterparty under IFRS and MVBS, unless the market value deviates materially from the adjusted nominal value. Then, the market value is used in the MVBS.

3.10 Reinsurance payables

Reinsurance payables are amounts due to reinsurers other than deposits that are linked to the reinsurance business. They include debtors to reinsurers that relate to settled claims. They are generally measured at their nominal amount. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles.

Therefore, reinsurance payables are measured at nominal value, unless the market value deviates materially from the adjusted nominal value. There are no differences between MVBS and FRS 101.

3.11 Payables (trade, not insurance)

Payables (trade, not insurance) include amounts owed to employees or various business partners as well as tax-related payables. They are not insurance-related.

3.12 Subordinated liabilities

Not relevant to the Company.

3.13 Any other liabilities, not elsewhere shown

Any other liabilities, not elsewhere shown include any liabilities that are not included in the other balance sheet items. They mainly include liabilities from other liabilities and deferred income. They are generally measured at fair value or at nominal amount. The nominal value is considered as a good proxy for the fair value within the materiality and proportionality principles. There are no differences between FRS 101 and MVBS.

4 Any other information

All material information regarding the valuation of its assets, technical provisions and other liabilities for solvency purposes is addressed in the above chapters.

E Capital Management

1 Own Funds

1.1 Objectives, policies and processes for managing Own Funds

The Company applies an integrated capital framework as described in its Capital Management Policy. The main objectives of the Company's capital management are:

- to provide the Company with a level of capital adequate to fulfil its regulatory requirements at all times in an efficient manner, and
- to deliver on its business strategy within the constraints of its Risk Appetite.

The Risk Appetite of the Company is reviewed and approved at least once a year and includes an explicit discussion of capital targets and thresholds. The Head of Risk prepares a recommendation for the Risk Appetite for the Risk Committee, coordinating the capital target and threshold discussions with the Finance and Investment Committee and/or the Chief Financial Officer and Chief Executive Officer. The Risk Committee will recommend the Risk Appetite for approval by the Board. In the Risk Committee, regular updates on the status of the Company's capitalisation will be presented.

Any capital repatriation recommendations (e.g. dividends) are to be proposed by the Finance and Investment Committee to the Board within the framework set out within the Company's Capital Management Policy. The Board has the final say on any capital repatriation decisions.

The current liquidity plan and solvency projections reflect all planned changes in own funds for the next 3 years. There were no material changes over the reporting period with regards to objectives, policies and processes employed by the Company for managing its Own Funds.

1.2 Structure, amount and quality of Own Funds

The classification into tiers follows the criteria set out in articles 93 to 96 of the Solvency II Directive 2009/138/EC as well as in articles 69 to 78 of the Solvency II Delegated Regulation: Ordinary share capital (paid-in), share premium related to ordinary share capital and the reconciliation reserve are classified as Tier 1 unrestricted Own Funds.

The Own Funds of EUR 830.9mn fully consist of unrestricted Tier 1 Basic own funds. The Own Funds relate to the ordinary share capital and share premium of the Company amounting EUR 60.2mn and the reconciliation reserve amounting to EUR 770.7mn.

The reconciliation reserve consists mainly of retained earnings.

The Company's Own Funds increased during the reporting period as a result of the Company's operating profits.

The whole amount of own funds is available to fully absorb losses on a going-concern basis.

There are no ancillary own funds.

The following table provides details with regard to the individual basic own fund items and the respective classification into tiers:

As at 31 Dec 2016 in EUR mn	Total	Tier 1	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	**3.4**	3.4	-	-
Share premium account related to ordinary share capital	**56.8**	56.8	-	-
Reconciliation reserve (solo)	**770.7**	770.7	-	-
Total basic own funds after adjustments (solo)	**830.9**	830.9	-	-
Excess of assets over liabilities		830.9		
- Other basic own fund items		60.2		
= Reconciliation reserve		770.7		
Total eligible own funds to meet the SCR	**830.9**	830.9	-	-
Total eligible basic own funds to meet the MCR	**830.9**	830.9	-	-

Table 18: Classification of Own Funds

No items of the Company's basic own funds are subject to the transitional arrangements referred to in Article 308b(9) and (10) of Directive 2009/138/EC.

1.3 Difference of MVBS excess of assets over liabilities to FRS 101 equity

Deviations arise from different valuation approaches between MVBS and FRS 101 and are mainly attributable to the following key drivers:

- IFRS balance sheet items that are not recognized in the MVBS (e.g. goodwill) and MVBS balance sheet items that are not recognized in FRS 101 (e.g. risk margin);
- Differences in recognition and valuation of technical provisions and reinsurance recoverables (please see chapter D);
- Deferred taxes on the above mentioned balance sheet differences.

The following table shows a high-level reconciliation between published FRS 101 equity to the Solvency II (MVBS) own funds:

As at 31 Dec 2016 in EUR mn	
FRS 101 equity	**731.9**
Deferred acquisition costs	(124.5)
Reinsurance recoverables	(22.5)
Technical provisions	260.0
Deferred tax liabilities	(14.1)
Others	(0.1)
Total net adjustment	**99.0**
Solvency II Own Funds	**830.9**

Table 19: Reconciliation of FRS 101 equity to Solvency II Own Funds

2 Solvency Capital Requirement and Minimum Capital Requirement

The Company's Solvency Capital Requirement (SCR) as at 31 December 2016 amounted to EUR 427.1mn and the Minimum Capital Requirement (MCR) to EUR 192.2mn. The level of the Company's SCR and MCR remained stable in 2016.

The Company uses the Allianz internal model for the calculation of the Solvency Capital Requirement. A split of the SCR into the risk categories according to the internal model is shown in Table 12 in section C.

The calculation of the MCR follows the methodology described in the Solvency II regulation and uses for example the respective SCR as an input parameter for determining the possible range for the MCR.

3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Company does not make use of the duration-based equity risk sub-module.

4 Differences between the standard formula and the Allianz internal model

4.1 Purposes

The internal model is used for various purposes, in particular for quantification and comparison of different risk categories and segments. It is a fundamental element for risk-based and forward-looking steering. Moreover, by using an internal model, the calculated risk capital better reflects the Company's underlying business and is more appropriate compared to the standard formula approach of Solvency II.

4.2 Scope

Risk categories covered by the internal model are presented and explained in chapter C.

4.3 Methods used

The Allianz internal risk capital model is based on a Value at Risk (VaR) approach using a Monte Carlo simulation. The starting point of the risk calculation is the market value balance sheet and the attribution of each position to the relevant risk categories. For example a bond will be contained in the respective market risk categories like interest rate, credit spread or currency risk as well as the credit risk category. Risk capital is defined as the change in economic value over the projected time period for a specified probability of occurrence based on the underlying distribution assumptions for each risk factor. Where possible the distributions are calibrated to market data or own internal historical data e.g. for setting actuarial assumptions. In addition, recommendations from the insurance industry, supervisory authorities and actuarial associations are considered.

Following this approach, the maximum loss in the portfolio value of the business in the scope of the model within a specified timeframe ('holding period') and probability of occurrence ('confidence level') is determined. The risk capital is computed as the 99.5% Value at Risk from the profit and loss distribution for a one year holding period, where in each scenario the change in economic value is derived from the joint realization of all risk factors. This one in 200 years event is modelled as an instantaneous loss shock for all balance sheet positions.

The internal model contains different risk categories, which can themselves be further subdivided into different risk types. For each level the internal model delivers risk figures on a standalone basis i.e. before diversification to other risk types or categories but also on an aggregated level taking diversification into account. A more detailed description of each risk category can be found in section C.

An industry-standard approach, the Gaussian copula, is used for the aggregation of risks. The dependence structure between risks of the copula is given by a matrix of correlations. Where possible, correlation parameters for each pair of market risks are derived through statistical analysis of historical market data, considering quarterly observations over several years. In case historical market data or other portfolio-specific observations are insufficient or not available, correlations are set according to a well-defined, Group-wide process. Correlations are determined by the Correlation Settings Committee, which combines the expertise of risk and business experts. In general, the correlation parameters are set to represent the joint movement of risks under adverse conditions.

The internal model cannot yet deal with the effects of the Company's Whole Account Stop Loss ('WASL') on the gross aggregated insurance risks. Instead, this shortcoming is dealt with through the use of a (negative) capital add-on which ensures the total Solvency Capital number is appropriate.

To calculate the diversified risk capital, the change in economic value is determined for the 200 year event based on the joint realization of risks based on the methodology described in the previous section.

4.4 Main differences between the standard formula and the internal model

A fundamental difference between the standard formula and internal model is that the standard formula uses factor-based shock scenarios while the internal model derives the risk capital by simulating each risk driver (and its corresponding economic P&L impact) based on its assumed distribution and dependence on other risk drivers.

The following table gives an overview of differences between the standard formula and the internal model by risk module:

Risk Module	Standard Formula	Internal Model
Equity	▪ Three standardized equity shocks, depending on classification of equity investments ▪ 39% for equities listed in countries that are members of EEA or OECD (type 1) ▪ 49% for remaining equity-type investments, commodities, and alternative investments (type 2) ▪ Symmetric adjustment is applied to 39% and 49%, base shocks, depending on the relation between the current and the average historic market level ▪ Aggregation of equity shocks based on simplified correlation assumption of 0.75	▪ Underlying distribution for each equity risk factor modelled is calibrated to market data ▪ 35% - 74% for modelled indices ▪ 10% - 80% for private equity, depending on risk classification ▪ Aggregation is based on correlations between different risk factors calibrated to market data
Interest rate	▪ Pre-defined up / down shocks as percentage change to the EIOPA risk-free rates varying by term to maturity from 20% to 75%. . Minimum up-shock of 100bp ▪ Worst shock determines capital requirement	▪ Underlying distributions of interest-rate term nodes are calibrated to market data for each interest rate curve modelled ▪ Various changes in the yield curve considered, such as twists
Property	▪ 25% for all properties	▪ Country/sector-specific real-estate indices with shocks ranging from 19% - 33%

Spread	▪ Spread risk is subdivided into three categories for bonds and loans, securitizations, and credit derivatives. Shock impacts are calculated using a pre-defined methodology for each category, and summed up to obtain the overall spread module figure. ▪ For bonds, loans, and securitizations, shock factors depend on the respective modified duration and credit rating. No spread risk on certain bonds and loans (e.g. EEA sovereign bonds) denominated and funded in domestic currency ▪ Credit derivatives: shock factors for an increase in spreads depend on the credit rating of the underlying. Down-shock of 75% for all ratings	▪ Modelling of various spreads differentiated by, e.g., sector, rating, country/region. The underlying distribution of each spread modelled is calibrated to market data. Main differences: ▪ EEA sovereign bonds, AAA and AA rated non-EEA sovereign bonds, supranational bonds, and mortgage loans on residential property are not exempt from spread risk ▪ Shocks which under the internal model are calibrated for securitizations are lower than those in the standard formula, which can be as high as 100% ▪ Aggregation based on correlations between modelled spreads, calibrated to market data.
Currency	▪ +/- 25% for each currency, except for currencies pegged to the EUR ▪ Worst-case scenario is selected for each currency ▪ No diversification/netting of cross currencies	▪ -19% - 34% for different currencies vs. EUR
Concentration	▪ Formula based on exposure, rating, and total assets held	▪ Implicitly covered in the credit risk models and via diversification in market risk modules
Credit risk / counterparty default risk	▪ Scope: Limited to specific exposure types ▪ Type 1: Mainly reinsurance arrangements, derivatives, cash at bank, deposits with ceding undertakings, and commitments ▪ Type 2: Mainly receivables, policyholder debtors, retail mortgage loans ▪ Counterparty default risk module does not contain bond portfolio and credit insurance ▪ Methodology: Closed-formula approach to determine, for exposures in scope of the module, possible losses resulting from unexpected counterparty default ▪ Parameters: Assigned according to Delegated Regulation (e.g. PDs, LGDs). PDs predominantly based on ratings from external rating agencies	▪ Scope: Much broader scope including ▪ Investment portfolio: Fixed-income investments (e.g. bonds, loans, mortgages), cash positions, derivatives, securities lending and structured transactions, receivables, off-balance guarantees, and commitments ▪ Reinsurance exposures ▪ Credit insurance exposures ▪ Methodology: portfolio model based on Monte Carlo simulation and covering default and migration risk. Loss distribution is determined by taking into account interdependencies and exposure concentrations ▪ Parameters: Mostly estimated using empirical market data over a long-term horizon (e.g. PDs, LGDs). Ratings derived via an internal rating approach based on agency ratings enhanced by an internal assessment
Underwriting Risk Life & Health	▪ Mortality risk: 15% increase in mortality rates, 0.15% mortality calamity ▪ Longevity risk: 20% decrease in mortality rates ▪ Morbidity risk: 35% increase in the first year, 25% thereafter ▪ Lapse risk: 50% up and down shock and 70% / 40% mass lapse shock, depending on business type (retail / non-retail) ▪ Expense risk: 10% increase in expenses + 1% increase in expense inflation	▪ Mortality risk: Based on company experience, 0.15% mortality calamity ▪ Longevity risk: Modified Lee-Carter model ▪ Morbidity risk: Based on company experience ▪ Lapse risk: Shocks are calibrated from historical data. Default mass lapse shock of maximum of two times annual lapse rate and 20%; country specific calibration possible ▪ Expense risk: as SM but entity-specific calibration possible. In addition, the IM allows for new-business risk, which is not modelled under the standard formula

Underwriting Risk for Non-life & Health (not similar to life technics)	(1) Premium and reserve risk In the standard formula, a factor-based approach is used to estimate the combined premium and reserve risk: ▪ Standard volatility factors (market averages) by SII line of business are applied to different volume measures, such as net earned premiums and net claim reserves ▪ In a linear correlation approach, values are aggregated over lines of business and risk modules using pre-defined correlations ▪ Different submodules for Non-life and Health NSLT SII lines of business ▪ Allowance for geographical diversification based on 18 regions	(1) Premium and Reserve risk In the Internal model, premium Non-Cat and reserve risk is modelled individually: ▪ Actuarial models are fitted to local company-specific data, leading to a much better reflection of a company's individual risk profile ▪ Standard actuarial techniques such as frequency /severity modelling and bootstrapping are used ▪ The granularity of the modelling is more detailed than SII line of business and in line with the risk profile observed in the companies ▪ Reinsurance application for premium risk is much more advanced in the internal model, as single large losses are modelled separately and non-proportional reinsurance contracts can be applied ▪ The aggregation method used is based on a Gaussian copula.
	(2) Catastrophe risk ▪ Catastrophe risk is split in 4 modules: Natural Catastrophe, Non-proportional property reinsurance, Man Made, Other ▪ Standardized shock scenarios are applied as specified by the delegated Acts ▪ The 1-in-200-year-loss Natural Catastrophe is largely based on shocked sums insured and gross premiums. Reinsurance is applied based on the consideration of single events. Separate approach for Health Catastrophe risk (Mass Accident, Accident Concentration and Pandemic modules)	(2) Catastrophe risk ▪ Natural Catastrophe risk is based on probabilistic models, which use special modelling techniques to combine portfolio data (such as the geographic distribution and characteristics of insured objects and their values) with simulated natural disaster scenarios to estimate the magnitude and frequency of potential losses ▪ Man-made risk is modelled together with Premium Non-Cat risk ▪ Reinsurance can be reflected, e.g. single event losses are simulated and mitigated with the respective reinsurance arrangement, if applicable
	(3) Business risk Only lapse risk is considered with focus on deterioration of future earnings	(3) Business risk Both the lapse and the cost risk are explicitly modelled with a focus on cost coverage
Loss absorbing capacity of tax	▪ The adjustment is equal to the change in value of deferred taxes that results from an instantaneous loss of an amount equal to the basic solvency capital requirement plus capital requirement for operational risk plus adjustment for the loss absorbing capacity of technical provisions. Under the standard formula, only the corporate tax rate is considered	▪ The tax relief on risk capital is based on tax rates applied to the overall market-value balance sheet shock in the 99.5-quantile scenario, capped by the level of net deferred tax liabilities plus loss carry back capacity. Within the IM framework, a separate tax rate for equities is considered in addition to the corporate tax rate

Loss absorbing capacity of technical provisions	▪ Ensures that for participating business there is no multiple usage of the future discretionary benefit buffers ▪ The BSCR is calculated with and without allowance for FDB and the total relief is limited to the current value of FDB	▪ As SCR figures are calculated directly on a net basis, based on replicating portfolios for technical provisions, they already include the loss-absorbing capacity of technical provisions
Intangible asset risk	▪ 80% of intangible assets recognized	▪ Intangible asset risk is not covered by the internal model
Operational Risk	▪ Factor-based approach based on earned premium amount and technical provisions	▪ Scenario-based risk model ▪ Risk identification within each entity ▪ Aggregation of operational risks based on loss frequency and loss severity distributions
Aggregation	▪ Simple correlation approach with pre-defined correlations between risk modules	▪ Aggregation based on Correlation matrix calibrated where possible to available market data or based on expert judgment in case no or limited data is available. ▪ Aggregation model (Copula Approach)

Table 20: Main differences between standard formula and Allianz internal model

For market risk, in addition to the differences stated in the table above there is one structural deviation between the internal model and the standard formula with respect to the reflection of volatility risk. Interest rate volatility risk and equity volatility risk is explicitly considered in the internal model, whereas in the standard formula these risk types are only implicitly considered in the calibration of the shocks.

For Non-Life underwriting risk, the difference with respect to the risks covered by the internal model compared to the standard formula is very limited. The main categories are reflected in both models, and there is no material risk covered by the standard formula that is not covered by the internal model. The key difference lies in the modelling approach. The standard formula does not reflect reinsurance across categories, and provides only limited benefit from the Company's Whole Account Stop Loss ('WASL') against premium risks (both NatCat and Non-Cat) and no benefit against reserve risk. Furthermore, the standard formula does not deal with the aggregation benefits of the WASL (the retrocession covers all actuarial risks concurrently). The internal model deals with these (and other) issues more accurately and is therefore a more appropriate model. All other internal model risk categories are at least implicitly covered by the standard formula.

The credit risk module of the internal model in contrast to the counterparty default risk module of the standard formula covers the entire bond and loan portfolio and also credit insurance exposures. This approach allows the Company to model diversification and concentration effects across all credit risk bearing exposures.

Operational risk capital for the standard formula is calculated on a factor-based approach, where the underlying economic risk profile is only partly reflected. The internal model calculation of the operational risk capital is based on the Group-wide operational risk management framework, which in contrast leads to an adequate coverage of the underlying risks.

4.5 Data

Various sources of data are used as input for the internal model and for the calibration of parameters. Where reasonable, the input data is identical to the data used for other purposes, e. g. for statutory reporting or IFRS accounting. The appropriateness of this data is regularly verified internally and by external auditors.

5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company complied with the Minimum Capital Requirement and the Solvency Capital Requirement during the financial year 2016.

6 Any other information

All material information regarding the Company's capital management is addressed in the above chapters.

Appendix I – Glossary

AIM	Allianz Investment Management SE
AMOS	Allianz Managed Operations & Services
AOTP	Actuarial Opinion on Technical Provisions
ARTP	Actuarial Report on Technical Provisions
BaFIN	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
BCM	Business Continuity Management
BEL	Best Estimate Liability
CBI	Central Bank of Ireland
CCC	Comprehensive Control Concept
CDA	Credit Default Adjustment
CDS	Credit Default Swaps
CEO	Chief Executive Officer
CF	Controlled Functions
CFO	Chief Financial Officer
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
CRisP	Credit Risk Platform
ECB	European Central Bank
EIOPA	European Insurance & Occupational Pensions Authority
ELCA	Entity Level Controls Assessment
FICo	Finance & Investment Committee
ICOFR	Internal Control of Financial Reporting
IFRS	Internal Financial Reporting Standard
IM	Internal Model
IMF	International Monetary Fund
INED	Independent Non-Executive Director
L&H	Life & Health
LoB	Line of Business
MCR	Minimum Capital Requirement
MVBS	Market Value Balance Sheet
NatCat	Natural Catastrophe
NED	Non-Executive Director
Non-Cat	Non Catastrophe
OE	Operating Entity
OECD	Organization for Economic Co-operation and Development
ORGS	Operation Risk Governance System
ORSA	Own Risk & Solvency Assessment
OTC	Over The Counter
P&C	Property & Casualty
PCF	Pre-approval Control Function
PIMCO	Pacific Management Investment Company
PR+	PublicRating+
QS	Quota share
QRT	Quantitative reporting template
RCSA	Risk and Control Self-Assessment
RM	Risk Margin
RMF	Risk Management Framework
SAA	Strategic Asset Allocation
ScA	Scenario Analysis
SCoB	Sub Class of Business
SCR	Solvency Capital Requirement
TP	Technical Provisions
TRA	Top Risk Assessment
UPR	Unearned Premium Reserve
VA	Variable Annuity
WASL	Whole Account Stop Loss

Appendix II – List of Reference

Allianz Group, Allianz Code of Conduct for Business Ethics and Compliance
Allianz Group, Allianz Group Risk Policy
Allianz Group, Allianz Standard for Model Change
Allianz Group, Allianz Standard for Model Governance
Allianz Group, Allianz Standard for Operational Risk Management
Allianz Group, Allianz Standard for P&C Underwriting
Allianz Group, Allianz Standard for Reputational Risk and Issues Management
Allianz Group, Allianz Standard for Top Risk Assessment
Allianz Group, Credit Risk Modelling Framework
Allianz Group, Group Audit Policy
Allianz Group, Operational Risk and Control Self-Assessment Guideline
Allianz Group, Operational Risk Event Capture Guideline

Allianz Re, Allianz Re Non-Life Treaty Pricing Guidelines
Allianz Re, Functional Rule for Non-Life Treaty Business
Allianz Re, Operational Risk Loss Data Capture Process
Allianz Re, Risk Management Framework
Allianz Re, Standard for Non-Life and Life & Health Underwriting

Allianz Re Dublin dac, Allianz Re Dublin dac Standard for Own Risk and Solvency Assessment
Allianz Re Dublin dac, Accounting and Reporting Policy
Allianz Re Dublin dac, Actuarial Policy
Allianz Re Dublin dac, Audit Committee Terms of Reference
Allianz Re Dublin dac, Audit Policy
Allianz Re Dublin dac, Board Charter
Allianz Re Dublin dac, Business Strategy of Allianz Re Dublin dac
Allianz Re Dublin dac, Capital Management Policy
Allianz Re Dublin dac, Compliance Policy
Allianz Re Dublin dac, Diversity Policy
Allianz Re Dublin dac, Finance and Investment Committee Terms of Reference
Allianz Re Dublin dac, Fit and Proper Policy
Allianz Re Dublin dac, Governance and Control Policy
Allianz Re Dublin dac, Model Governance Guidelines
Allianz Re Dublin dac, Outsourcing Policy
Allianz Re Dublin dac, P&C Reserving Policy
Allianz Re Dublin dac, Reserve Committee Terms of Reference
Allianz Re Dublin dac, Retrocession Policy
Allianz Re Dublin dac, Risk Appetite Framework
Allianz Re Dublin dac, Risk Committee Terms of Reference
Allianz Re Dublin dac, Risk Policy
Allianz Re Dublin dac, Standard for Insurance Investment Assets
Allianz Re Dublin dac, Underwriting Committee Terms of Reference

Central Bank of Ireland, Central Bank Reform Act
Central Bank of Ireland, Corporate Governance Code for Credit Institutions and Insurance Undertakings
Central Bank of Ireland, Guidelines on Preparing for Solvency II - Submission of Information
Central Bank of Ireland, Corporate Governance Requirements for Insurance Undertakings

European Insurance and Occupational Pensions Authority (EIOPA), Guidelines on Submission of Information to National Competent Authorities (EIOPA-CP-13/010)
European Insurance and Occupational Pensions Authority (EIOPA), Guidelines on reporting and public disclosure (EIOPA-BoS-15/109)
European Parliament and European Council, Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)
European Commission, Commission Delegated Regulation (EU) 2015/35

Appendix III – Annual Quantitative Reporting Templates

S.02.01.02 Balance Sheet (1/2)

		Solvency II value
Assets		**C0010**
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**	33,000.00
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	1,466,504,000.00
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	1,464,468,000.00
Government Bonds	**R0140**	668,264,000.00
Corporate Bonds	**R0150**	794,932,000.00
Structured notes	**R0160**	-
Collateralised securities	**R0170**	1,272,000.00
Collective Investments Undertakings	**R0180**	-
Derivatives	**R0190**	428,000.00
Deposits other than cash equivalents	**R0200**	1,608,000.00
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	113,812,000.00
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	113,812,000.00
Reinsurance recoverables from::	**R0270**	78,851,370.00
Non-life and health similar to non-life	**R0280**	78,851,370.00
Non-life excluding health	**R0290**	77,548,350.00
Health similar to non-life	**R0300**	1,303,020.00
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**	1,372,004,000.00
Insurance and intermediaries receivables	**R0360**	14,437,000.00
Reinsurance receivables	**R0370**	13,100,000.00
Receivables (trade, not insurance)	**R0380**	4,614,217.00
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**	16,435,000.00
Any other assets, not elsewhere shown	**R0420**	3,000.00
Total assets	**R0500**	3,079,793,587.00

S.02.01.02 Balance Sheet (2/2)

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	2,136,256,380.00
Technical provisions – non-life (excluding health)	**R0520**	2,123,672,680.00
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	2,020,518,400.00
Risk margin	**R0550**	103,154,280.00
Technical provisions - health (similar to non-life)	**R0560**	12,583,700.00
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	11,614,660.00
Risk margin	**R0590**	969,040.00
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	57,773,000.00
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**	57,773,000.00
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	54,896,000.00
Risk margin	**R0680**	2,877,000.00
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**	224,000.00
Pension benefit obligations	**R0760**	-
Deposits from reinsurers	**R0770**	-
Deferred tax liabilities	**R0780**	17,054,000.00
Derivatives	**R0790**	97,000.00
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Insurance & intermediaries payables	**R0820**	17,059,000.00
Reinsurance payables	**R0830**	18,030,000.00
Payables (trade, not insurance)	**R0840**	233,717.00
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**	2,152,000.00
Total liabilities	**R0900**	2,248,879,097.00
Excess of assets over liabilities	**R1000**	830,914,490.00

S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110																	
Gross - Proportional reinsurance accepted	R0120		4,050,725.00		425,270,042.00	94,813,990.00	38,505,522.00	411,616,159.00	221,714,276.00	852,425.00	29,632,362.00	55,668,034.00	269,584,067.00					1,551,707,602.00
Gross - Non-proportional reinsurance accepted	R0130													7,311,600.00	131,445,708.00	51,760,742.00	338,989,984.00	529,508,034.00
Reinsurers' share	R0140				4,762,411.00			794,614.00	41,837,966.00	477,846.00		624,437.00		1,443,320.00	25,460,526.00	5,530,096.00	56,669,068.00	137,600,284.00
Net	R0200		4,050,725.00		420,507,631.00	94,813,990.00	38,505,522.00	410,821,545.00	179,876,310.00	374,579.00	29,632,362.00	55,043,597.00	269,584,067.00	5,868,280.00	105,985,182.00	46,230,646.00	282,320,916.00	1,943,615,352.00
Premiums earned																		
Gross - Direct Business	R0210																	
Gross - Proportional reinsurance accepted	R0220		3,124,098.00		316,579,343.00	92,479,559.00	39,250,224.00	317,141,581.00	169,034,749.00	402,445.00	20,591,606.00	55,392,545.00	205,047,096.00					1,219,043,246.00
Gross - Non-proportional reinsurance accepted	R0230													7,264,100.00	136,210,019.00	51,114,104.00	329,251,059.00	523,839,282.00
Reinsurers' share	R0240				2,846,748.00			376,528.00	29,801,851.00	220,713.00		575,430.00		1,443,320.00	24,956,652.00	4,032,954.00	55,215,044.00	119,469,240.00
Net	R0300		3,124,098.00		313,732,595.00	92,479,559.00	39,250,224.00	316,765,053.00	139,232,898.00	181,732.00	20,591,606.00	54,817,115.00	205,047,096.00	5,820,780.00	111,253,367.00	47,081,150.00	274,036,015.00	1,623,413,288.00
Claims incurred																		
Gross - Direct Business	R0310																	
Gross - Proportional reinsurance accepted	R0320		2,474,422.00		273,397,692.00	80,867,741.00	30,687,656.00	145,262,085.00	137,701,167.00	-1,615,563.00	12,145,328.00	31,488,332.00	159,389,125.00					871,797,985.00
Gross - Non-proportional reinsurance accepted	R0330													6,007,276.00	135,925,089.00	128,366.00	36,975,296.00	179,036,027.00
Reinsurers' share	R0340							4,785,332.00	21,720,499.00			750,116.00		1,239,870.00	16,678,372.00	987,106.00	9,093,199.00	55,254,494.00
Net	R0400		2,474,422.00		273,397,692.00	80,867,741.00	30,687,656.00	140,476,753.00	115,980,668.00	-1,615,563.00	12,145,328.00	30,738,216.00	159,389,125.00	4,767,406.00	119,246,717.00	-858,740.00	27,882,097.00	995,579,518.00
Changes in other technical provisions																		
Gross - Direct Business	R0410																	
Gross - Proportional reinsurance accepted	R0420								995,547.00									995,547.00
Gross - Non-proportional reinsurance accepted	R0430														894,030.00			894,030.00
Reinsurers' share	R0440																	
Net	R0500								995,547.00						894,030.00			1,889,577.00
Expenses incurred	R0550		1,089,861.00		80,735,777.00	13,877,598.00	11,079,174.00	142,889,393.00	46,989,310.00	61,090.00	7,033,547.00	24,747,122.00	33,080,495.00	29,625.00	13,229,722.00	7,343,067.00	60,912,217.00	443,097,998.00
Other expenses	R1200																	
Total expenses	R1300																	443,097,998.00

S.05.02.01 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			(GB) United Kingdom	(DE) Federal Republic of			
		C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120	190,961,562.00	1,522,177,792.00	1,208,349,556.00	122,866,674.00			
Gross - Non-proportional reinsurance accepted	R0130	22,199,902.00	393,461,403.00	28,090,957.00	343,170,544.00			
Reinsurers' share	R0140	54,638,234.00	110,283,786.00	5,706,424.00	49,939,128.00			
Net	R0200	158,523,230.00	1,805,355,409.00	1,230,734,089.00	416,098,090.00			
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220	125,462,921.00	1,198,555,473.00	968,947,543.00	104,145,009.00			
Gross - Non-proportional reinsurance accepted	R0230	22,199,902.00	384,821,649.00	27,018,948.00	335,602,799.00			
Reinsurers' share	R0240	54,558,775.00	98,261,584.00	5,398,325.00	38,304,484.00			
Net	R0300	93,104,048.00	1,485,115,538.00	990,568,166.00	401,443,324.00			
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320	113,341,783.00	898,134,300.00	673,554,411.00	111,238,106.00			
Gross - Non-proportional reinsurance accepted	R0330	26,991,617.00	144,692,514.00	50,810,972.00	66,889,925.00			
Reinsurers' share	R0340	4,294,771.00	48,392,127.00	12,344,960.00	31,752,396.00			
Net	R0400	136,038,629.00	994,434,687.00	712,020,423.00	146,375,635.00			
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420		995,547.00	995,547.00				
Gross - Non-proportional reinsurance accepted	R0430		894,030.00	894,030.00				
Reinsurers' share	R0440							
Net	R0500		1,889,577.00	1,889,577.00				
Expenses incurred	R0550	41,768,762.00	432,437,230.00	295,301,945.00	95,366,523.00			
Other expenses	R1200							
Total expenses	R1300		432,437,230.00					

S.12.01.02 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**																
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	**R0020**																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**								54,896,070.00		54,896,070.00						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**																
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**								54,896,070.00		54,896,070.00						
Risk margin	**R0100**								2,876,680.00		2,876,680.00						
Amount of the transitional on Technical Provisions																	
Technical provisions calculated as a whole	**R0110**																
Best Estimate	**R0120**																
Risk margin	**R0130**																
Technical provisions - total	**R0200**								57,772,750.00		57,772,750.00						

S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010		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
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																	
Technical provisions calculated as a sum of BE and RM																		
Best Estimate																		
Premium provisions																		
Gross	R0060		-17,480.00		306,462,720.00		7,933,340.00	20,173,700.00	22,468,860.00	-66,680.00		7,942,390.00	2,920,290.00	-2,883,570.00	4,392,780.00	-4,742,420.00	-53,771,400.00	310,812,530.00
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140				941,650.00			321,500.00	11,029,830.00	129,190.00		1,595,690.00		-569,180.00	-620,760.00	-92,710.00	-10,849,410.00	1,885,800.00
Net Best Estimate of Premium Provisions	R0150		-17,480.00		305,521,070.00		7,933,340.00	19,852,200.00	11,439,030.00	-195,870.00		6,346,700.00	2,920,290.00	-2,314,390.00	5,013,540.00	-4,649,710.00	-42,921,990.00	308,926,730.00
Claims provisions																		
Gross	R0160		2,369,010.00		405,949,600.00	11,066,130.00	56,525,460.00	234,553,350.00	475,328,750.00	14,112,300.00	3,730,320.00	348,250.00	25,098,450.00	12,146,700.00	353,851,760.00	22,249,310.00	103,991,140.00	1,721,320,530.00
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240							4,363,460.00	20,968,910.00			70,700.00		1,872,200.00	32,435,440.00	1,195,740.00	16,059,120.00	76,965,570.00
Net Best Estimate of Claims Provisions	R0250		2,369,010.00		405,949,600.00	11,066,130.00	56,525,460.00	230,189,890.00	454,359,840.00	14,112,300.00	3,730,320.00	277,550.00	25,098,450.00	10,274,500.00	321,416,320.00	21,053,570.00	87,932,020.00	1,644,354,960.00
Total Best estimate - gross	R0260		2,351,530.00		712,412,320.00	11,066,130.00	64,458,800.00	254,727,050.00	497,797,610.00	14,045,620.00	3,730,320.00	8,290,640.00	28,018,740.00	9,263,130.00	358,244,540.00	17,506,890.00	50,219,740.00	2,032,133,060.00
Total Best estimate - net	R0270		2,351,530.00		711,470,670.00	11,066,130.00	64,458,800.00	250,042,090.00	465,798,870.00	13,916,430.00	3,730,320.00	6,624,250.00	28,018,740.00	7,960,110.00	326,429,860.00	16,403,860.00	45,010,030.00	1,953,281,690.00
Risk margin	R0280		59,510.00		22,347,490.00	215,350.00	3,109,960.00	9,061,350.00	15,633,910.00	331,530.00	73,350.00	133,080.00	635,850.00	909,530.00	30,292,700.00	3,574,790.00	17,744,920.00	104,123,320.00
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
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
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
Technical provisions - total																		
Technical provisions - total	R0320		2,411,040.00		734,759,810.00	11,281,480.00	67,568,760.00	263,788,400.00	513,431,520.00	14,377,150.00	3,803,670.00	8,423,720.00	28,654,590.00	10,172,660.00	388,537,240.00	21,081,680.00	67,964,660.00	2,136,256,380.00
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330				941,650.00			4,684,960.00	31,998,740.00	129,190.00		1,666,390.00		1,303,020.00	31,814,680.00	1,103,030.00	5,209,710.00	78,851,370.00
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340		2,411,040.00		733,818,160.00	11,281,480.00	67,568,760.00	259,103,440.00	481,432,780.00	14,247,960.00	3,803,670.00	6,757,330.00	28,654,590.00	8,869,640.00	356,722,560.00	19,978,650.00	62,754,950.00	2,057,405,010.00

S.19.01.21 Non-life insurance claims information (1/2)

Non-life insurance claims information

Total Non-Life Business

Accident year / Underwriting year	Z0010	2 - Underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)	Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
			C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
	Prior	R0100											259
	N-9	R0160	6,135	5,402	-235	6	704	1	347	-61	24	0	
	N-8	R0170	-2,990	8,857	3,928	2,257	280	1,004	175	232	404		
	N-7	R0180	6,308	27,148	11,844	22,615	5,305	27,192	765	716			
	N-6	R0190	3,023	10,720	58,806	6,003	1,873	2,421	-109				
	N-5	R0200	2,197	51,629	61,993	37,066	24,023	6,966					
	N-4	R0210	2,767	41,745	26,084	7,568	4,832						
	N-3	R0220	12,355	47,492	31,995	12,302							
	N-2	R0230	5,484	9,173	7,812								
	N-1	R0240	11,424	414,651									
	N	R0250	-164,355										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	259	259
	R0160	0	12,323
	R0170	404	14,146
	R0180	716	101,893
	R0190	-109	82,737
	R0200	6,966	183,874
	R0210	4,832	82,996
	R0220	12,302	104,145
	R0230	7,812	22,470
	R0240	414,651	426,075
	R0250	-164,355	-164,355
Total	R0260	283,479	866,563

S.19.01.21 Non-life insurance claims information (2/2)

Gross undiscounted Best Estimate Claims Provisions

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											27,767
N-9	R0160	0	0	0	0	0	0	0	0	0	6,560	
N-8	R0170	0	0	0	0	0	0	0	0	6,596		
N-7	R0180	0	0	0	0	0	0	0	49,789			
N-6	R0190	0	0	0	0	0	0	61,363				
N-5	R0200	0	0	0	0	0	77,169					
N-4	R0210	0	0	0	0	98,886						
N-3	R0220	0	0	0	103,344							
N-2	R0230	0	0	108,210								
N-1	R0240	0	137,708									
N	R0250	1,104,761										

		Year end (discounted data)
		C0360
	R0100	23,281
	R0160	5,373
	R0170	5,752
	R0180	46,211
	R0190	57,312
	R0200	71,484
	R0210	92,313
	R0220	96,295
	R0230	100,590
	R0240	129,856
	R0250	1,092,853
Total	R0260	1,721,321

S.23.01.01 Own Funds (1/2)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	3,400,000.00	3,400,000.00		0.00	
Share premium account related to ordinary share capital	R0030	56,800,000.00	56,800,000.00		0.00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	770,714,490.00	770,714,490.00			
Subordinated liabilities	R0140					
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					
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					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	830,914,490.00	830,914,490.00		0.00	0.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	830,914,490.00	830,914,490.00		0.00	0.00
Total available own funds to meet the MCR	R0510	830,914,490.00	830,914,490.00		0.00	
Total eligible own funds to meet the SCR	R0540	830,914,490.00	830,914,490.00		0.00	0.00
Total eligible own funds to meet the MCR	R0550	830,914,490.00	830,914,490.00		0.00	
SCR	R0580	427,074,258.07				
MCR	R0600	192,183,416.13				
Ratio of Eligible own funds to SCR	R0620	1.945597				
Ratio of Eligible own funds to MCR	R0640	4.323549				

S.23.01.01 Own Funds (2/2)

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	830,914,490.00
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	60,200,000.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	770,714,490.00
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	107,073,000.00
Total Expected profits included in future premiums (EPIFP)	R0790	107,073,000.00

S.25.03.21 Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
10	IM - Market risk	88,156,758.52
11	IM - Underwriting risk	802,242,818.39
12	IM - Business risk	6,376,323.29
13	IM - Credit risk	25,277,547.89
14	IM - Operational risk	30,671,440.35
15	IM - LAC DT (negative amount)	-18,354,000.00
16	IM - Capital Buffer	-390,724,347.80
17	IM - Adjustment due to RFF/MAP nSCR aggregation	0.00

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	**R0110**	543,646,540.63
Diversification	**R0060**	-116,572,282.56
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	**R0160**	
Solvency capital requirement excluding capital add-on	**R0200**	427,074,258.07
Capital add-ons already set	**R0210**	0.00
Solvency capital requirement	**R0220**	427,074,258.07
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	**R0300**	0.00
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	**R0310**	-18,354,000.00
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0.00
Total amount of Notional Solvency Capital Requirement for ring fenced funds	**R0420**	0.00
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	0.00
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (1/3) - Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	439,132,537.18

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0.00	0.00
Income protection insurance and proportional reinsurance	R0030	2,352,978.54	4,050,725.04
Workers' compensation insurance and proportional reinsurance	R0040	0.00	0.00
Motor vehicle liability insurance and proportional reinsurance	R0050	711,470,670.00	420,507,630.73
Other motor insurance and proportional reinsurance	R0060	11,066,130.00	94,813,990.33
Marine, aviation and transport insurance and proportional reinsurance	R0070	65,117,720.32	38,505,521.80
Fire and other damage to property insurance and proportional reinsurance	R0080	250,042,090.00	410,821,544.69
General liability insurance and proportional reinsurance	R0090	465,876,981.13	179,876,309.74
Credit and suretyship insurance and proportional reinsurance	R0100	13,924,408.21	374,579.68
Legal expenses insurance and proportional reinsurance	R0110	3,742,997.32	29,632,362.04
Assistance and proportional reinsurance	R0120	6,628,228.35	55,043,596.90
Miscellaneous financial loss insurance and proportional reinsurance	R0130	28,137,515.83	269,584,066.98
Non-proportional health reinsurance	R0140	7,967,783.04	5,868,279.67
Non-proportional casualty reinsurance	R0150	326,429,860.00	105,985,181.20
Non-proportional marine, aviation and transport reinsurance	R0160	16,435,953.77	46,230,645.90
Non-proportional property reinsurance	R0170	45,022,449.08	282,320,916.48

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (2/3) - Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	1,152,817.47

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0.00	
Obligations with profit participation - future discretionary benefits	R0220	0.00	
Index-linked and unit-linked insurance obligations	R0230	0.00	
Other life (re)insurance and health (re)insurance obligations	R0240	54,896,070.00	
Total capital at risk for all life (re)insurance obligations	R0250		0.00

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (3/3) - Overall MCR calculation

		C0070
Linear MCR	R0300	440,285,354.65
SCR	R0310	427,074,258.07
MCR cap	R0320	192,183,416.13
MCR floor	R0330	106,768,564.52
Combined MCR	R0340	192,183,416.13
Absolute floor of the MCR	R0350	3,600,000.00
Minimum Capital Requirement	R0400	192,183,416.13