

SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR)

Year-ending: December 2018



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CONTENTS

Contents	2
Introduction	3
Summary.....	4
A. Business and Performance.....	9
B. System of Governance.....	18
C. Risk Profile	38
D. Valuation for Solvency Purposes	57
E. Capital Management	76
Glossary.....	84
Appendix – Reporting Templates	85

INTRODUCTION

This report covers the Cigna Europe Group of Cigna Myrtle Holdings Ltd (Myrtle), parent of Cigna Elmwood Holdings SPRL (Elmwood) and all underlying subsidiaries, including the two insurance companies of Cigna Life Insurance Company of Europe S.A./N.V. (CLICE) and Cigna Europe Insurance Company S.A./N.V. (CEIC). The document contains the narrative in respect of the Solvency and Financial condition report (SFCR) required by article 290-303 and 359-371 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 [the “Delegated Acts”] 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 National Bank of Belgium (NBB) confirmed on 16 May 2017 that Cigna Europe Group was authorised to use a single SFCR report for all the insurance entities within the Cigna Europe Group in accordance with article 256 of Directive 2009/138/EC.

This report refers to “the Company” as Cigna Europe Group of Cigna Myrtle Holdings Ltd (Myrtle) unless otherwise stated.

SUMMARY

Myrtle is the parent of Cigna Elmwood Holdings SPRL and all underlying subsidiaries, including the two insurance companies of Cigna Life Insurance Company of Europe S.A./N.V. (CLICE) and Cigna Europe Insurance Company S.A./N.V. (CEIC). The ultimate parent of Myrtle is Cigna Corporation.

Cigna's mission is to improve the health, well-being and peace of mind of the people we serve. Our strategic focus is centred on delivering high quality, affordable, and personalized products and solutions to our customers and clients by leveraging our insights, brand, talent and localized approach. We continue to solve for market needs that are ever evolving, including those of our customers and employers, as well as the government and healthcare providers.



OUR FRAMEWORK FOR CREATING SHAREHOLDER VALUE:

1. Leveraging existing capabilities across our core businesses.
2. Driving strong margins and significant free cash flow.
3. Pursuing additional growth opportunities via new distribution marketplaces, geographies, and service expansion.

Cigna is a global company—our 75,000 people represent different cultures, beliefs and values. We take an active, affirmative approach to making sure every one of our people develops an appreciation for individual and collective experiences, different ways of thinking and diverse communication styles. This approach is also more than a cultural diversity program; it's part of who we are.

BUSINESS AND PERFORMANCE

The financial results presented in the table below are derived from the BEGAAP Financial Statements for the year ended December 31, 2018 for CLICE and CEIC.

(EUR'000)	CLICE		CEIC		Myrtle ⁽¹⁾	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Income Statement Data						
Gross Premium	716,150	726,918	207,890	229,700	924,040	953,421
Result of financial year	23,660	11,903	4,986	(1,578)	16,392	12,125
Balance Sheet Data						
Total assets	711,525	697,469	261,179	264,050	1,119,602	1,079,631
Shareholders' equity	146,122	163,462	116,134	112,440	324,208	301,920

(1) Unaudited Consolidated figures

SYSTEM OF GOVERNANCE

The Company is committed to ensuring strong corporate governance practices on behalf of its shareholders. Cigna Corporation's Practices, together with the charters of its Audit, Corporate Governance, Finance, People Resources and Executive Committees, establish a framework of policies and practices for Cigna's effective governance.

Over the past few years, the respective Boards in the Company have implemented significant measures to strengthen the corporate governance framework, including the risk management function, in readiness for Solvency II which was effective from 1 January 2016.

The principles of Cigna Corporation's Practices, which are available at www.cigna.com/about-us/corporate-governance/board-practices, are followed within Europe as articulated in the Regulatory Supervisory Report of the Company and the numerous supporting policies. These address Board of Directors structure and leadership, director qualifications, director independence, and committee structure and roles. The governance policies and practices of the Company are regularly reviewed in light of developments in corporate governance and the Regulatory Supervisory Report and charters of the Board of Directors (sub) committees are updated when deemed appropriate for the Company.

The primary role of the Board of Directors is the oversight of the management of the Company's business affairs and assets (including at group level for responsibilities delegated from Myrtle and Elmwood). To fulfil their responsibilities, Cigna's European Boards, both directly and through their specialised committees, regularly engage with management, ensure management accountability and review the most critical issues that face Cigna. Among other things, the Boards review the Company's strategy and mission, its execution on financial and strategic plans, and succession planning.

The Board also oversees risk management and approves executive compensation. All directors play an active role in overseeing the Company's business strategy at the Board and committee levels.

The primary objective of the Risk Management System (RMS) is to identify, measure, monitor, manage and report the risks that the Company is exposed to on at least annual level. The Risk Management System comprises the

strategies, processes and reporting procedures to meet this objective. The Company has identified five key material risk exposures which form the basis of the Risk Profile: Insurance, Investment, Credit, Business and Operational risk. Each of these key risks is defined within the Risk Universe and includes all sub risk components. The Risk Universe also discloses the primary method adopted to internally identify, assess and measure each material risk.

Emerged in 2016 and mitigated since then, the Company faces is the Business risk exposure related to the UK leaving the European Union (BREXIT). The impacts included the financial market volatility and decreasing power of GBP which directly impacted the UK market in terms of underwriting performance and also retained earnings for European business. Cigna is dedicated to ensuring minimal impact to customers and clients as the UK withdraws from the European Union (EU). Cigna can confirm that it has begun a formal process, in accordance with UK regulators' guidelines, to apply for re-authorisation of its existing structures. Throughout this process, with engagement with both the European and UK regulatory authorities, Cigna is implementing actions designed to maintain a long-term, sustainable solution to enable it to continue serving its existing customer and client base, while also ensuring cross-border regulatory compliance by the time that incoming EEA firms need re-authorisation, either at the end of the Implementation Period provided for by the current draft Withdrawal Agreement, or when the Temporary Permissions Regime will apply in the event that the UK does not enter into a Withdrawal Agreement with the EU comes to an end.

Life and Health Insurance risks are those which emerge from the Company's core business functions. The Company has a low exposure to Investment Risk as it has a limited investment portfolio which is based upon high quality, medium maturity and low volatility bonds with strong concentration thresholds. The Company is exposed to credit risk due to the possible failure of one or several internal/external counterparties.

RISK PROFILE

The Company Universe provides the basis for all risk assessments conducted by the management of each business unit and control function. By utilising the risk universe as a benchmark, it ensures that management considers all material risks within the scope of business operations in a consistent manner. Management can then prioritise the key risk exposures from the Risk Universe and identify and assess the risks relative and most prominent to their specific business model and operations. Risk exposure is classified into five broad categories: insurance risk, Investment risk, credit risk, operational risk, and business risk. For each of these risks, the exposure, the concentration, the mitigation techniques and the sensitivity to stress tests scenarios is analysed in this section.

The development of sophisticated quantitative and qualitative risk assessment tools has been primarily driven through the risk-based European regulatory requirements of the Solvency II Directive. In order to meet Solvency II requirements, the Company uses a Partial Internal Model (PIM) for the two insurance companies CLICE and CEIC (approved in 2015), an internally developed risk modules for key exposures that the Standard Formula is deemed insufficiently accurate in reflecting Cigna's specific risk exposures. This PIM had been also deployed at the holding insurance company level and approved in 2017.

As outlined in the Solvency II Directive, the risk measure is the Value at Risk (VaR) of the basic own funds (BOF) of the Company subject to a confidence level of 99.5% over a one-year period.

(EUR'000)	CLICE		CEIC		Myrtle ⁽¹⁾	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
SCR	95,002	98,424	50,896	59,058	167,562	171,425

(2) Cigna Europe's Risk profile 2018

VALUATION

The Solvency II balance sheet is prepared in compliance with the Solvency II requirements. Assets and liabilities are valued on a 'fair value' basis assuming that the company will pursue its business as a going concern.

Economic adjustments have been made where the valuation methodology on a statutory basis differs to the valuation methodology requirements under Solvency II.

CAPITAL MANAGEMENT

The table below illustrates the Own Funds and the Solvency Capital Requirements for year end 2018 compared with 2017.

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Own Funds and SCR/MCR Data						
Own Funds	170,704	191,044	104,686	109,988	334,769	328,538
Solvency Capital Requirement (SCR)	95,002	98,424	50,896	59,058	167,562	171,425
Minimum Capital Requirement (MCR)	23,750	24,606	12,724	14,764	36,474	42,856
Ratio of Eligible own funds to SCR	180%	194%	206%	186%	200%	192%
Ratio of Eligible own funds to MCR	719%	776%	823%	745%	918%	767%

(3) Own Funds and Solvency Capital Requirements for year end 2018 and 2017

The Company continues to hold a strong capital base under Solvency II driven by our continuous willingness to sustain business growth and reinforce value, strength and security brought to all stakeholders.

The Company continues to seek opportunities which offer a good return on solvency capital. The company will continue with the strategy to grow the business geographically across Europe within Employer and Individual market segments. Key to this will be the focus on developing solutions which meet customer needs whilst aiming to provide a superior customer experience. The development of new distribution and digital capabilities will be key in enabling us to grow the Group and Individual business across the European market. The Company will also continue to leverage the distribution capabilities of other Cigna Europe Group companies to enhance the capability to grow in the market.



A. BUSINESS AND PERFORMANCE

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A. BUSINESS AND PERFORMANCE

A.1. Business

A.1.1. Legal Group Structure

In the context of the implementation of Solvency II, Cigna has operated changes in its governance structure in Europe starting in 2013 in order to be compliant with this new regime both at the local Belgium level and at group European level.

Two European holding companies have been set up for the purposes of holding the shares in Cigna Life Insurance Company of Europe (CLICE) and Cigna Europe Insurance Company (CEIC) and the other European Cigna entities:

- › Cigna Myrtle Holdings, Ltd (Myrtle), a Maltese company, is the European holding company of the Cigna Europe entities; and
- › Cigna Elmwood Holdings SPRL-BVBA (Elmwood, ref. 0543.609.378), a Belgian company, is the Belgian holding company of the 'Cigna Europe' entities.

Myrtle is the parent of Cigna Elmwood Holdings SPRL and all underlying subsidiaries, including:

- › The insurers CLICE and CEIC;
- › Cigna European Services (UK) Ltd (CESL ref. 00199739) which is a service company to support the Company on a pan-European basis;
- › The two intermediaries who also provide products and services to the Group, i.e. Cigna Insurance Services (Europe) Limited (CISEL ref. 04617110) and Cigna International Health Services BVBA (CIHS ref. 0414.783.183).

In addition, CLICE is the Responsible Entity for Cigna Europe with most key matters for group supervision delegated to CLICE through a cascade of delegation from Myrtle to Elmwood and Elmwood to CLICE. Cigna Corporation is the ultimate parent company and is listed on the New York stock exchange under symbol CI.

Cigna Europe has grown organically, and also through the acquisitions of Vanbreda International SA-NV in 2010 (subsequently renamed Cigna International Health Services BVBA and which is registered in Belgium) and FirstAssist Ltd in 2011 (which has been renamed Cigna Oak Holdings Ltd and which is registered in the United Kingdom). These two companies are intermediaries providing insurance products and services and are incorporated into the wider governance structure referred to below. In addition to this, the European Group also includes Cigna Wellbeing (ref. 3976059) which provides health guidance to the insured (owned 70% by Connecticut General Corporation and 30% by CESL).

CLICE has active branches in Spain, UK, Italy and France and CEIC has branches in Switzerland, UK and Singapore. Next to these active branches, CLICE Germany has been dormant since it was created and CLICE Switzerland was closed.

The Group governance structure has been established and fully implemented since January 1, 2015 and enables Solvency II related responsibilities to be allocated between the companies (Pillar II Elmwood and Pillar III Myrtle) while the life (CLICE) and non-life (CEIC) insurance companies are the risk carriers by which business written and strategic and growth objectives are met through the established global branch structures.

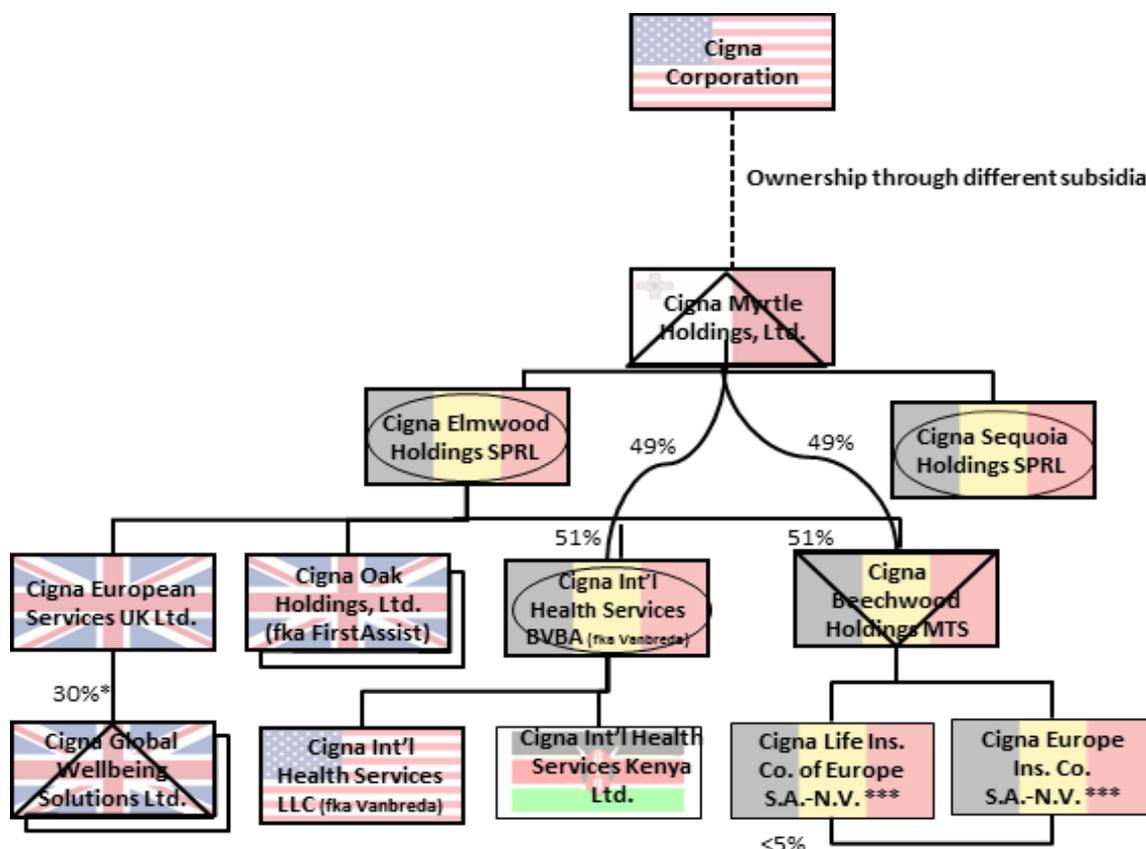


Exhibit A.1: Simplified Group Structure of Cigna Europe at YE 2018

CLICE was incorporated on 18 February 1981 while CEIC was founded on 29 March 2001. Their registered office is located at 1000 Brussels, avenue de Cortenbergh 52. Both are registered with the Crossroad Bank for Enterprises under numbers 0421.437.284 and 0474.624.562 respectively. The subscribed capital of CLICE at Year End (YE) 2018 amounts to €107,460,897 and for CEIC €94,401,460.

The shareholders of the insurance entities CLICE and CEIC are:

Shareholder	CLICE	CEIC
Cigna Beechwood Holdings "Maatschap" / "Société de droit commun", Avenue de Cortenbergh 52, 1000 Brussels, Belgium	139,911 shares	142,089 shares
Ownership (%)	96,646%	92,517%
Cigna Myrtle Holdings, Ltd., 171 Old Bakery Street, Valletta VLT 1455, Malta	1 share	11,493 share
Ownership (%)	0,0007%	7,483%
Cigna Europe Insurance Company SA, "Société Anonyme", Avenue de Cortenbergh 52, 1000 Brussels, Belgium	4,855 shares	
Ownership (%)	3,354%	

Exhibit A.2: YE 2018 Shareholders CLICE and CEIC

During the year ended 31 December 2018, the following dividend payments and receipt we made within the group:

- › CLICE paid dividend totalling €41m to: Beechwood (€40m); CEIC (€1m); and Myrtle (€271)
- › Beechwood paid dividend totaling €40m to: Elmwood (€20m) and Myrtle: (€20m)
- › CEIC paid dividend of €1m to myrtle.
- › In December 2018, Oak received a capital contribution of €14 m (£13m) from Elmwood which was triggered by capital planning. No shares were issued in return.

No material transactions with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body occurred during 2018.

A.1.2. Regulator and External Auditor

Cigna Elmwood Holdings, CLICE and CEIC are supervised by the National Bank of Belgium (NBB), Boulevard de Berlaimont 14, 1000 Brussels, Belgium. Myrtle is supervised by the Malta Financial Services Authority (MFSA), Notabile Road, BKR3000, Attard, Malta but has delegated its supervisory responsibilities to the NBB.

The external auditor for Myrtle is Romina Soler, PricewaterhouseCoopers (Malta), 78 Mill Street, Qormi, QRM3101, Malta. For CLICE and CEIC, the external auditor is Isabelle Rasmont, SCCRL PricewaterhouseCoopers (Brussels), Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium.

A.1.3. Structure of Business

Cigna Corporation is one of the largest publicly owned employee benefits organisations in the United States and is one of the few health benefits companies with a comprehensive portfolio of health, pharmacy, behavioural, dental, disability, life, accident and international businesses. With approximately 75,000 employees after acquisition of Express Scripts, Cigna Corporation and its subsidiaries serve millions of people worldwide. In Europe, the Company provides specialist individual and group healthcare, both within Europe and globally. It also leads the way in the direct marketing of high benefit, low cost insurance products in the health, life, accident, disability, travel and credit protection sectors. As shown in Exhibit A.3 below, the Company operates through two main business segments, Global Employer (GES) and Global Individual segment (GIS), operated globally by Cigna. The diagram illustrates the operational geographies, business lines and the Solvency II Lines of Business.

BUSINESS SEGMENT	GLOBAL EMPLOYER SEGMENT				GLOBAL INDIVIDUAL SEGMENT		
BUSINESS LINE	CGHB CORP	CGHB IO	UKHB	SPHB	CISEL	GIPMI	HL&A
GEOGRAPHICAL FOOTPRINT	Europe, Singapore & Middle East	Global	UK	SPAIN	UK	Europe, Singapore	Europe
SOLVENCY II PRODUCTS	Medical Expenses Income Protection Life	Medical Expenses Income Protection Life	Medical Expenses	Medical Expenses	Medical Expenses Income Protection Misc. NL. Legal Expenses Life	Medical Expenses	Medical Expenses Income Protection Misc. NL. Life

Exhibit A.3: Cigna Europe Structure – Business segment, Products/Lines of Business

A.1.4. Global Employer business

Cigna's Global Employer Segment (GES) business operates from the US, UK, Spain and Belgium offering managed medical, pharmacy and dental care services, including integrated indemnity and group life and health insurance for employees, primarily through their employer. The GES business includes the following Business Lines:

- › **Cigna Global Health Benefits Corporate (CGHB CORP):** healthcare coverage for expatriates from major corporate groups.
- › **Cigna Global Health Benefits International Organizations (CGHB IO):** healthcare and Life coverage from major international governmental and non-governmental organizations.
- › **UK HealthCare Benefits (UKHB):** domestic healthcare coverage for corporate groups and a very small number of individuals.
- › **Spanish HealthCare Benefits (SPHB):** domestic healthcare coverage for corporate groups and individuals.

A.1.5. Global Individual business

Cigna's Global Individual Segment (GIS) offers disability, life and accident products through affinity partners and through direct to consumer methods. Cigna also offers managed medical, pharmacy and dental care services to individual expatriates throughout the world. The GIS business includes the following Business Lines:

- › **Health, Life & Accident (CISEL):** selling through affinity partners in the UK market by CISEL covering individual health and accident. This business is being managed as a runoff business.
- › **Cigna Global Individual Private Medical Insurance (GIPMI):** healthcare coverage for individual expatriates and high net worth individuals.
- › **Health, Life & Accident (HL&A):** individual health and accident related products sold via Direct Marketing plus Payment Protection Insurance sold in selected European markets. This business is being managed as a runoff business.

A.1.6. Key changes during 2018

During the year 2018 CLICE has paid dividend totaling €41 m, Beechwood has paid dividend totaling €40m and CEIC has paid dividend of €1,292,446 to myrtle.

In December 2018, Oak received a capital contribution of €14m (£13m) from Elmwood which was triggered by capital planning. No shares were issued in return.

A.2. Underwriting Performance

The information by lines of business and by countries where business is written in accordance with the Solvency II Quantitative Reporting Template (QRT) S.05.01.02 'Premiums, claims and expenses by line of business' can be found in the appendix.

The following tables summarise the underwriting performance in 2017 and 2018 on a gross of reinsurance basis, together with prior year comparison, for the business segments and for those countries where the volume of business written is material:

A.2.1. CLICE Underwriting Performance

(EUR'000)	GES (Group)		GIS (Individual)		Total	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Earned Premium (a)	613,184	613,786	102,892	80,082	716,076	693,868
Claims Incurred (b)	460,073	466,655	34,681	29,023	494,754	495,678
Commission (c)	34,922	40,756	8,257	7,375	43,178	48,131
Expenses (d)	87,528	70,359	37,041	28,883	124,569	99,242
Underwriting Profit (a-b-c-d)	30,662	36,016	22,913	14,801	53,575	50,817

Exhibit A.4: CLICE Underwriting Performance by Business segments

At total CLICE level, Underwriting Profit has improved by €3m in 2018 relative to 2017. This improvement is mainly driven by decreased claims and commissions experienced in 2018. Gross Earned Premium has increased by 3.2% (€22m) only driven by the Individual business (€23m). Claims incurred have reduced by 0.2% (€1m) driven by the reduction of Group business (-€7m) offset by the increase of individual business (€6m). Commission has reduced by 10.3% (€5m) driven by the group business (€6m) and Expenses have increased by 25.5% (€25m) mainly driven by the group business (€17m) and strengthened by the Individual business (€8m).

CLICE writes business mainly in UK, Belgium, Spain, France, Germany and the Netherlands. The detailed underwriting performance information per country can be found in the QRT S.05.01.02 in the Appendix. At a country level, premium growths arise mainly in Belgium, Spain and Germany. This is offset to some extent by premium reduction in France and to a lesser extent in UK. For Claims incurred at country level, the largest reduction comes in UK and the Netherlands as a result of favourable loss ratio. On the other hand the loss ratio has increased in France due to unfavourable claims. The Commission reduction is seen in all the main country except for Belgium and Spain, and the expenses increased in all main country but significantly to a larger extent in France, Germany and the Netherlands.

A.2.2. CEIC Underwriting Performance

(EUR'000)	GES (Group)		GIS (Individual)		Total	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Earned Premium (a)	121,112	102,322	82,672	131,562	203,784	233,884
Claims Incurred (b)	93,069	69,218	42,512	56,822	135,580	126,040
Commission (c)	8,445	8,617	39,489	65,033	47,934	73,651
Expenses (d)	23,403	15,524	5,558	6,566	28,961	22,090
Underwriting Profit (a-b-c-d)	-3,804	8,963	-4,887	3,141	-8,691	12,104

Exhibit A.5: CEIC Underwriting Performance by Business segments

At total CEIC level, Underwriting Profit has decreased by €21m in 2018 relative to 2017, mainly due to unforeseen unfavourable claims strengthened by a further strategic investments. Gross Earned Premium has decreased by 12.9% (€30m) mainly due to run-off of the UK CISEL business (€47m) partly offset by growth in Singapore Group Medical business (€14m). Claims Incurred have similarly increased by 7.6% (€10m) largely due to higher claims experience on Global Individual business. Commission has reduced by 34.9% (€26m) due to run-off within CISEL business and the expenses increased by 31.1% (€7m) driven by the Group business.

CEIC writes business mainly in UK, Singapore and Switzerland. The detailed underwriting performance information per country can be found in the QRT S.05.01.02 in the Appendix. At a country level, premium growth arises in Singapore and in Switzerland, offset by run-off of UK CISEL business. Claims Incurred increases are also mainly found in Singapore business and Switzerland consistent with premium growth but partly offset by the run-off of UK CISEL business.

A.2.3. Myrtle Underwriting Performance

(EUR'000)	GES (Group)		GIS (Individual)		Total	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Earned Premium (a)	734,296	716,108	185,564	211,644	910,980	927,752
Claims Incurred (b)	553,142	535,873	77,192	85,845	630,334	621,718
Commission (c)	43,366	49,373	47,746	72,409	91,113	121,782
Expenses (d)	110,931	85,883	42,599	35,449	153,530	121,331
Underwriting Profit (a-b-c-d)	26,858	44,980	18,026	17,942	44,884	62,921

Exhibit A.6: Myrtle Underwriting Performance by Business segments

This is CLICE and CEIC combined. Myrtle does only underwrite insurance business through CLICE and CEIC. The detailed underwriting performance information per country can be found in the QRT S.05.01.02 in the Appendix.

A.3. Investment Performance

The Company holds operating cash and short term investments that meet the immediate liquidity obligations of the European Group, taking due consideration of liquidity, diversification and yield requirements for the broker, insurer and service entities. Where a cash surplus exists for the insurance businesses beyond this requirement, investment activity is undertaken in the longer term portfolio environment with internal and external asset management oversight based on Board of Directors approved appetite towards currency risk, concentration risk, interest rate risk & credit rate risk. The Group only holds assets in the investment classes bonds and Investment funds. There are no investments in securitized products. Statutory Investment income and management expenses are detailed below:

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Investment Income by Class						
Bonds	4,911	4,374	2,721	1,933	7,632	6,307
Investment Funds	861	1,327	-	-	861	1,327
Investment Income	5,772	5,701	2,721	1,933	8,493	7,634
Realized Capital Gains/ losses	(325)	14	(15)	2	(340)	15
Gain on Sale (Intercompany shares)	-	-	-	-	-	-
Net Investment Income	5,448	5,714	2,706	1,935	8,154	7,649
Investment Expenses	252	323	86	101	339	424
Unrealized gains and losses	8,027	14,130	187	1,440	8,214	15,570

Exhibit A.7: Investment income/expense and unrealized gains and losses – Statutory Basis

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Government Bonds	103,696	95,872	64,956	66,743	168,652	162,615
Corporate Bonds	251,756	268,018	69,666	54,146	321,422	322,163
Investment funds	-	-	-	-	-	-
Total Investments	355,452	363,890	134,622	120,888	490,074	484,778

Exhibit A.8: Investment by Class – Statutory Basis

(EUR'000)	CLICE	CEIC	Myrtle
	31-Dec-18	31-Dec-18	31-Dec-18
Opening Balance	363,890	120,889	484,778
Asset Injections	(19,238)	5,679	(13,559)
Net Investment Income	5,772	2,721	8,493
Increase in unrealised Gains/Losses	(6,103)	(1,253)	(7,356)
FX + Amortisation of Premium	11,131	6,586	17,718
Total Investments	355,452	134,622	490,074

Exhibit A.9: Investment Performance – Statutory Basis

A.4. Performance of other activities

There have been no other significant activities undertaken by the Company other than its insurance and related activities.

A.5. Any other information

There are no other material matters in respect to the business or performance of the Company.



B. SYSTEM OF GOVERNANCE

B. SYSTEM OF GOVERNANCE

The Company is committed to ensuring strong corporate governance practices on behalf of its shareholders. Cigna Corporation's Practices, together with the charters of its Audit, Corporate Governance, Finance, People Resources and Executive Committees, establish a framework of policies and practices for Cigna's effective governance.

B.1. General Information on the System of Governance

The System of Governance is a collection of key components which combine to provide an integrated system of control. The key components include:

- › Organisational Structure (as disclosed in section A Exhibit A.1 and A.2);
- › Regulatory Supervisory Report, supporting policies and sub-committee structure;
- › Functions of Control;
- › Fit and Proper requirements;
- › Risk Management System;
- › Risk Management Framework; and
- › Internal Control Environment.

B.1.1. Regulatory Supervisory Report, supporting policies and Sub Committee Structure

The principles of Cigna Corporation's Practices, which are available at www.cigna.com/about-us/corporate-governance/board-practices, are followed within Europe as articulated in the Regulatory Supervisory Report of the Company and the numerous supporting policies. These address Board of Directors structure and leadership, director qualifications, director independence, and committee structure and roles. The governance policies and practices of the Company are regularly reviewed in light of developments in corporate governance and the Regulatory Supervisory Report and charters of the Board of Directors (sub) committees are updated when deemed appropriate for the Company.

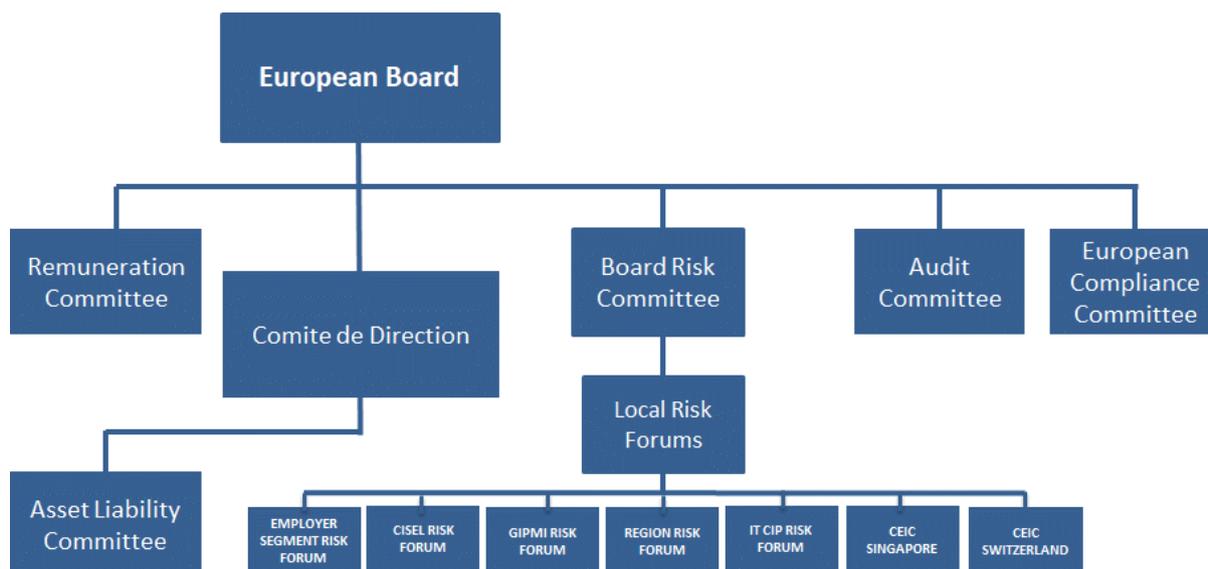


Exhibit B.1: The Company Committee Reporting Structure

Exhibit B.1 shows the Governance structure adopted within the Company (including the various Board sub-committees). The following sections describe the roles and responsibilities of these different bodies which form the overall System of Governance.

B.1.2. Board of Directors

The Board of Directors is composed of four Executive Directors and five Non-Executive Directors, two of which are independent. If necessary, the number of Directors will be modified to reflect the business and regulatory requirements. The Board of Directors elects a chairman to be chosen amongst the Non-Executive Directors, after consultation with the NBB. This Board of Directors structure, including the separation of the roles of its Chairman and the European Managing Director helps to ensure independent oversight of the Company and the management team and contributes to strong governance practices.

The primary role of the Board of Directors is the oversight of the management of the Company's business affairs and assets (including at group level for responsibilities delegated from Myrtle and Elmwood). To fulfil their responsibilities, Cigna's European Boards, both directly and through their specialised committees, regularly engage with management, ensure management accountability and review the most critical issues that face Cigna. Among other things, the Boards review the Company's strategy and mission, its execution on financial and strategic plans, and succession planning. The Board also oversees surveillance of activities, risk management, people matters, governance, training, and determines executive compensation. All directors play an active role in overseeing the Company's business strategy at the Board and committee levels.

B.1.2.1. Audit Committee

The Audit Committee is made up of at least 3 members and have a majority of independent directors within the meaning of Article 526ter of the Company Code. All the other members must be non-executive. The members shall have collective expertise in the activities of the Company as well as in the field of financial management, financial reporting, accounting and audit.

One of the two independent directors is the chairman of the Audit Committee. The Audit Committee reports to the Board of Directors on its proceedings and makes whatever recommendations it deems appropriate on any area within its remit. Members of the Audit Committee are appointed by the Board of Directors, in consultation with the Chairman of the Audit Committee.

The responsibilities of the Audit Committee are detailed in the Audit Committee Charter and can be summarized as follows:

- › To monitor the integrity of the financial reporting of the Company;
- › To monitor and review the effectiveness of the Company's:
 - internal controls and risk management systems;
 - Internal audit function;
 - External audit function;
 - Compliance function; and
- › To monitor the whistle blowing policy.

B.1.2.2. Board Risk Committee (BRC)

The Board Risk Committee requires at least five members, either executive or non-executive directors. Currently, all five Non-Executive Board Directors are members of the BRC. The chairman of the BRC is an independent non-executive director of the Board of Directors.

The Committee's main responsibilities are to:

- › Advise the Board on the risk implications of strategic options that impact the future direction of the business;
- › Provide guidance on risk management framework, policy, reporting and other risk mechanisms;
- › Recommend to the Board of Directors the risk appetite for the Company, and the metrics to target and monitor the overall risk tolerance of the organisation;
- › Monitor the current risk profile of the Company;
- › Monitor the prospective view of the capital intensity of the business;
- › Review the Own Risk Solvency Assessment (ORSA) process, and report and summarise to the Board;
- › Express an opinion and risk based recommendations on key initiatives (risk/return analysis) for final sign off by Board of Directors;
- › Monitor the implementation of Solvency II; and
- › Review any reports or information supplied to it through the Chief Risk Officer in relation to the local risk forums.

The Board Risk Committee is a high level, strategic focussed committee set up with the Board of Directors considering the risk profile of the company. Local Risk Forums report to the BRC (see Exhibit B.1) and cover the activities of the business units, support functions and non-insurance legal entities shown in Exhibits A.1 and Exhibit B.1 respectively.

The remit of the Local Risk Forums encompasses all risk management and control activities to monitor the risk profile per business line and function of control (e.g. Shared Service Centre) including reviewing risk based activities within each business unit and service area, reviewing the operational environment, enhancing control, and ensuring adherence to the Company's internal processes of control.

B.1.2.3. Remuneration and People Resources Committee

The Company has a Remuneration Policy in place which reflects both the NBB requirements and the philosophy of the Cigna Corporation in terms of Remuneration Policy. The Company's remuneration philosophy reflects its desire to strengthen its financial position and to invest in its people, who, through their skills, competencies, and abilities advance the Company in the competitive marketplace. The Remuneration and People Resources Committee is made up of three Non-Executive Directors who are independent of the business. In addition, two of the members are Independent Non-Executive Directors. The chairman of the Board of Directors is also the chairman of the Remuneration and People Resources Committee.

B.1.2.3.1. Remuneration principles

It has to be noted that Non-Executive Directors of the Board of Directors are not remunerated by the Company as they are employees of other Cigna group entities.

Independent Directors are remunerated for their roles with an annual fee which is agreed on a yearly basis. They are not part of the remuneration policy and do not receive any stock options or long term incentive plan. The Company has in place a Remuneration Policy approved by the Board of Directors. The remuneration Policy is applicable to all employees and Executive Directors. Rewards for contribution means the remuneration package each employee earns represents the value his returns to the Company and its shareholders. The reward package consists of a competitive base pay and a performance-based variable pay. The remuneration package is also indirectly based on seniority and promotion. Remuneration related to such seniority is set in a multi-year framework in order to ensure that the overall assessment process is based on longer term performance.

COMPETITIVE BASE PAY

The fixed remuneration, represented in the competitive base pay, is established at an appropriate level and constitutes a sufficiently high proportion of the total remuneration so that the employees do not have to fully rely on the variable component of the remuneration.

The Company has only one single Insurance retirement plan for its employees and members of the Comité de Direction (Executive Directors). The Non-Executive members of the Board of Directors do not have a Retirement Plan offered by the Company. Two Executive Directors have a retirement plan which is UK based due to the expat nature of one of them and the UK residency of the second one. Their plan does not vary in the essence of the Belgian retirement plan.

There are no anticipated plans for retirement in place for the employees or the members of the Comité de Direction.

There are no lump sum contributions by the Company possible in the plan of one or all employees or Executive Directors.

VARIABLE PAY

In addition to the Competitive Base Pay, the individual contribution to the organisational and the Company goals by each employee may be recognised through the differentiation of the variable pay components which can take the form of a cash bonus or a participation in a stock (options) plan which constitutes a Long Term Incentive Plan.

B.1.2.3.2. Employee Assessment

The assessment of the performance may be based on a combination of the assessment of the performance:

- › Of the individual;
- › Of the business unit concerned; and
- › Of the overall results of the Company.

The final level of variable pay awarded will take account of these 3 factors.

B.1.2.3.3. Variable Pay Claw Back

To the extent lawful in a particular jurisdiction, the Company's Board of Directors shall be able to require the Executive Directors and the other employees who have received variable pay to repay all or part of the variable pay if this payment resulted from their fraudulent activities or where the variable pay has been awarded for performance based on data which has subsequently proven to be manifestly incorrect or misleading.

B.1.2.3.4. Independent Control Functions

Staff members engaged in independent control functions (including actuaries, compliance officers, risk managers and internal auditors) are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

B.1.2.4. Comité de Direction

The Comité de Direction or Management Committee comprises four executive members of the Board of Directors ("Executive Directors"), and is therefore composed as follows:

- › the European Managing Director;
- › the Chief European Counsel;
- › the Chief Risk Officer; and
- › the Chief Finance Officer.

The Comité de Direction is chaired by the European Managing Director. The Company ensures that the Comité de Direction is composed, at all time, of at least 3 Executive Directors. No legal Entities "management company" can be a member of the Comité de Direction. The collective and individual skills and competencies of the Comité de Direction and its individual members are subject to an annual assessment. If needs are identified, appropriate measures are taken to provide training.

The duties and responsibilities of the Comité de Direction are detailed in the Internal Regulations of the Comité de Direction and can be summarised as the following:

ADVISING THE BOARD OF DIRECTORS

- › Advise the Board of Directors on general policies and develop proposals to the Board on the business strategy and business development of the Company;
- › Report at least annually to the Board of Directors in relation to internal audit and compliance.

DAY-TO-DAY MANAGEMENT

- › Within the strategic guidelines and policy frameworks set by the Board, ensure the leadership of the Company and its general management;
- › Ensure that an adequate framework is in place for the appropriate functioning of the independent control functions.

RISK MANAGEMENT

- › Ensure that the risk framework defined and the risk management policy approved by the Board of Directors are implemented through processes and procedures;
- › Ensure that the risks of the Company are identified, measured, managed, controlled and reported adequately through reports of the independent control functions;
- › Ensure that an appropriate risk management system is put in place including, among other things, the overall risk governance structure and the risk reporting;
- › Implement the necessary measures to ensure that risks are monitored and controlled;

INTERNAL CONTROL AND GOVERNANCE

- › Perform annually a governance self-assessment and communicate the report to the Board of Directors, the external auditor, and the NBB;
- › Implement an adequate internal control and risk management within the guidelines approved by the Board and monitor their effectiveness at least annually, based on the annual report of the internal audit department, monthly reports from the Chief Risk Officer, the annual System of Governance self-assessment report and other sources such as reports and/or notes of the different departments and business units. The review relates to all aspects of internal control such as the objectives, the means that are implemented, the methods that are used, the shortcomings that are found and the adequate character and efficiency of the internal control;
- › Ensure, based on the reporting to be made at least every six months by the Internal Audit Department that the latter adequately follows-up whether its investigative findings and recommendations are complied with.

REPORTING

- › Report in writing annually to the NBB, the statutory auditor and the Board of Directors, through the Audit Committee, in relation to internal control ; in particular, the minutes of the meetings of the Comité de Direction shall stipulate the deliberations relating to the status of the internal control and its assessment;
- › Submit the declaration on prudential reporting and the representative assets reporting to the NBB, the statutory auditor and the Board of Directors on a half-yearly basis;

- › Ensure that the Company permanently disposes of an adequate compliance function and assess the compliance function at least annually;

POLICIES IMPLEMENTATION

- › Implement the Integrity Policy and update it regularly;
- › Implement the Remuneration Policy and update it regularly;
- › Implement the Subcontracting Policy and update it regularly;
- › Implement the Investment Policy and update it regularly;
- › Implement the Reserving Policy and update it regularly; and
- › Insure the adequacy and application of internal policies.

Without prejudice to its own powers and duties, the Board of Directors vests the Comité de Direction with the authority that is adequate and necessary to the proper exercise of its duties and responsibilities, within the wider framework of the general strategy and policies outlined by the Board of Directors. While the members of the Comité de Direction report individually to the European Managing Director on their areas of responsibility, the Comité de Direction as a whole is collectively accountable to the Board on all matters entrusted to it by the Board.

The Asset Liability Committee (ALCO) reports to the Comité de Direction by assisting it in fulfilling its responsibilities related to the management of the Company's assets relative to its liabilities, and to the oversight of the Company's Investment Managers in accordance with the Company's risk management practices (including the Company's Risk Appetite) and any other related policies.

B.1.2.5. European Compliance Committee

The European Compliance Committee ('ECC') is composed of the local compliance officers of the various Business Units and is chaired by the European Compliance Officer. The ECC meets on a quarterly basis.

The tasks of the European Compliance Committee within its action areas are to:

- › Assess the risks incurred by the Company to its integrity, draft any proposals to improve it where necessary and report to the Audit Committee;
- › Assess the day-to-day application of the Integrity Policy within the Company;
- › Draft, in all its action areas, procedures, instructions and codes of conduct in order to implement the Integrity Policy, to prevent and eliminate the risks incurred by the Company to its integrity and to adopt adequate internal control measures in this respect;
- › Regularly assess the adequate character of these procedures, instructions, codes of conduct and internal control measures and, as the case may be, to draft amendments;
- › Review and follow-up any breaches committed within the Company against the laws and regulations and internal procedures, instructions and codes of conduct;
- › Supervise certain operations and transactions and certain relationships that could represent a risk for the integrity of the Company;

- › Advise the Comité de Direction in terms of conformity to the Integrity Policy before the launch of any new concept of product or before the entry into any new market;
- › Follow-up all relevant national and international laws including all regulations and prudential rules and their interpretation; and
- › Review all pertinent internal and external documents concerning the functioning of the Company (for example, audit documents, minutes of the management bodies, remarks and reports from the regulatory authorities).

B.2. Fit and proper requirements

The Persons responsible for the governance, oversight and management of the Company provide strategic leadership that influences the financial position and future direction of the Company. The Company recognises that these persons in their positions must have the expertise and professional integrity required for their positions that will allow them to perform their duties and carry out their responsibilities in the most effective manner.

The Company has put in place a Fit and Proper Policy which contains the requirements in terms of fitness and propriety of the Key Responsible Persons which have been identified by the Company based on the regulatory and supervisory requirements “the Key Responsible Persons”.

The Key Responsible Persons include, at least, members of the Board of Directors and the Comité de Direction, the Heads of the Independent Control Functions and the foreign branches legal representatives.

B.2.1. Description of the Fit and Proper requirements

The assessment of a person's suitability is described as assessing whether they are "fit and proper":

- › A person is considered to be fit for a specific position when the person has knowledge and experience, skills and the professional behaviour required for the position in question;
- › Propriety relates to a person's honesty and integrity.

B.2.1.1 Fitness requirements

Competency and capability are demonstrated by a person who possesses the relevant knowledge, experience, skills and professional behaviour to understand the technical requirements of the business, the inherent risks and the management process required to perform his role in a key function in the relevant capacity effectively.

The Company has a description of the specific knowledge, experience, skills and professional behaviour required for each position of a Key Responsible Person as detailed in the job descriptions/profile functions.

B.2.1.2. Propriety assessment

Key Responsible Persons must carry out their duties honestly, faithfully, independently, ethically and with integrity. They must not have been convicted or have been prohibited from carrying out their profession on the ground of an offence against relevant provisions of financial laws.

B.2.2. Fit and Proper Assessment Process

Key Responsible Persons must, at any time, be skilled and act with professional integrity. As a consequence, the assessment of suitability shall take place:

- › Before the Key Responsible Person takes up his position and then on an annual basis;
- › Each time a Key Responsible Person changes his position or is re-appointed for a further term; and
- › When any information which is likely to influence a Key Responsible Person's fit and proper status arises during the holding of the position or if facts or circumstances raise doubts about the suitability.

The Company has a Remuneration and People Resources Committee set up as a sub-committee of the Board of Directors who is responsible to implement the Fit and Proper Policy principles together with the Head of the Compliance function.

B.2.3. Fit and Proper Declaration

During the performance of the position, each Key Responsible Person will be asked to sign a declaration annually which will serve as the basis to consider that there are no relevant, significant changes in relation to the compliance by the Key Responsible Person with the fit and proper standards.

B.2.4. NBB prior approval and information

The Company informs the NBB in advance of any proposed appointment, reappointment or termination of the Key Responsible Persons. Any proposed appointment of the Key Responsible Persons is subject to the NBB prior approval.

B.3. Risk management system including the own risk and solvency assessment

The primary objective of the Risk Management System (RMS) is to identify, measure, monitor, manage and report the risks that the Company is exposed to on at least annual level. The Risk Management System comprises the strategies, processes and reporting procedures to meet this objective. The diagram below provides a graphical overview of the Risk Management System and illustrates the processes and organisational structure which contribute to the business' decision making process. The same top down approach to risk will be used to manage the risks at group level as well as at a solo level.

The approach to identify, assess, measure, manage and report on all key risk categories is disclosed within Section C of this report.

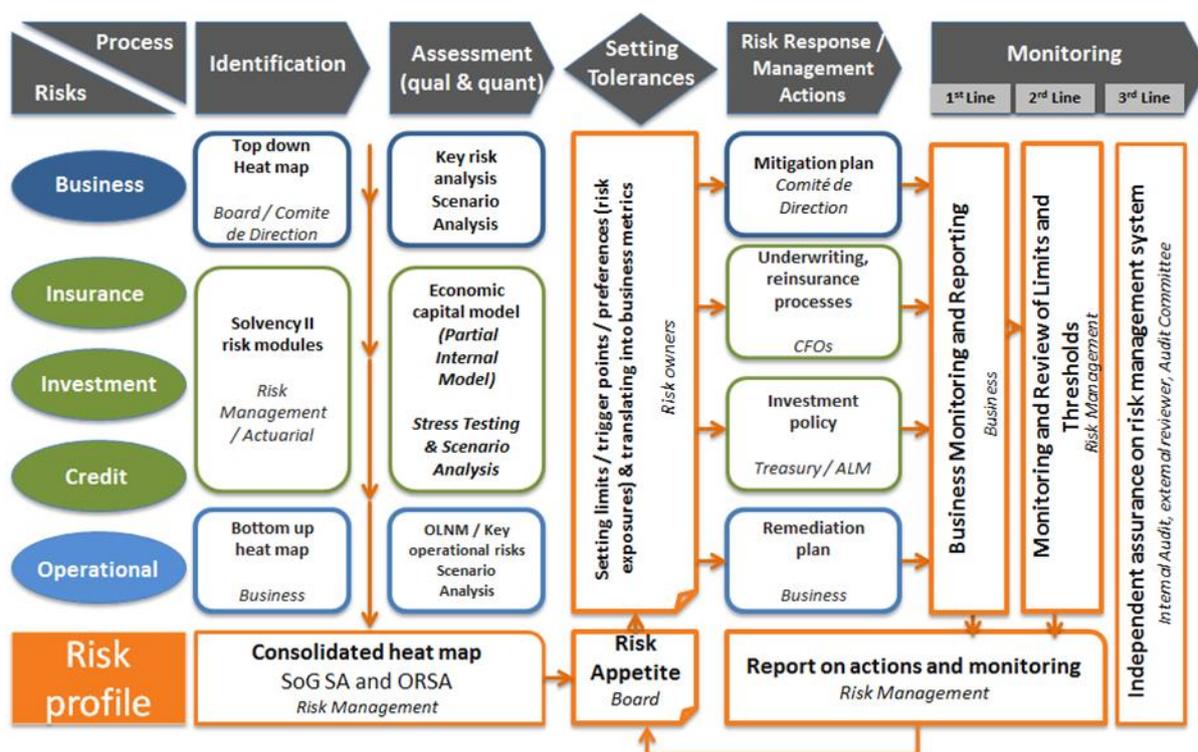


Exhibit B.2: The Company Risk Management System

B.3.1. Risk Management objectives, strategies, process and reporting procedures for each category of risk

The Risk Strategy is directly linked with the Corporate Strategy and Business requirements for a strong financial rating which has driven the implementation of a Risk Appetite Framework to align risk preference with corporate strategy to ensure the business is assuming and constraining risk exposures in a consistent manner to achieve strategic objectives.

The Risk Appetite Framework sets triggers and thresholds for each category of risk (Insurance, Investment, Credit, Business and Operational) which subsequently defines the reporting and escalation criteria for risk exposures deemed to be in breach of allocated thresholds. Risk exposures are reported on a monthly, quarterly and annual basis as part of the standardised risk reporting but also on an ad-hoc basis when immediate review from the Comité de Direction or the Board of Directors is required (e.g. underwriting referrals for a large concentration risk).

B.3.2. Own Risk and Solvency Assessment (ORSA)

The Own Risk and Solvency Assessment (ORSA) brings together the key processes which underpin the Company's Risk Management System.

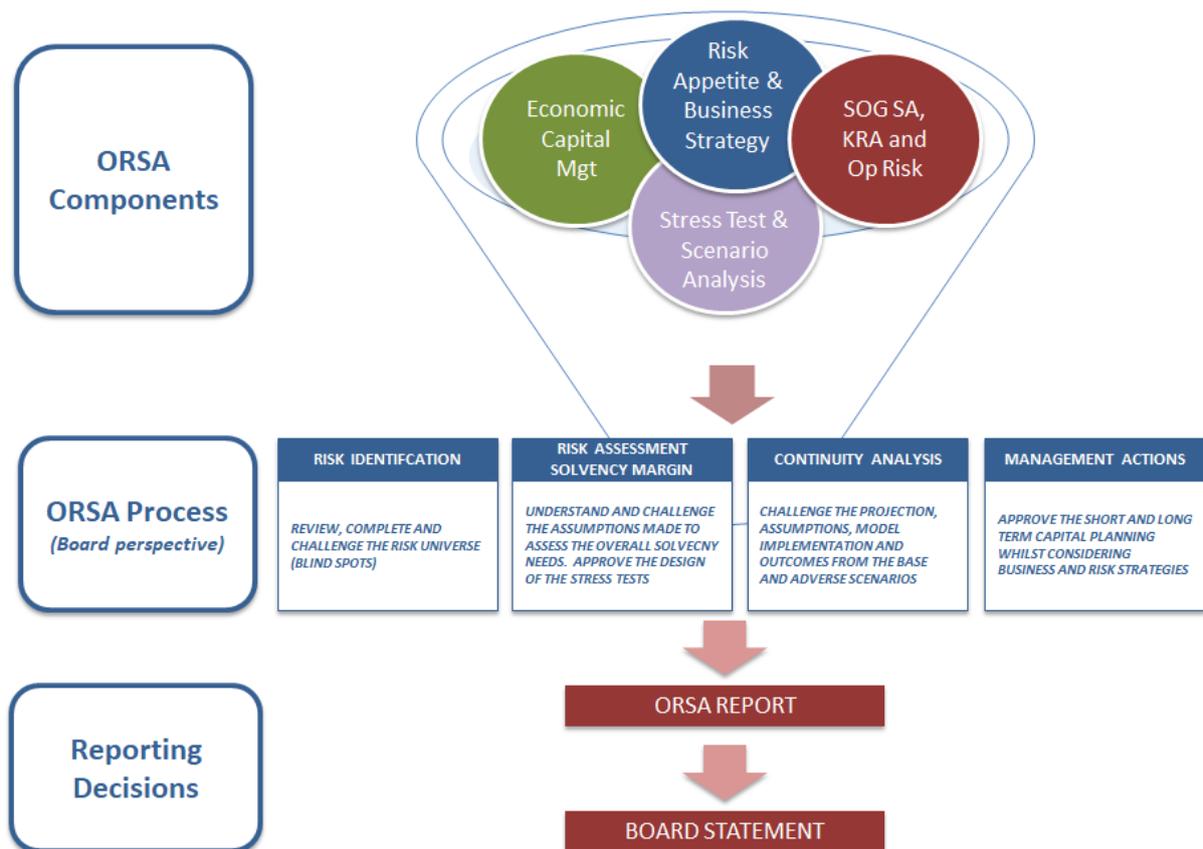


Exhibit B.3: Own Risk & Solvency Assessment

The ORSA process is underpinned by the following 4 risk based processes:

- › Risk Strategy and Risk Appetite;
- › Economic Capital Management;
- › Qualitative Risk Assessments (Key Risk Assessment, System of Governance (SoG) Self-Assessment, Monthly Operational Risk Report and Operational Loss and Near Miss (OLNM) data collection); and
- › Stress Testing and Scenario Analysis.

The Company internally developed a Partial Internal Model (PIM) to calculate the Solvency Capital Requirements as disclosed within the Solvency II Directive which was approved in December 2015 for application on 1st January 2016 for CLICE and CEIC. Group approval to use a PIM was given end of 2017 for application on 1st January 2018. The decision to internally develop a PIM was underpinned by the multiplicity of markets where Cigna operates and the specialization in niche products which subsequently limits the application of the Standard Formula (SF).

The Company follows its ORSA process holistically at the level of the Cigna Europe and Solo insurance companies with consideration of the underlying entities. This results in one ORSA Report for the Company. The single ORSA process for the Group combines the outputs from the 4 risk based processes above, considers the capital, regulatory and operational implications, and evaluates the potential impact upon the organisation.

The ORSA is a key tool in making recommendations and providing risk based information to the Board to facilitate fully informed decision making, e.g.:

- › Providing assurance regarding material and foreseeable future risks;
- › Ensuring solvency needs are sufficiently aligned to business and corporate objectives;
- › Ensuring the continuous compliance with the capital requirements and the requirements on technical provisions;
- › Approving the Risk Profile of the organisation;
- › Assessing the significance of any deviation from the risk profile;
- › Aligning Capital, Risk and Business Strategy; and
- › Ensuring the Company has the capacity to absorb losses in the case of adverse scenarios.

The ORSA process encapsulates two reporting documents: ORSA record and ORSA report. These two documents evidence the overall ORSA process, outcomes and actions, and give consideration to business strategy and are signed off by the Board of Directors.

The ORSA is conducted annually and may also be triggered on an ad-hoc basis following any significant changes in business profile or within the internal/external business environment or at the request of the regulator to ensure the process is an accurate reflection of the organisation’s risk profile.

B.3.2. Risk Universe

The Company has identified five key material risk exposures which form the basis of the Risk Profile: Investment, Insurance, Operational, Credit and Business risks. Each of these key risks is defined within the Risk Universe and includes all sub risk components. The Risk Universe also discloses the primary method adopted to internally identify, assess and measure each material risk.



Exhibit B.4: Risk Universe

B.4. Internal control system

The Company's Internal Control System and principles are embedded through its Risk Management Framework, which is based upon the externally recognised 3 lines of defence model:

1. First Line of Defence - Management Oversight;
2. Second Line of Defence - Risk Management, Compliance and Actuarial;
3. Third Line of Defence - Independent Assurance.

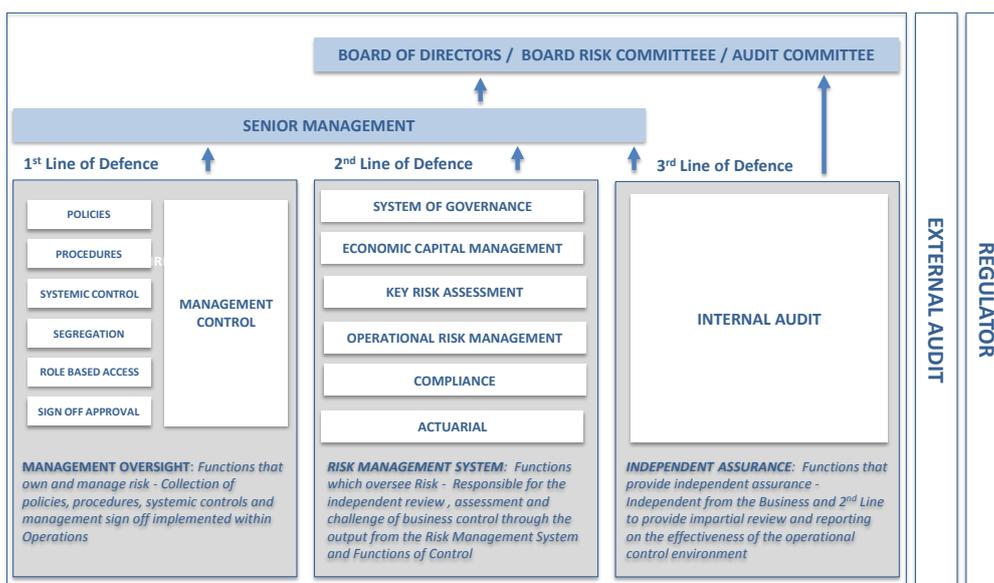


Exhibit B.5: Line of Defence

The 3 lines of defence model ensures that Risk Management remains independent from other control functions and the business, which conducts the risk and control assessments for each business unit. This internal structure and segregation enables Risk Management to independently review, challenge and consolidate findings free from bias. Independent Assurance is provided by Internal Audit, the Audit Committee or the Board of Directors who challenge that the assessments performed by the business as reported by Risk Management are an accurate representation of the operational and risk profile of the Company.

B.4.1. First Line of Defence - Management Oversight

The first line of defence is Management Oversight, which includes the control activities (operational policies and procedures) applied by staff within the Business Lines and service areas. Internal Controls are implemented within the operational processes and procedures of the Company and ensure the regularity, the security and the validity of the operations. These control activities are an essential component of the success of the day-to-day operations of the business.

Management Oversight is implemented at operational level and the monitoring and review of the effectiveness is the responsibility of senior management of each business line. Senior management of each business line provide the critical link between operational controls and the Second line of Defence and have the duty to assess the internal control environment on an annual basis.

B.4.2. Second Line of Defence - Risk Management, Compliance and Actuarial

The second line of defence comprises six key components which interact and provide the Company with a fundamental toolkit to identify, assess, measure, monitor, manage and report on key risk exposures. The 6 components (which also contribute directly to the ORSA process and report) are:

B.4.2.1. Economic Capital Management

The Company's Partial Internal Model (PIM) is a sophisticated quantitative risk assessment tool which has been tailored by the Risk Management Function to accurately assess the organisation's risk profile, capital requirements and provide the business with the security and stability to support business activity. The PIM is reviewed and assessed at least on an annual basis.

B.4.2.2. Internal Control

Internal Control is assessed as part of the annual System of Governance Self-Assessment and reported to the Belgian Regulator to fulfil the requirements of Circular 2016-31 and updates disclosed in communication 2018_23. The approach to assessing the internal control environment has evolved over a number of years. Previously built upon the externally recognised Committee of Sponsoring Organisations (COSO) internal control framework, the self-assessment is now tailored to assess the key components of the System of Governance and is mapped directly with the content of memorandum. Through the adoption of this approach, the Company assesses the internal control environment through a consistent manner and is able to produce the following:

- › Identification of any significant weakness within the Control Environment;
- › Conduct evaluation and trend analysis of control environment across the full scope of the Business; and
- › Drive remediation plan for key weaknesses and continuous improvement;

B.4.2.3. Key Risk Assessment

The Key Risk Assessment (KRA) is conducted on a quarterly basis by each of the Company's business units and functions of control to identify and assess the key risk exposures. The KRA is a qualitative assessment which includes all risk categories (Strategic, Operational, Financial, Insurance, and Business), aligned with the risk appetite framework and ultimately provides the Company and the Board of Directors with a qualitative Risk Profile of the organisation. The KRA is reviewed and assessed on a quarterly basis to allow the business to review key risk exposures, identify and assess emerging risks and enable Risk Management to analyse the evolution of the Risk Profile.

B.4.2.4. Operational Risk Management

Operational Risk Management is implemented through two established business-as-usual processes designed to collect operational risk data and monitor internal control performance via standardised indicators. Operational risk is in scope of the ORSA Stress Testing and Scenario Analysis.

The Company has an established process for collection of operational risk data through the Operational Loss and Near Miss process. The OLNLM is one component of the wider Operational Risk Report (ORR) which monitors standardised operational risk indicators on a monthly basis and leverages existing business reports including OLNLM events, (error in claim payments, ex-gratia and exceptional payments, Performance Guarantees etc) Data Protection/Information Protection breaches, IT Systems Outage, BCP events, Complaints, Fraud, Internal Corporate Audit and Quality Audit Open and Overdue items to take the pulse of the organisation. This approach to operational risk data collection and reporting enables a dynamic reporting to be built as is formalised through a monthly report to the Comité de Direction providing the escalation vehicle for any significant breaches in the control environment or emerging trends to be identified and analysed. In 2018, a refinement of the Operational dimension of the Risk Appetite was approved to provide a benchmark to monitor operational losses and baseline the performance of the internal control environment to drive continuous improvement and efficiencies.

B.4.2.5. Compliance

The Compliance function is placed within the second line of defence and has the responsibility for monitoring the regulatory and statutory environment of the Company's operations. The Compliance Function overlaps within the Operational Risk Management controls where recording compliance breaches and determining mitigation actions should improve the effectiveness of the internal control environment.

B.4.2.6 Actuarial Function

The Actuarial Function provides the final component of the second line of defence and the allocated tasks and responsibilities are fully disclosed in Section B.6 of this report.

B.4.3. Third Line of Defence - Independent Assurance

Independent Assurance is provided through Internal Audit, the Audit Committee and the Board of Directors. All output from the qualitative risk processes (KRA, ORR, and OLNLM) is reviewed by Internal Audit to ensure that what is being identified and assessed is accurate and consistent with their interpretation of the controls environment. Internal Audit provides to the other control functions any information deemed to be relevant for them. Internal Audit retain independence and the right to challenge all risk based information provided from the business based on experience, information and their audit reports. The full approach from Internal Audit is disclosed in Section B.5 of this report.

B.5. Internal audit function

As for the other independent control functions, internal audit is set up at the Company level but is entrusted to carry out internal audit tasks at all other companies under Myrtle. All the below information applies to all companies under the responsibility of Myrtle.

B.5.1. Mission statement

Internal Audit is an independent, objective assurance and consulting function designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The objectives of the Internal Audit function are to assist all levels of the Company's management and the Audit Committee in the effective discharge of their responsibilities in these areas by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and investigated, and by promoting effective risk management and control at reasonable cost.

The scope of the Internal Audit function encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the company's stated goals and objectives.

B.5.2. Audit Cycle

Annually, the Internal Audit Manager develops a risk based annual audit plan taking account of all the Company's activities and the entire governance system of the Company. The annual audit plan is discussed with the Comité de Direction and submitted to the Audit Committee for approval and includes a summary of the audit schedule, staffing plan and budget for the following year. The Audit Plan should include enough time for additional internal audits or advisory engagements.

The annual audit plan is developed based on a prioritisation of the audit universe using a risk based approach with a formal risk assessment of existing and emerging risks, to ensure alignment of audits planned to significant company risks identified by the European Risk Management function and a broad consultation of companies' executives and control functions across the organization to take into account their risk assessment and recommendations. The audit plan aims at covering all significant activities of the Company and the entire governance system of the company within a reasonable timeframe (at most every five years) and includes specific process audits, procedure reviews, IT audits and assignments that are a combination of all three.

Internal audits are undertaken by Internal Audit in coordination with the global audit team using shared staff/management resources where relevant in order to share knowledge and experience across the enterprise, manage pooled resources and access specialist skills (e.g. IT audit).

Final audit reports, covering the audit and any findings, are distributed to the Company's and the audited entity's leadership at the conclusion of each audit assignment. Copies of all audit reports and audit plans are shared with our independent external auditors.

The status of findings and closure of findings are monitored by Internal Audit and entity leadership. On a monthly basis, Internal Audit reports on the progress of the audit plan and the main findings of the audits and distributes a summary of all open findings and closure status to the Comité de Direction.

B.5.3. Reporting

The Internal Audit Manager reports quarterly to the Audit Committee on Internal Audit activities including

- › The status and results of the annual audit plan;
- › The resolution status of the findings from previous audits.

Annually, the Internal Audit Manager includes a report on internal audit personnel. Once a year the Internal Audit Manager provides the Board of Directors with a report on Internal Audit activities that will include a full listing of Internal Audits performed since previous reporting.

B.5.4. Methodology

Cigna's global risk based internal audit methodology complies with guidance from the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA) and ensures consistency of audit planning, execution and reporting. In 2018, an External Assessment was conducted and Cigna Internal Audit received a "Generally Conforms" rating, the highest rating available. A process is in place to continue refinement of the methodology on a global level which the European team is linked into.

A quarterly Quality Assurance programme is in place across the Internal Audit function. This is carried out on a sample basis by members of the department who are independent of the assignment being reviewed.

B.5.5. Preservation of Independence

The Company's Internal Audit function is independent from business activity and occupies the 3rd line of defence providing independent assurance to the Board of Directors. The Internal Audit function remains independent from the business through a centralised structure across the Business Units with no resource funded or located within a specific Business Unit. Internal Audit reports to the highest level within the Company to strengthen its objectivity and confirm its independence (i.e. review by the Audit Committee and oversight by Directors). A close and continuous link is established with the Audit Committee. In accordance with the Internal Audit Charter, no member of the Internal Audit team holds other key functions. The internal auditors shall have no direct operational responsibility or authority over any of the activities they review. Additionally, they shall not develop or install systems or procedures, prepare records, or engage in any other activity that would normally be audited but shall participate in an advisory capacity on such matters.

B.6. Actuarial Function

The Actuarial Function is led by the European Head of Actuarial Function who is responsible for establishing and implementing a number of tasks to embed the system of governance and a strong internal control environment, and to comply with the Solvency II regulations. The Actuarial Function's responsibilities are to:

- › Coordinate the calculation of technical provisions and review the results;

- › Ensure the appropriateness of the methodologies and assumptions in the calculation of technical provisions;
- › Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- › Compare best estimates against experience;
- › Inform the Board of the reliability and adequacy of the calculation of technical provisions;
- › Express an opinion on the adequacy of reinsurance arrangements; and
- › Express opinion on underwriting policy
- › Contribute to the effective implementation of the risk-management system.

A key deliverable of the Actuarial Function to address each of the above responsibilities is the production of the annual Actuarial Function Report prepared by the European Head of Actuarial Function. The opinions formulated in this report are communicated to the Comité de Direction and to the Board of Directors on a yearly basis.

B.7. Subcontracting

The Company has in place a Subcontracting Policy with the general guidelines on subcontracting as well as a document describing the operational procedure that is in place when envisaging and deciding on Subcontracting of activities or processes called “External Entity Management Policy” which has been approved by the Board of Directors. Subcontracting shall mean the recourse to third parties in order to carry on activities or carry out processes which are intrinsic to the Company. Subcontracting of processes includes the subcontracting of the development of such processes where this is material to the Company or for their strategic development. Subcontracting may cover a variety of services and functions, for example services to policyholders (e.g. a call centre), administrative functions (e.g. accounting, pricing, acceptance of risk, premium collection, claims handling and payment, investment policy, etc.), services where (medical) sensitive data is involved and specialist functions, such as IT, internal audit and data management. In the Company’s daily operations, we regularly refer to “external entities” and to “external entities management”. These entities and providers and their management come within the definition of Subcontracting. When engaging in subcontracting activity, the Company takes into consideration that the subcontracting arrangement cannot:

- › Severely compromise the quality of the Company’s governance system;
- › Unduly increase the operational risk;
- › Compromise the ability of the regulators (in particular the National Bank of Belgium) to supervise that Cigna is fulfilling its obligations under the Solvency II Law;
- › Hamper the ongoing provision of a satisfactory level of service with regard to policyholders, insured parties and beneficiaries of insurance contracts or persons concerned by the execution of reinsurance contract.

The subcontracting process is managed by a dedicated team (External Entities Management team) which is responsible for the independent assessment, monitoring and review of the subcontracted activities or functions. In the subcontracting process, Cigna Information Protection, Legal and Compliance are involved. Necessary

information duties and / or prior approval from the NBB are provided / sought when required by the regulatory provisions. In the table below we have listed all the subcontracts which are critical for the company.

SERVICE PROVIDED	ORGANISATION/LOCATION
Intra Cigna Group Subcontracting	
Shared Service Centre - Sales, Underwriting, Claims Handling, HR, IT and Real Estate	Internal Organisation (UK)
Sales, Underwriting and Claims Handling (Regulated intermediary)	Internal Organisation (Belgium)
Sales, Underwriting and Claims Handling (Regulated Intermediary)	Internal Organisation (UK)
Internal Reinsurance Program	Internal Organisation (Europe)
Independent Control Functions	Internal Organisation (Belgium)
External to Cigna Group Subcontracting	
Management of investments including full discretion to manage portfolio creation and credit underwriting (Europe).	Subcontractor providing European wide service
Management of investments including full discretion to manage portfolio creation and credit underwriting (Singapore).	Subcontractor providing European wide service
Provides a single, integrated platform for refined Management Information (Sales, Customer Service, Business Analysis)	Subcontractor at providing European wide service
Evacuations and assistance with remote provider services	GHB
Scanning, indexing and document storage services for Member and Provider Claims in Antwerp	GHB - Belgium
24/7 global medical & travel assistance for our claim customer	CISEL – UK
IT development and support for core customer management systems	CISEL - UK

Exhibit B.6: Main Subcontractors List

B.8. Any Other Information

All material facts regarding the Company's system of governance are covered in the sections above. As demonstrated quantitatively in Section E, the SCR for the insurance entities CLICE and CEIC makes up 95% of the Group SCR thus covering the material risks within the Company. All risks not in the scope of the regulatory SCR are captured through the Own Risk and Solvency Assessment (ORSA) process for the individual insurance companies as well as the non-insurance entities. As a result of the annual self-assessment where a large series of individual checks across all operational Business Units and Functions of Control, including the operation of the key governance bodies have been conducted, the System of Governance remains proportionate and adequate to the nature, scale and complexity of the risks inherent to the Company. Some areas of improvement have been identified and updates are regularly monitored by the Comité de Direction.



C. RISK PROFILE

Together, all the way.®



C. RISK PROFILE

The Company Universe provides the basis for all risk assessments conducted by the management of each business unit and control function. By utilising the risk universe as a benchmark, it ensures that management considers all material risks within the scope of business operations in a consistent manner. Management can then prioritise the key risk exposures from the Risk Universe and identify and assess the risks relative and most prominent to their specific business model and operations. Risk exposure is classified into five broad categories: insurance risk, market risk, credit risk, operational risk, and business risk. For each of these risks, the exposure, the concentration, the mitigation techniques and the sensitivity to stress tests scenarios is analysed in this section.

The development of sophisticated quantitative and qualitative risk assessment tools has been primarily driven through the risk-based European regulatory requirements of the Solvency II Directive. In order to meet Solvency II requirements, the Company uses a Partial Internal Model (PIM) for the two insurance companies CLICE and CEIC (approved in 2015), an internally developed risk modules for key exposures that the Standard Formula is deemed insufficiently accurate in reflecting Cigna's specific risk exposures. This PIM had been also deployed at the holding insurance company level and approved in 2017. Cigna Europe has thus transitioned from a Deduction & Aggregation method towards a Full Consolidated approach, the latter method being applied as of 01/01/2018 and beyond.

As outlined in the Solvency II Directive, the risk measure is the Value at Risk (VaR) of the basic own funds (BOF) of the Company subject to a confidence level of 99.5% over a one-year period.

(EUR'000)	CLICE		CEIC		Myrtle ⁽¹⁾	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
SCR	95,002	98,424	50,896	59,058	167,562	171,425

Exhibit C.1: Cigna Europe's Risk profile

RISK NOT CAPTURED WITHIN SCR

Two risks are not assessed through the PIM: liquidity risk and strategic risks, for all three entities. Those risks are considered within the implemented risk management system and are assessed using other tools such as scenarios or key risk assessment. Those risks are covered respectively in section C.4 and C.6.

In the context of Myrtle, the operational capital charge is not also completely captured within the SCR. The ancillary services companies provide mainly business support for internal clients CLICE and CEIC. Consequently when we consider CLICE and CEIC underlying premiums we are capturing operational risk stemming from these ancillary companies. However in some specific cases CIHS, acting as an insurance intermediary, could provide a series of services to external clients in compensation of a fee. As the fee is excluded from the SF approach, Myrtle does not hold any capital in respect of that risk but this risk is assessed and monitored through the ORSA process.

In addition to the establishment of a complete risk framework, the new Solvency II regulation also provide for a self-assessment of risks in which, taking the business plan into account, the future capital margins are highlighted

and a number of sensitive areas implemented. It can be seen from this analysis that The Company holds the capital margins required to absorb those shocks. Those scenarios are further detailed in following sections.

The Risk Identification and Assessment processes are considered as Business as Usual (BAU) which enables the business and Board to discuss known and generally well understood risk exposures. Stress Testing and Scenario Analysis broaden the risk profile beyond the scope of the unknown and aim to identify Low Probability/High Impact events which, though unlikely, would have the potential to threaten the Solvency Position of the organisation.

The Company dynamically evaluates the impact of those scenarios on the regulatory solvency II position over the business planning time period. Those scenarios have been internally designed and tailored to the Company specificities, allowing for the application of simultaneous stress parameters. These are generally significantly stronger than the Standard Formula, and even than standard stress tests.

C.1. Underwriting Risk

Underwriting risks refer to all insurance risk of loss arising from fluctuations in the timing, frequency and severity of claim payments (including expenses) compared to underlying assumptions made at the beginning of the policy.

Life risk includes mortality risk, longevity risk, disability/morbidity risk, lapse, expense risk and revision risk while Health and Non-Life risks include reserve risk, premium risk, lapse risk and catastrophe risks.

Reserve risk is related to outstanding claims, while premium risk is related to future claims from which catastrophe claims are excluded. Catastrophe risk is related to claims arising from catastrophic events: either natural and epidemiologic disasters or man-made events.

Lapse risk is related to a risk of loss in the value of insurance liabilities, resulting from changes in the rates of policy lapses. From the Company standpoint this risk is thus related to future premiums included in the premium provision where an expected profit is foreseen. Lapse risk is the risk that more lapses will occur than the expected ones, generating less profit than foreseen.

C.1.1. Risk exposure

The following table shows the SCR contribution of the underwriting risk to the overall risk profile for the three entities. The figures below take account of diversification effect between risk modules. The aggregated diversification effect is disclosed in section E and is here properly allocated to each risk module to be able to sum up SCRs at each level of granularity:

(EUR'000)	CLICE		CEC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Health Underwriting risk	42,159	45,528	21,855	18,314	43,002	51,301
Premium risk	20,805	22,937	19,567	15,135	26,032	30,427
Reserve risk	14,804	14,555	2,086	2,227	11,669	12,681
Lapse risk	1,664	1,874	17	211	1,219	1,897
Catastrophe risks	4,885	6,162	185	741	4,082	6,296
Life Underwriting risk	1,697	2,223	Not applicable		1,562	2,034
Mortality/ Longevity risk	810	744			746	680
Expenses risk	137	124			126	114
Lapse risk	50	58			46	53
Catastrophe risk	699	1,297			643	1,187
Non-Life Underwriting risk	Not applicable		2,910	4,594	6,217	6,391
Premium risk			280	991	298	986
Reserve risk			2,555	3,388	5,847	5,231
Lapse risk			0	1	0	1
Catastrophe risks			74	215	72	174

Exhibit C.2: Cigna Europe's underwriting risk

Underwriting risks are those which emerge from the Company's core business functions. Premium, Reserving and Catastrophe risk are inherent risks to the business. Under Solvency II requirements, Life Underwriting Risk is modelled through the Standard Formula as it accurately reflects Cigna's risk profile, while Premium, Reserving and Pandemic Risks are internally assessed to better reflect the Company's specific risk profile and related entities.

In the above exhibit, the increase in CEIC's Health underwriting risk is driven by the organic growth of the GHB business. The run-off of the CISEL business remains the reason of the decrease of the Non-Life piece.

The Company has also defined an Underwriting and Reserving Strategy which outlines the core processes and procedures which underpin Cigna's internal approach.

The management of the Underwriting risk at the Company level is made in accordance with the Company's risk appetite through local and Board Risk Committees.

The underwriting strategy is continuously monitored by each concerned entity and followed up by the Insurance Risk Officer based on relevant risk dashboard given specific limits per type of business.

C.1.2. Risk concentration

As the Company is selling medical and non-medical group insurance (death benefits, disability benefits, etc...) to Employer segment, there might be a risk of having many people located in a same building at one time causing concentrations of accidental deaths, disabilities and injuries in the event of a catastrophic scenario e.g. terrorism, nuclear explosion, natural catastrophes.

Even if the calculation of the regulatory capital requirements under Solvency II already captures such concentration risk, the Company has developed an additional concentration catastrophe scenario where both claims and expenses are impacted. This is done at the solo entity (CLICE and CEIC) and at group level. Myrtle benefits from the mitigation effect brought by CEIC, as the latter is not affected by the concentration scenario. The Company actively monitors this risk in respect of tailored risk appetite limits determined at solo entity and group levels. Specific governance processes are in place within each business line and each legal entity to ensure the immediate identification of any potential source of risks.

C.1.3. Risk mitigation

Where appropriate, the Company utilises reinsurance to mitigate against significant financial impact of material risk exposures i.e. catastrophic concentration risk, underwriting concentration, earnings volatility. The main objective of reinsurance is to reduce volatility in capital requirements and earnings, and hence drive back the uncertainty associated with the risk in the insurer's valuation.

The reinsurance program of the Company is made of per person covers, per event covers and aggregate covers. Reinsurers are selected based primarily on pricing and counterparty default risk considerations. Underwriting guidelines set the limits to be respected with regards to underwriting value of the business, in terms of expected margin targets. Ultimately, this is the role of the Insurance Risk Officer to accept or not the business and the risk related to it.

The reinsurance committee ensures the continued effectiveness of the reinsurance program through monitoring of both current reinsurance strategy and results along with the shape of future direction of reinsurance based on expected risk profile of the business.

To this end, regular analysis are performed including monitoring of the performance of treaties, adequacy and appropriateness of reinsurance placements from a profitability and risk/return point of view and assessment of the capital efficiency of reinsurance through the Partial Internal Model.

C.1.4. Risk sensitivity

The Company has thus identified three different scenarios affecting the underwriting risks:

- › Pandemic scenario;
- › Concentration scenario; and
- › Terrorism attack at London Heathrow airport.

	CLICE		CEC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
△ Solvency position						
Pandemic scenario ⁽¹⁾	-41.8%	-46.2%	-20.1%	-4.6%	-31.0%	-36.1%
Concentration scenario ⁽²⁾	-6.6%	-5.4%	Not applicable		-10.6%	-13.8%
Terrorism attack at London Heathrow airport ⁽³⁾	Not applicable		-3.0%	-1.8%	-3.8%	-2.6%

Exhibit C.3: Cigna Europe's sensitivity to underwriting scenario

- (1) The scenario considers the occurrence of a severe flu pandemic in an integrated worldwide context at YE18
- (2) The scenario considers the occurrence of a terrible accident in the most concentrated exposures in the same building at YE18 inspired by the World Trade Center Terrorist attack in terms of severity.
- (3) The scenario considers the occurrence of a terrorist attack at the London Heathrow airport at YE18

In respect of the Pandemic scenario, the increase of the CEIC's sensitivity is driven by an increasing exposure to Asia located members. The concentration scenario is specifically designed for IO business, which is only written through CLICE. Similarly, the terrorism attack is calibrated for Travel business and has only an impact on CEIC, at solo level, which becomes more and more limited in light of the run-off of this business. Cigna keeps a very strong solvency position whatever the extent of the underwriting scenarios thanks to initial level of capital and risk mitigating actions undertaken.

C.2. Market Risk

Like any other financial institution, the Company is exposed to investment/ market risks. Those risks arise from changes in values caused by potential adverse change in the value of assets and liabilities due to movements in the market prices level or volatilities of market prices. Those encompass:

- › Interest rate risk stems from the risk of a change in value caused by deviation of the term structure of interest rate or interest rate volatility;
- › Equity risk is defined as the risk of loss arising from a change in the level and/or in the volatility of market prices of equities
- › Spread risk is the Risk of change in value of assets, liabilities and financial instruments impacting the level or volatility of credit spreads over the risk-free interest rate term structure even if the credit quality (rating) remains unchanged;
- › Market concentration risk arises from an accumulation of exposures with the same counterparty or from large exposure to default risk by a single issuer of securities or a group of related issuers;
- › Currency risk relates to the sensitivity of assets and liabilities to changes in the level or volatility of currency exchange rates.

The company sets multiyear objectives in terms of investment profitability and performance is tracked against a plan on a monthly basis and aligned with the risk budget. The investment portfolio is managed through internal benchmarks which are monitored for any breach in risk taking activity. This approach to investment is governed through a number of related policies to ensure investments operate within the risk appetite budget, are appropriate to the nature and complexity of the organisation and the impact to the overall risk appetite of the Company is understood. These complementary policies ensure monthly and quarterly monitoring process concerning the overall quality, security and profitability of the investment portfolios ensuring full reporting of performance to the Comité de Direction and ultimately the Board in case of changes in the investment portfolios against risk appetite or subsequent impacts on the overall Risk Profile. The Company has a low exposure to Investment Risk as it has a limited investment portfolio which is based upon on high quality, medium maturity and low volatility bonds with strong concentration thresholds. The table below shows the financial exposures per type of investments on a market value basis.

(EUR'000)	31-Dec-18			31-Dec-17		
	EUR	GBP	Others	EUR	GBP	Others
Sovereign bonds	32,846	78,744	0	34,342	71,153	0
AAA	8,782	32,144	0	11,605	17,502	0
AA	24,064	44,305	0	22,737	51,229	0
A	0	2,295	0	0	2,423	0
BBB	0	0	0	0	0	0
Below BBB	0	0	0	0	0	0
Corporate bonds	112,315	101,734	37,706	148,421	92,248	31,855
AAA	1,792	12,855	0	6,202	427	0
AA	15,986	18,737	0	19,368	17,647	0
A	64,382	45,625	0	93,414	40,647	0
BBB	29,522	22,338	0	29,437	29,921	0
Below BBB	634	2,180	37,706	0	3,606	31,855
Loans ⁽¹⁾						
Short-Term deposits	0	0	3,122	0	0	2,055

Exhibit C.4: CLICEs credit quality of market risk exposure – Solvency II Basis

(EUR'000)	31-Dec-18			31-Dec-17		
CEIC	EUR	GBP	Others	EUR	GBP	Others
Sovereign bonds	10,187	14,505	31,798	10,394	17,396	39,494
AAA	6,328	0	21,768	4,322	0	33,136
AA	3,858	14,505	10,030	3,049	17,396	6,358
A	0	0	0	0	0	0
BBB	0	0	0	0	0	0
Below BBB	0	0	0	3,023	0	0
Corporate bonds	15,856	31,190	22,724	16,087	38,956	0
AAA	696	0	22,068	1,951	0	0
AA	3,201	7,244	0	1,609	9,218	0
A	8,113	14,543	656	8,794	18,555	0
BBB	3,847	7,493	0	3,732	9,864	0
Below BBB	0	1,910	0	0	1,319	0
Loans ⁽¹⁾			0			8,315
Short-Term deposits	0	0	0	0	0	0

Exhibit C.5: CEIC's credit quality of market risk exposure – Solvency II Basis

(EUR'000)	31-Dec-18			31-Dec-17		
Myrtle	EUR	GBP	Others	EUR	GBP	Others
Sovereign bonds	43,033	93,249	31,798	44,737	88,550	39,494
AAA	15,110	32,144	21,768	15,927	17,502	33,136
AA	27,922	58,810	10,030	25,786	68,625	6,358
A	0	2,295	0	0	2,423	0
BBB	0	0	0	0	0	0
Below BBB	0	0	0	3,023	0	0
Corporate bonds	128,171	132,924	68,980	164,508	131,205	31,855
AAA	2,488	12,855	22,068	8,153	427	0
AA	19,186	25,981	0	20,977	26,866	0
A	72,495	60,168	656	102,208	59,202	0
BBB	33,368	29,831	18	33,169	39,785	0
Below BBB	634	4,090	46,238	0	4,925	31,855
Loans ⁽¹⁾		22,486	3,501		3,321	8,315
Short-Term deposits	1,387	0	13,346	1,387	0	3,470

Exhibit C.6: Myrtle's credit quality of market risk exposure – Solvency II Basis

(1) The loans are IG transaction exposures

C.2.1. Risk exposure

The following table shows the contribution of the market risk to the overall risk profile for the three entities. The figures below take account of diversification effect between risk modules. The aggregated diversification effect is disclosed in section E and is here properly allocated to each risk module to be able to sum up SCRs at each level of granularity:

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Market risk	17,877	24,925	16,805	25,890	66,173	67,208
Interest rate risk	3,272	3,478	967	905	5,072	4,384
Spread risk	7,936	6,456	1,573	903	11,817	6,569
Equity risk	0	0	831	1,043	925	56
Currency risk	6,659	14,983	13,253	22,427	47,008	56,167
Concentration risk	10	8	180	612	1,350	32

Exhibit C.7: Cigna Europe's market risk

Interest, concentration, equity and spread risks are modelled through the Standard Formula as the Company holds a very limited investment risk due to short maturity, high quality bonds and limited exposure to a single issuer. This investment strategy is driven by the Company's risk appetite. Only CEIC and Myrtle are exposed to equity risk, due to the strategic participations they own in companies of the group.

The currency risk is assessed internally to allow for exchange rate dependencies.

The management of the investment portfolio is the responsibility of the Asset Liability Committee (ALCO) and is monitored through the processes outlined in the Investment Risk Policy and Asset and Liability Management policy. The ALCO is responsible for the management and monitoring of liquidity, currency, interest, concentration, cash and spread risk.

C.2.2. Risk concentration

Diversification of sources of investments by issuer, by sector and by country is key for Cigna. This allows the Company to better monitor potential concentration of risks, at legal entity level and for the group.

The only source of concentration within market risks stems from investment in Great Britain Pounds (GBP), that are not fully aligned with our liabilities, which creates an impact on currency risk. Both solo entities (CLICE and CEIC) accept mismatches arising from ownership of local operating companies in non-euro currencies as a consequence of being an international group. However at the consolidated entity level, the Company is targeting the natural hedge of its Solvency II position against exchange rates volatility.

C.2.3. Risk mitigation

The Company has limited exposure to investment of assets which limits the application of the 'prudent person' principles due to no activity in selling insurance or investment products which include commitment to policyholder return on investment which minimises any conflict of interest. Furthermore, the Company has no exposure to contacts in units of account and index linked contracts, assets not admitted to trading on regulated market, derivatives or securitized instruments.

The Company's exposure to market risk is further minimised through policies on investment and Asset and Liability risk including selection, diversification and continuous monitoring of investment and cash exposures. This monitoring is made in accordance with the limits set up by the risk appetite framework. Those metrics cover currency, interest rate, spread, concentration and counterparty risks. The continued adequacy and effectiveness of these metrics are ensured thanks to the annual review of policies and update of the Risk Appetite framework.

C.2.4. Risk sensitivity

Sensitivity and scenario testing are regularly performed to assess the strength of the Company to abnormal market movements and hence provides additional information about market risks alongside the information embedded in the Standard Formula.

The Company has thus identified two different scenarios affecting the underwriting risks:

- › Eurozone crisis scenario; and
- › Investment contraction inspired from the Swiss and Singapore regulation.

	CLICE		CEC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
△ Solvency position						
Eurozone crisis ⁽¹⁾	-57.2%	-31.7%	-53.4%	-14.8%	-51.0%	-39.9%
Investment contraction ⁽²⁾	-1.3%	-2.5%	-3.7%	-17.4%	0.8%	-9.9%

Exhibit C.8: Cigna Europe's sensitivity to market scenario

- (1) This scenario encompasses several factors such as (non-exhaustive list) 20% depreciation of EUR against other currencies, an increase of 200 basis point of all spread curves, downgrade of all investment and reinsurance undertakings, bankruptcy of the largest bank exposure as well as largest corporate client. This scenario is the combination of several scenarios designed by several regulatory authorities: EIOPA, Swiss, Singapore and NBB.
- (2) This scenario assumes a general spread widening for all rating class (from 75bp for AAA to 400bp for BB and below), depreciation of Asian and emerging countries exchange rates and equity drop of 25%.

The Eurozone crisis' scenario is covering most of the identified key risks of the Company. It is considered as an extreme scenario mainly related to cash balance. The shock has increased in 2018 due to changes in the currency mix and increase in the volume exposures for the currency risk mainly. EIOPA stress tests cover similar scenarios to the Eurozone crisis' ones but the latter's specifications are significantly stronger. The Company keeps a sufficient solvency position whatever the extent of the market scenarios thanks to initial level of capital and risk mitigating actions undertaken.

C.3. Credit Risk

The credit risk is the potential losses due to the non-payment or the unexpected failure of a given counterparty to meet its contractual obligation in accordance with agreed terms. The Company is exposed to credit risk due to the possible failure of one or several internal/external counterparties. This is a significant risk to the organisation which is a natural consequence of the inherent group structure of the organisation. Consequently the scope of the credit risk category within the Company encompasses internal contagion risk and external counterparty default risk.

The breakdown of the credit risk within for the Company is mainly driven by external risk exposures.

(EUR'000)	CLICE		CEC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Internal exposures	75,680	76,390	36,646	36,534	93,076	106,666
CGRC	66,023	70,867	27,054	35,800	93,076	106,666
Intercompany transactions	9,657	5,523	9,593	734		
External exposures	48,247	58,831	33,707	32,494	136,206	154,532
Reinsurers	16,491	22,443	8,516	4,578	7,797	23,345
Cash and cash equivalents	31,756	36,388	25,192	27,916	128,409	131,188

Exhibit C.9: Cigna Europe's credit risk exposures

The contagion risk is the risk of experiencing losses due to the belonging of a large insurance conglomerate including financial distress across the group as a result of the ownership structure and related actions, over-reliance on group capital to support local operations. This encompasses for example the internal reinsurance default or non-payment of intercompany obligations.

The external counterparty default risk might be caused by the propagation of the effect of a failure or financial distress of an external institution in a sequential manner to other institutions or markets. This includes for instance cash at bank exposures, external reinsurance arrangements or receivables from intermediaries.

C.3.1. Risk exposure

In respect of the assessment of the credit risk, The Company has adopted the Standard Formula risk mapping:

- › Type 1 credit risk encompasses reinsurance mitigation risk, captive risk and cash at bank;
- › Type 2 credit risk refers to account receivables' exposures.

Type 1 and Type 2 include internal and external sources of credit risks.

The following table outlines the breakdown per type of credit risk for the Company. The figures below take account of diversification effect between risk modules. The aggregated diversification effect is disclosed in section E and is here properly allocated to each risk module to be able to sum up SCRs at each level of granularity.

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Credit risk	19,375	16,448	3,774	4,232	32,395	26,842
Type 1 risk exposures	4,757	2,315	738	668	9,232	4,837
Type 2 risk exposures	14,617	14,133	3,037	3,564	23,163	22,005

Exhibit C.10: Cigna Europe's credit risk

Although both internal and external exposures outlined in the table C.9 are decreasing for CLICE and Myrtle, the SCR exposures increase for the three entities, mainly due to an increase of the loss rate considered for some of the reinsurers.

The Company has implemented a sound and robust Risk Management Framework at solo entities level where the credit risk is monitored. Each solo undertaking has a defined Reinsurance and Investment risk Strategy which outlines the core processes and procedures which underpin Cigna's credit risk approach. This benefits ultimately to the group.

The management of the credit risk at the Company is made in accordance with the Company's risk appetite through Reinsurance, Asset and Liability and Board Risk Committee.

C.3.2. Risk concentration

In respect of the optimisation of the capital management and the Company's willingness to benefit from the strength and expertise of Cigna Corporation, the Company has established an arrangement with its internal reinsurer for some specific clients with high concentration risk exposure to benefit from the financial strength of Cigna Corporation.

The account receivables of the IO business are the main contributor to the credit default risk of CLICE. Cash exposure at Myrtle level is not only driven by CLICE and CEIC, as all the other subsidiaries have significant cash needs. A specific cash pooling arrangement has been set up between all the entities of the Group to optimise cash

use. As Cigna entities' cash is mostly concentrated to Citibank entities, a specific limit threshold has been put in place, which enables mitigation of the risk as the bank is A rated. The Company actively monitors through solo entities this risk in respect of tailored risk appetite limits, at solo and at group levels. Specific governance processes are in place to ensure the immediate identification of any potential source of risks. In case of breach and related magnitude, a set of management actions have already been set up.

C.3.3. Risk mitigation

The Company minimises this risk through policies on counterparty and bank selection, collateral requirements, diversification and close monitoring of credit exposures. The credit rating applied by the Company is based on ratings provided by external rating agencies. Specific policies provide guidelines for the proper utilization of reinsurance and ensure that, amongst other review and a authorization requirements, reinsurance purchases are appropriate, security meets internal requirements, contractual terms & conditions are reasonable, and the risk strategy is supported by Cigna management. In particular, contracting guidelines clearly defines satisfying criteria for a reinsurer to be approved in a partnership, including the need to have an AM BEST rating of at least A- or equivalent.

This risk related to cash exposures is managed through limits at insurance which takes into account the credit quality and the expected period of holding, and through regular monitoring and early warning systems. Even though the cash exposures have increased for all entities, the vast majority of the cash exposure is at least A-rated or equivalent. The cash exposure should remain within risk appetite budget. Cigna also has a scenario for the default of the largest single bank exposures.

The continued adequacy and effectiveness of the risk mitigation techniques detailed above are ensured through an annual review of policies and Risk Appetite framework.

C.3.4. Risk sensitivity

The table below shows the impact on Solvency II position as the result of three scenarios that might affect the credit risk.

	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Δ Solvency position						
Collateral down shock ⁽¹⁾	-47.1%	-41.3%	-29.0%	-28.8%	-37.9%	-28.0%
Non-payment of receivables ⁽²⁾	-1.2%	-2.4%	-7.2%	-12.6%	-1.2%	-1.7%
Bank bankruptcy ⁽³⁾	-9.2%	-3.8%	-17.4%	-9.8%	-6.0%	-17.7%

Exhibit C.11: Cigna Europe's sensitivity to credit scenario

(1) The scenario considers a decrease in value 50% of the collateral arrangements.

(2) The scenario refers to the non-payment of the largest client receivables

(3) The scenario considers the bankruptcy of our largest bank exposure

The Company keeps a very strong solvency position whatever the extent of the credit scenarios thanks to initial level of capital and risk mitigating actions undertaken.

C.4. Liquidity Risk

The liquidity risk is the risk of loss arising from the illiquidity of the assets held to meet the cash flow requirements and also due to insufficient funds to be available to meet cash outflow commitments as they fall due.

Two sources of liquidity risk have been identified within the Company:

- › Market liquidity risk is the risk of not selling assets at their fair value due to adverse market conditions;
- › Underwriting liquidity risk is the risk of not having sufficient amount of cash to offset liabilities commitments

The principal objective of our liquidity management is to be able to fund the Company and to enable the core business activities to continue to generate revenue, even under adverse circumstances.

C.4.1. Risk exposure

The risk exposure is relatively remote for the Company as:

- › The investment portfolio is well balanced over high quality bonds with relatively short maturities.
- › The nature of our business does not trigger unexpected massive cash reimbursement:
 - limited risk of change in policyholder behaviour i.e. more lapses would result in generating less profits than foreseen.
 - limited risk in case of large claim as half of the claim payments are paid by our internal reinsurer.

Thanks to several Asset and Liability Management indicators and regulatory requirements, the Company holds sufficient liquid assets to cover its liability commitments. The Company manages liquidity risk at different levels:

- › at the business unit level on a monthly basis;
- › at the Risk forum on a quarterly basis; and
- › at the Asset and Liability committee on a quarterly basis.

As set out in the Article 260 and 309 of the European Delegated Regulation 2015/35, the expected profit included in future premiums is calculated as the difference between the best estimate premium provisions and a calculation of the Best Estimate premium provision under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy. All other assumptions remain unchanged.

The following table provides the expected profit included in future premiums, net of internal reinsurance.

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Health underwriting	22,673	26,051	(2,042)	5,393	20,630	31,444
Medical Expenses	11,104	16,357	(2,550)	2,518	8,554	18,874
Income Protection	11,568	9,695	508	2,875	12,076	12,570
Life underwriting	0	0	0	0	0	0
Non-Life Underwriting risk	0	0	(264)	(480)	(264)	(480)
Miscellaneous Non-Life	0	0	(286)	(538)	(286)	(538)
Legal Expenses	0	0	21	58	21	58

Exhibit C.12: Cigna Europe's expected profit included in future premiums

C.4.2. Risk concentration

No liquidity risk concentration exists.

C.4.3. Risk mitigation

As stated in section C.4.1, liquidity risk is limited by the nature of the investments (high quality bonds with relatively short maturities) and the nature of the business that does not trigger unexpected massive cash reimbursement. Liquidity is managed through the monitoring of key exposures and tests performed at Asset and Liability Committee level.

The Company further minimises this risk through policies on liquidity risk and investment including identification, assessment, measurement and monitoring of liquidity risk on a continuous basis. These policies are reviewed on an annual basis to ensure their continued effectiveness. The Liquidity risk limits are established by the risk management and are validated by the Asset and Liability Committee, which can ultimately requested Board of Directors' review.

Moreover, a cash pooling account has been implemented which allows Cigna European entities to have access to money at any time.

C.4.4. Risk sensitivity

Additionally, the Company internally models Liquidity Risk through scenario analysis. The Company has thus assessed the time needed to raise capital to face potential severe large claims.

	Immediate	0-3 months	3-6 months
Availability of funds CLICE	16.6%	83.4%	
Availability of funds CEIC	26.9%	73.1%	
Availability of funds Myrtle	19.6%	80.4%	

Exhibit C.13: Cigna Europe's availability of funds

C.5. Operational Risk

The Company is subject to operational risks defined as the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events (including legal risk).

The Company has classified its potential sources of operational risks as follows:

- › Regulatory risk is generally defined as the risk of having the 'licence to operate' withdrawn by a regulator, or having conditions applied (retrospectively or prospectively) that adversely impact the economic value of an enterprise;
- › Human capital risk can be defined as events and employee behaviours that occur both within and outside the workplace that can affect employee productivity and/or otherwise affect the organization's operational and financial results;
- › Integrity generally refers to violations of law, regulations, internal policies and market expectations of ethical business conduct;
- › Process risk is the risk to fail to implement, monitor and manage internal processes and procedures through a strong internal control environment;
- › IT Risk incorporates many different risks that are associated with Information Technology. These include resource availability, resource utilisation, and architecture/delivery.

C.5.1. Risk exposure

Qualitative risks are inherently subjective and therefore cannot be accurately modelled via historical internal or external data. For operational risks, the Company has developed internal risk management frameworks to provide the business with the tools to assess risk exposures, evaluate the internal control environment and drive the prioritisation of management actions. This toolkit includes monthly data collection, quarterly risk assessments and annual review of the internal control environment.

Although an inherently qualitative risk, Operational Risk is quantitatively modelled through the PIM and has a capital requirement based upon industry best practice. For the purposes of assessing and managing Operational Risks, the Company deploys two key processes as described in the Risk Management Framework section below.

At Group level, unlike at Solo entity, there is an operational risk exposure associated with the activities of CIHS as an insurance intermediary providing a series of services for internal (i.e. entities within Cigna Europe) and external clients including ASO schemes and insurance premiums underwritten by alternative insurance undertakings. This risk is not completely accounted for within the service companies P&L and Myrtle does not hold any capital in respect of this risk due to minor materiality of the risk outweighed by the modelling complexity. Consequently, Cigna Europe will continue to apply the SCR for operational risk based on the SF. The conduction of the ORSA includes an assessment of this operational charge.

C.5.2. Risk concentration

Through the toolkit mentioned above, the Company has not identified actual exposure on operational events which could threaten the Solvency position of the organisation. However, through the active monitoring of risk and control exposures, the Company has shared operational risks which can impact each business line at local level and present a material risk exposure at European and Group level.

As part of the annual ORSA Stress Test and Scenario Analysis, Operational Risk is within scope of the assessment. The aim is to stress both the multiple impacts of an operational risk across a number of categories (operational complexity, regulatory, reputation, IT) and any potential gaps in the internal control environment to analyse a potential worst case scenario from an operational perspective. From this basis, the Board agreed to retain the two prioritised risk exposures from 2017 as relevant exposures to monitor from an operational perspective:

1. Cyber Security Threat / Hacking;
2. Sustained Operational Pressure on the Control Environment.

C.5.3. Risk mitigation

Due to the nature of operational risk and the scenario analysis undertaken, these risks will never be fully mitigated as the aim is to ensure the Board is fully aware of the potential worst case scenarios. The Company therefore breaks each scenario into key risk exposure or internal control components to ensure the business is taking steps to either reduce the likelihood of the risk eventuating or the impact it would have on the business. Considering this approach for the two scenarios identified, the Board monitors the following action plans on a quarterly basis:

1. Cyber Security Threat / Hacking
 - Implementation and update of cyber and access controls
 - Global Incident Response Team responsible for management of Cyber Incidents
 - Coordination between Cigna Information Protection and IT to roll out and embed detection and monitoring tools of the external cyber environment and threats
 - Ethical hacking exercises, recommendations and action plans
 - Data flow mapping
 - Review of Data Retention protocols and deletion undertaken
2. Sustained Pressure on the Internal Control Environment
 - Implementation of IDD remediation management actions
 - Establishment of Data Protection Office (DPO) and lead resource to reduce regulatory exposure (GDPR) and
 - Improvement of the internal control environment through migration to robust IT platform to increase back off functionality and operational efficiency (Project HELIX)
 - Internal organisational review to create greater efficiencies and leverage global skills set to reduce cost and increase control;
 - Increased level of operational reporting to facilitate proactive management of control environment

C.5.4. Risk sensitivity

For the purposes of Solvency II and ORSA reporting, only Hacking / Cyber Security Breach and Sustained Operational Pressure were considered to be sufficiently material to threaten the continuity of CLICE and CEIC and ultimately the Group based upon 'perfect storm' methodology of all key elements. Although not quantitatively assessed, the operational impact of either stressed scenarios could ultimately result in significant regulatory fines under GDPR, extended operational outages, or negatively impacting customer service and delivery to subsequently impact financial performance, reputation and result in potential regulatory action due to insufficient control. Although these are operational implications, the outcome of these scenarios would be to deploy capital if required to increase resource (including external if required) and respond to the impacts to ensure the running and operational contingency of the business.

C.6. Other Material Risks

The Qualitative Risk Toolkit mentioned above is not limited in scope to Operational Risk but is implemented to include Business Risk also to ensure the full scope of the Company risk exposure are considered within the implemented risk management system. Business risk is defined as "Risk of loss arising from Legal/political conditions to which the Company is subject, changes in the economic, social and political environment, as well as changes in the business profile and the general business cycle" which can include strategic implementation and initiatives, 3rd party dependency, customer experience, external environment.

From a Solvency perspective and in the current political landscape in Europe, BREXIT remains a key risk due to the continued uncertainty regarding the political position of the UK and EU and subsequently impacting the future regulatory framework. Having sustained the immediate FX volatility of BREXIT impacting underwriting performance of the two UK domestic markets and statutory earnings in 2016, the focus in 2018 has been on establishing a strong contingency plan which enables the business to continue to serve members and clients based in the UK via the most sustainable business solution. Throughout 2018, Cigna has engaged with the NBB and PRA and pursued the establishment of a UK Branch to ensure continuous coverage to clients and members post BREXIT. It is anticipated that this approach will result in increased operating costs, recruitment, operational complexity (Finance, Treasury, HR) and greater complexity regarding compliance with regulations (Data, Statutory Reporting,) but the business recognises the need to implement and invest in contingency for continuous presence in the UK market. Cigna is implementing actions designed to maintain a long-term, sustainable solution to enable it to continue serving its existing customer and client base, while also ensuring cross-border regulatory compliance by the time that incoming EEA firms need re-authorisation, either at the end of the Implementation Period provided for by the current draft Withdrawal Agreement, or when the Temporary Permissions Regime will apply in the event that the UK does not enter into a Withdrawal Agreement with the EU comes to an end.

Secondly, within the Reporting Period, Cigna US has formal regulatory approval for the agreed acquisition of US Pharmacy network Express Scripts for \$67bn. Due to the scale of the acquisition and size of investment, the out of cycle Company Rating review was triggered to review the capital and solvency of Cigna US and all underlying subsidiaries. Company Rating is a fundamental aspect for Cigna Europe and the A Rating of both CLICE and

CEIC is crucial for attaining and retaining business on an annual basis. Due to the scale of the acquisition, there was an anticipation that Cigna would, as minimum, drop one rating notch, potentially 2. If Cigna Europe was to drop 2 notches and fall below an A rating, this would have significant implications from a commercial perspective. Following AM Best's Ad-Hoc review (and annual review in November), both CLICE and CEIC were found to have strong capital base at solo level and the strength of the Enterprise Risk Management programme enabled the A Rating to be protected and risk to be averted.

C.7. Any other information

No additional information related to the risk profile of the Company is needed.



D. VALUATION FOR SOLVENCY PURPOSES

D. VALUATION FOR SOLVENCY PURPOSES

Cigna Europe has applied the (Full) consolidation method to value the assets, technical provisions, other liabilities and own funds of the Group. The Full consolidation method calculates the group solvency as the ratio between the sums of the consolidated own funds in the group and the consolidated solvency capital requirements in the group. Under the Full consolidation method, we follow International Financial Reporting Standards and thus no longer include the three entities, Cigna Global Wellbeing Holdings Limited, Cigna Global Wellbeing Solutions Limited and Informatica J. Van Breda & Co NV, at 30% but instead include them as investments. This also means that any balances and transactions relating to these three entities are not eliminated as they are not consolidated.

The group consolidated assets, liabilities and own funds have been calculated as described in the following paragraphs. The basis of the consolidation is from the individual financial statements of each entity within the group. The below table provides a summary of the statutory basis and functional currency under which the financial statements for each individual company within the group have been prepared. For each entity, the table also shows the ultimate ownership percentages within the Group.

Entity	Domiciled	Statutory basis of Financial Statements	Functional Currency	Total Group Ownership
Cigna Myrtle Holdings Limited	Malta	IFRS	USD	100%
Cigna Elmwood Holdings SPRL(*)	Belgium	BE GAAP	EUR	100%
Cigna Beechwood Holdings Maatschap(*)	Belgium	BE GAAP	EUR	100%
Cigna Sequoia Holdings SPRL	Belgium	BE GAAP	EUR	100%
Cigna Life Insurance Company of Europe SA	Belgium	BE GAAP	EUR	100%
Cigna Europe Insurance Company SA	Belgium	BE GAAP	EUR	100%
Cigna International Health Services BVBA	Belgium	BE GAAP	EUR	100%
Cigna International LLC	USA	US GAAP	USD	100%
Cigna International Health Services Kenya	Kenya	IFRS	KES	100%
Cigna European Services (UK) Limited	United Kingdom	UK GAAP	GBP	100%
Cigna Oak Holdings Limited	United Kingdom	UK GAAP	GBP	100%
Cigna Willow Holdings Limited	United Kingdom	UK GAAP	GBP	100%
Cigna Legal Protection UK Limited	United Kingdom	UK GAAP	GBP	100%
Cigna Insurance Services Europe Limited	United Kingdom	UK GAAP	GBP	100%
First Assist Administration Limited	United Kingdom	UK GAAP	GBP	100%

Exhibit D.1: Entities within Cigna Group

Note: Indented entities have both individual financial statements and group consolidated financial statements available under their parent entity being either Cigna Oak Holdings Limited or Cigna Global Wellbeing Holdings Limited.

(*) Treatment of Maatschap within the group level consolidation. Cigna Beechwood Holdings Maatschap ("Beechwood") is owned 51% by Cigna Elmwood Holdings SPRL and 49% by Cigna Myrtle Holdings Limited. For statutory reporting purposes, Cigna Elmwood Holdings SPRL includes 51% of the assets, liabilities and own funds of Beechwood within the reporting of its balance sheet as required under BE GAAP. Cigna Myrtle Holdings Limited, as required under IFRS, records its 49% ownership of

Beechwood at historical cost less impairment. For the purposes of the group consolidation, Myrtle's 49% ownership of Beechwood has been removed from the Solvency II consolidation via a participation adjustment, and has been replaced with the 49% of Beechwood's assets, liabilities and own funds per Beechwood individual financial statements.

The individual entities' statutory results have been converted to the groups Solvency II reporting currency of Euros using the NBB's published exchange rates as at 31st December 2018. Euros have been determined to be the Group's chosen reporting currency as it is the currency in which the majority of the Group's transactions are conducted, and in which the majority of the Group's assets and liabilities are held.

The individual financial statements of each operating entity have recorded their investments in other group entities at historical cost less any impairment (with the exception of Cigna Beechwood Holdings Maatschap as noted under the table above). In order to form a consolidated group position, all investments in other entities have been removed through a participation interest adjustment.

Intra-group receivables and payables as well as intra-group profit and loss transactions have also been eliminated from the consolidation with this approach resulting in accurate assets, liabilities and own funds disclosures consistent with the Solvency II guidance.

Economic adjustments have been made where the valuation methodology on a statutory basis differs to the valuation methodology requirements under Solvency II. A comparison and analysis of the differences between the Solvency II and statutory valuation bases is provided in section D1 for assets, section D2 for technical provisions and section D3 for other liabilities.

The individual results, participation adjustments and economic adjustments for all entities have been consolidated together with the exception of Cigna Global Wellbeing Solutions Limited, Cigna Global Wellbeing Holdings Limited and Informatica J. Vanbreda which the European Group only has a 30% holding in each. These have therefore, not been consolidated and rather have been assigned a value as per the value of the investment in the immediate parent company's signed statutory financial statements, this is in line with International Accounting Standards.

Nine of the eleven consolidated entities included in the Myrtle Group are subject to an annual external audit:

- › Cigna Life Insurance Company of Europe S.A – N.V (“CLICE”);
- › Cigna Europe Insurance Company S.A – N.V (“CEIC”);
- › Cigna International Health Services BVBA (“CIHS Belgium”);
- › Cigna International Health Services Kenya Ltd (“CIHS Kenya”);
- › Cigna Sequoia Holdings SPRL (“Sequoia”);
- › Cigna Elmwood Holdings SPRL (“Elmwood”);
- › Cigna European Services UK Ltd (“CESL”);
- › Cigna Oak Holdings Ltd (“Oak”); and
- › Cigna Myrtle Holdings Ltd (“Myrtle”).

D.1. Assets

D.1.1. Summary of Assets by Class

The tables below show the composition of assets in the balance sheet as at 31 December 2018 measured on a Solvency II basis (as per the Quantitative Reporting Templates (QRTs)) and, for comparison, as measured on a statutory basis.

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Government Bonds	111,590	105,496	56,490	67,284	168,156	172,780
Corporate Bonds	251,756	272,524	78,319	55,044	330,075	327,568
Investment funds	-	-	-	-	-	-
Total Investments	363,346	378,020	134,809	122,328	498,231	500,348

Exhibit D.2a: Summary of assets by class for CLICE, CEIC and Myrtle – SII Basis

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Government Bonds	103,696	95,872	64,956	66,743	168,652	162,615
Corporate Bonds	251,756	268,018	69,666	54,146	321,422	322,163
Investment funds	-	-	-	-	-	-
Total Investments	355,452	363,890	134,622	120,888	490,074	484,778

Exhibit D.2b: Summary of assets by class for CLICE, CEIC and Myrtle – Statutory Basis

D.1.1.1. CLICE Assets

CLICE Solvency II Assets are prepared as of December 31, in compliance with the Solvency II Regulations. Assets are valued based on the assumption that the Company will pursue its business on a going concern basis.

(EUR'000)	Solvency II Basis			Statutory Basis		
	31-Dec-18	31-Dec-17	Methods and main assumptions	31-Dec-18	31-Dec-17	Methods and main assumptions
Intangible assets	-	-	Historic Cost less amortisation	-	-	Historic Cost less amortisation
Deferred tax assets	-	-	Fair value	-	-	Fair value
Pension benefit surplus	-	-	Fair value	-	-	Fair value
Property, plant & equipment held for own use	265	341	Historic Cost less depreciation	265	341	Historic Cost less depreciation
Property (other than for own use)	-	-	Historic Cost less impairment	-	-	Historic Cost less impairment
Participations	-	-	Fair value	-	-	Historic Cost
Bonds	363,346	378,020	Market Value	355,451	363,890	Historic Cost/Market Value
Deposits other than cash equivalents	3,122	2,055	Fair value	3,122	2,055	Fair value
Other investments	-	-	Fair value	-	-	Fair value
Loans & mortgages	-	-	Fair value	-	-	Fair value
Reinsurance recoverable	73,892	81,709	Fair value	107,900	119,961	Fair value
Insurance & intermediaries receivables	145,399	152,331	Fair value	145,399	145,075	Fair value
Reinsurance receivables	7,227	8,007	Fair value	7,227	8,007	Fair value
Receivables (trade, not insurance)	68	68	Fair value	68	68	Fair value
Cash and cash equivalents	31,756	36,388	Mix of nominal and market value	31,7576	36,388	Nominal value
Any other assets, not elsewhere shown	60,337	14,428	Fair value	60,337	21,684	Fair value
Total Assets	685,412	673,347		711,525	697,469	

Exhibit D.3: Summary of Assets for CLICE

D.1.1.2. CEIC Assets

CEIC Solvency II Assets is prepared as of December 31, in compliance with the Solvency II Regulations. Assets are valued based on the assumption that the Company will pursue its business on a going concern basis.

(EUR'000)	Solvency II Basis			Statutory Basis		
	31-Dec-18	31-Dec-17	Methods and main assumptions	31-Dec-18	31-Dec-17	Methods and main assumptions
Intangible assets	-	-	Historic Cost less amortisation	-	-	Historic Cost less amortisation
Deferred tax assets	-	-	Fair value	-	-	Fair value
Pension benefit surplus	-	-	Fair value	-	-	Fair value
Property, plant & equipment held for own use	228	92	Historic Cost less depreciation	228	92	Historic Cost less depreciation
Property (other than for own use)	-	-	Historic Cost less impairment	-	-	Historic Cost less impairment
Participations	5,725	6,407	Fair value	13,044	13,044	Historic Cost
Bonds	134,809	122,328	Market Value	134,622	120,888	Historic Cost/Market Value
Deposits other than cash equivalents	-	-	Fair value	-	-	Fair value
Other investments	-	-	Fair value	-	-	Fair value
Loans & mortgages	-	8,315	Fair value	-	8,488	Fair value
Reinsurance recoverable	31,411	36,290	Fair value	46,427	51,395	Fair value
Insurance & intermediaries receivables	36,169	40,242	Fair value	36,169	40,235	Fair value
Reinsurance receivables	5,175	4,005	Fair value	5,175	4,005	Fair value
Receivables (trade, not insurance)	56	54	Fair value	56	54	Fair value
Cash and cash equivalents	11,847	23,704	Mix of nominal and market value	11,847	23,704	Nominal value
Any other assets, not elsewhere shown	13,612	2,140	Fair value	13,612	2,145	Fair value
Total Assets	239,032	243,577		261,180	264,050	

Exhibit D.4: Summary of Assets for CEIC

D.1.1.3. Myrtle Group Assets

Myrtle Solvency II Assets are prepared as of December 31, in compliance with the Solvency II Regulations. Assets are valued based on the assumption that the Company will pursue its business on a going concern basis.

	Solvency II Basis			Statutory Basis		
	31-Dec-18	31-Dec-17	Methods and main assumptions	31-Dec-18	31-Dec-17	Methods and main assumptions
Intangible assets	-	-	Historic Cost less amortisation	4,876	2,898	Historic Cost less amortisation
Deferred tax assets	3,680	3,122	Fair value	3,680	3,122	Fair value
Pension benefit surplus	2,684	2,371	Fair value	2,684	2,371	Fair value
Property, plant & equipment held for own use	12,384	11,034	Historic Cost less depreciation	12,384	11,156	Historic Cost less depreciation
Property (other than for own use)	-	-	Historic Cost less impairment	-	-	Historic Cost less impairment
Participations	364	227	Fair value	227	227	Historic Cost
Bonds	498,231	500,348	Market Value	490,100	484,778	Historic Cost/Market Value
Deposits other than cash equivalents	14,733	4,857	Fair value	14,733	4,857	Fair value
Other investments	-	-	Fair value	-	-	Fair value
Loans & mortgages	24,748	11,636	Fair value	24,681	11,798	Fair value
Reinsurance recoverables	105,303	117,999	Fair value	154,327	171,355	Fair value
Insurance & intermediaries receivables	162,934	189,589	Fair value	162,934	182,334	Fair value
Reinsurance receivables	12,402	12,012	Fair value	12,402	12,012	Fair value
Receivables (trade, not insurance)	22,178	25,491	Fair value	48,351	25,491	Fair value
Cash and cash equivalents	128,409	131,188	Mix of nominal and market value	128,409	131,188	Nominal value
Any other assets, not elsewhere shown	85,988	28,789	Fair value	59,815	36,045	Fair value
Total Assets	1,074,038	1,038,663		1,119,603	1,079,631	

Exhibit D.5: Summary of Assets for the Myrtle Group

D.1.2. Differences between statutory valuation and the approach used for Solvency II

The significant differences between the statutory reporting basis and Solvency II in relation to assets are:

- › The valuation of investments at market value under Solvency II instead of at historic cost for bonds on a statutory basis. An exception to this is the limited amount of preference stocks held within the bond portfolio of The Company that are already included at market value under Belgium GAAP.
- › Intangible assets, such as capitalised software development and purchased blocks of insurance policies have been included within the financial statements of Cigna Insurance Services (Europe) Limited and Cigna International Health Services B.V.B.A. Under the Solvency II guidelines, intangible assets has no value.
- › Software is also an intangible asset but has been included within the “Property, plant & equipment held for own use” category for statutory reporting purposes under UK GAAP. As noted above, intangible assets are to be removed from the Solvency II calculation and an adjustment has been made for the relevant entities (Cigna European Services (UK) Limited, Cigna Insurance Services (Europe) Limited and Informatica J. Vanbreda & Co NV).
- › Loans held between entities within the Cigna Group are held at book cost in the statutory accounts of Cigna European Services (UK) Limited, Cigna Europe Insurance Company SA/NV and Cigna Beechwood Holdings Maatschap as per relevant local generally accepted accounting principles. However, under Solvency II these loans have to be disclosed at market value. Consequently, adjustments are made to ensure the loans are shown at market value for Solvency II.
- › The pension benefit assets (and liabilities in section D3 below) are currently being measured under UK GAAP and BE GAAP requirements which calculate the net defined benefit asset/liability to be the net total of:
 - the present value of the defined benefit obligation at the end of the reporting period
 - minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly
 - minus any unrecognized past-service costs.
- › For Solvency II purposes, pension benefit assets (and liabilities) are to be measured under IAS 19, which also includes any actuarial gains (less any actuarial losses) not recognised due to the corridor approach (IAS 19 para 54). Cigna Europe has made no adjustment to take into account the actual gains and losses due to the corridor approach as it deems this economic adjustment to be immaterial in nature.
- › The deferred tax asset is predominantly driven by the fact that the accounting value of fixed assets (disallowed for tax purposes) held in these accounts is almost fully written down whereas there is still a large tax value of fixed assets (allowable tax depreciation) which will be deductible against profits in future tax years.

D.1.3. Key changes since previous reporting period

There have been no changes during 2018 to the approach for valuing assets.

D.2. Technical provisions

D.2.1. Summary of Technical Provisions

The following table shows the Technical Provisions (TP) for the Company split by Solvency II Line of Business (LoB).

(EUR'000)	Medical Expenses	Income Protection	Legal Expenses	Miscellaneous Financial Loss	Non Proportional Health Reinsurance	LIFE	Total
CLICE							
Gross of Reinsurance	126,407	16,268		Not applicable		25,706	168,380
Reinsurance Ceded	55,815	11,768		Not applicable		6,309	73,892
Net of Reinsurance	70,591	4,500		Not applicable		19,397	94,489
Risk Margin	7,998	1,029		Not applicable		1,626	10,654
Total Net TP	78,590	5,530		Not applicable		21,023	105,143
CEIC							
Gross of Reinsurance	45,953	12,586	2,830	1,545	6,496	Not applicable	69,410
Reinsurance Ceded	18,696	4,456	1,375	505	6,379	Not applicable	31,411
Net of Reinsurance	27,257	8,130	1,454	1,041	117	Not applicable	37,999
Risk Margin	1,972	540	121	66	279	Not applicable	2,978
Total Net TP	29,229	8,670	1,576	1,107	396	Not applicable	40,977
Myrtle							
Gross of Reinsurance	172,360	28,854	2,830	1,545	6,496	25,706	237,791
Reinsurance Ceded	74,511	16,224	1,375	505	6,379	6,309	105,303
Net of Reinsurance	97,849	12,631	1,454	1,041	117	19,397	132,488
Risk Margin	9,970	1,569	121	66	279	1,626	13,632
Total Net TP	107,819	14,200	1,576	1,107	396	21,023	146,120

Exhibit D.6: Best Estimate Liability YE 2018

Myrtle table above is sum of CLICE and CEIC tables.

D.2.2. Methodology

D.2.2.1. Introduction

Solvency II Technical Provisions comprise a Best Estimate Liability (BEL) and a Risk Margin (RM). The BEL is calculated gross of any reinsurance with a separate calculation for the reinsurance portion.

For non-life business, the BEL is calculated separately for the following two components:

- › claims provisions: representing the expected present value of cash-flows from claim events that have occurred before the valuation date; and
- › premium provisions: relating to claim events occurring after the valuation date and during the remaining in-force period of cover.

For life business, the BEL is calculated as the prospective value of future expected cashflows on a policy by policy basis, allowing for premiums, claims, expenses and lapses. Negative reserves are permitted.

D.2.2.2. Reinsurance

The Company operates a comprehensive reinsurance program to manage insurance risks. The program is a combination of internal and external reinsurance treaties, including quota share, excess of loss and catastrophe cover. The impact of reinsurance on the Technical Provisions is shown in the summary tables above.

D.2.2.3. Non-Life Claim Provision Methodology

Claims are projected to ultimate using standard actuarial techniques such as Chain Ladder or Bornheutter-Ferguson. The most important point in producing cashflows is to arrive at a best estimate liability, rather than the method of producing the cashflows themselves.

The resulting cashflows are then discounted using risk free rates generated from EIOPA published yield curves which are dependent on the currency of the cashflows. Finally a loading is applied to the cashflows to allow for claims administration expenses to obtain the best estimate claim provision. Best estimates are calculated gross of reinsurance and also for reinsurance recoveries with the latter further adjusted to take account of expected loss due to counterparty default.

D.2.2.4. Non-Life Premium Provision Methodology

The best estimate of premium provisions corresponds to cashflows relating to claim events occurring after the valuation date but before the end of the remaining in force period for all in force business. In practice the expected claims ratio simplification has been applied to calculate the best estimate. Similar to claims provisions, best estimates are calculated gross of reinsurance and also for reinsurance recoveries with the latter further adjusted to take account of expected loss due to counterparty default.

D.2.2.5. Life Provision Methodology

The BEL for life insurance business is calculated on a policy by policy basis as the present value of:
claim outflows + expense and commission outflows – premium cash inflows

The present value of these cashflows should allow for lapse and be further discounted for interest, generated using EIOPA published yield curves. Similar to non-life, best estimates are calculated gross of reinsurance and also for reinsurance recoveries with the latter further adjusted to take account of expected loss due to counterparty default.

D.2.2.6. Un-modelled Business

The vast majority of Best Estimate Liability is calculated using the methodology described in the 3 sub-sections above. For the remaining un-modelled business, a simplified conservative approach, typically Solvency I Technical Reserves, is taken as a proxy for Solvency II BEL.

D.2.2.7. Risk Margin Methodology

As noted above, the BEL is calculated on a best-estimate basis whereas GAAP reserves include a margin for prudence. To ensure that adequate reserves are held, the Technical Provisions under Solvency II include an explicit Risk Margin to allow for the uncertainty in the best estimate.

The Risk Margin should be calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) necessary to support the insurance and reinsurance obligations over their expected future lifetime. The rate used in determining this cost is called the Cost of Capital Rate; this is a long term average rate and is currently set at 6%. The Risk Margin should guarantee that the Technical Provisions are sufficient to allow the whole insurance (and reinsurance) portfolio to be transferred to another Insurer.

The method for calculating the Risk Margin can in general be expressed as the discounted value of all projected SCRs multiplied by the Cost of Capital Rate where discounting is at risk free rates of return. Note that, unlike the BEL which is calculated separately gross of reinsurance and for reinsurance ceded, the Risk Margin is calculated only on a net of reinsurance basis.

D.2.3. Assumptions

The key assumptions underlying each category of BEL methodology are as described below. In general these assumptions have been derived from past experience of the Company business, at the appropriate level of granularity.

D.2.3.1. Claim Provisions

The key assumptions are the actuarial techniques applied to calculate projected cashflows for sufficiently developed claims including choice of link ratios, the expected loss ratio or average cost per claim to apply to months with insufficient claims, the assessment of when claims are sufficiently developed and the loading applied to best estimate claim provision to generate the claim expense component.

All assumptions underlying the calculation of Claim Provisions have the additional aim of ensuring that the margin of Solvency I claim provisions (net of expense) over Solvency II best estimate claim provisions (net of expense) is in the range consistent with the Company's Reserve Policy. This should be the most important factor in determining the most appropriate set of assumptions to calculate the Claim Provisions.

D.2.3.2. Premium Provisions

Since the claims ratio simplification method has been used to calculate the best estimate premium provision, the following are the key assumptions required to complete the calculation:

- › Loss Ratio including claims handling cost;
- › Operating Expense Ratio;
- › Acquisition Expense Ratio;
- › Gross Commission Ratio;
- › Ceding Commission Ratio.

In general, a combination of the historic actual experience plus consideration of fore casted expected ratios have been assessed to set these assumptions. The Ceding Commission Ratio is set at contractually agreed terms per the reinsurance treaties.

D.2.3.3. Life Provisions

The key assumptions used to generate the projected cashflows required to calculate the best estimate provision are for expected mortality, expense loadings and lapse.

D.2.3.4. Risk Margin

Since the Hierarchy of Simplifications approach is adopted to calculate the Risk Margin, and the EIOPA supplied formulae and models have been used to produce the Risk Margin, there are no explicit assumptions to be assessed other than consistent use of yield curves for discounting cashflows for both BEL and Risk Margin.

D.2.4. Expert Judgement

The application of expert judgement is required throughout the production of Technical Provisions from the assessment of data quality to the choice of methodology to apply, to the setting of assumptions underlying the calculations, through to the final assessment that the Technical Provisions are accurate and sufficient to meet future expected liabilities.

D.2.5. Uncertainty in Technical Provisions

There are a number of factors that can influence the level of technical provisions and this uncertainty is described below for the different components.

D.2.5.1. Uncertainty in Non-Life Claim Provision

Analysis shows that the best estimate reserve is sensitive to the choice of assumptions with regards the choices of link ratio and the ultimate loss ratio (ULR). However, assumptions for these ratios have been set to remove the margin between Solvency I reserves and best estimate ultimate claims. Overall, it is reserve adequacy that is

important rather than the assumptions used to generate the cash flows. In addition the BEL is not especially sensitive to varying claim expense reserve assumptions and discounting of cash flows is not important for setting the reserve due to the short tail nature of this business.

D.2.5.2. Uncertainty in Non-Life Premium Provision

Small changes to the assumptions to calculate the Premium Provision can have a significant impact on the resulting reserve. For example a 1% change in Loss Ratio will increase the reserve by around €5.9m gross of reinsurance or €3.0m net of reinsurance in CLICE and by around €1.2m gross of reinsurance or €0.6m net of reinsurance in CEIC. Changing the Operating Expense Ratio by 1% similarly impacts the gross reserve by €5.9m in CLICE and by €1.2m in CEIC and here there is no reinsurance relief because a share of expenses is not passed on to the reinsurers. The impact of changing assumptions for Acquisition Expenses is not so significant for both CLICE and CEIC. Changing the Commission Ratio by 1% impacts the gross and net reserve by €3.0m for CLICE and by €0.8m in CEIC.

The reason for this potential significant financial impact is mainly due to the impact on the PVFP component of the calculation. The total PVFP within the best estimate, gross of reinsurance, was €531m in CLICE and €100m in CEIC at end 2018 and so a 1% change in expected profit margin through change to Loss Ratio or Expense Ratio will change the gross reserve estimate by €5.3m in CLICE and by €1.0m in CEIC. Choice of ratios and indeed estimation of PVFP (in relation to allowance for persistency and tacit renewals) is therefore very important in the final reserve balance.

D.2.5.3. Uncertainty in BEL Life Provision

For death benefits, the most financially significant impact is a change to the mortality experience assumption where a 10% strengthening would increase the gross reserve by €2.0m and therefore have 64% impact relative to the base gross reserve for Death benefit. Changing the operating expenses by 1% would increase the gross reserve by €0.2m representing an impact of 5%. Other sensitivities such as changes to persistency experience or discount rates are much less significant and impact the base gross reserve by no more than 3%.

For the survival benefit, the most financially significant impact is a change to the mortality experience assumption where a 10% strengthening would increase the gross reserve by €0.8m and therefore have around 4% impact relative to the base gross reserve for Survival benefit. Other sensitivities such as changes to the operating expense or discount rates are much less significant and impact the base gross reserve by no more than 1%.

D.2.5.4. Uncertainty in Risk Margin

The Risk Margin is determined based on a full calculation of all future projected SCRs with some simplifications. Therefore, the choice of some of the simplifying proportional factors (such as the evolution of the net best estimate liability) could drive some uncertainty in the Risk Margin.

D.2.6. Differences between valuation approach for Solvency II and Belgium GAAP

As noted above, the BEL is calculated on a best-estimate basis whereas GAAP reserves include a margin for prudence. To ensure that adequate reserves are held, the Technical Provisions under Solvency II then include an explicit Risk Margin to allow for the uncertainty in the best estimate. A further key difference is the PVFP component of the Non-Life Premium Provisions. A high-level comparison of Solvency II reserves with those used in the financial statements is shown in the tables below. A more detailed comparison then follows.

(EUR'000)				
	Solvency II (SII)	SII / SI	Solvency I (SI)	
CLICE				
Total Gross BEL	168,380	70.9%	237,599	Total TP Gross
Total Net BEL	94,489	72.9%	129,635	Total TP Net
Risk Margin	10,654			
Total Net TP	105,143	81.1%	129,635	Total TP Net
CEIC				
Total Gross BEL	69,410	83.2%	83,454	Total TP Gross
Total Net BEL	37,999	102.3%	37,127	Total TP Net
Risk Margin	2,978			
Total Net TP	40,977	110.4%	37,127	Total TP Net
Myrtle				
Total Gross BEL	237,791	74.1%	321,052	Total TP Gross
Total Net BEL	132,488	79.4%	166,762	Total TP Net
Risk Margin	13,632			
Total Net TP	146,120	87.6%	166,762	Total TP Net

Exhibit D.7: Best Estimate Liability SII vs. SI

Myrtle table above is sum of CLICE and CEIC tables.

The key differences between Solvency I and Solvency II Technical Provisions are the profit generated on future premiums plus removal of margins on Solvency I Claim Provisions and UPR, offset to some extent by the addition of Risk margin. The other differences are much less significant.

For Life business the key difference between Solvency I and Solvency II Technical Provisions is the removal of mortality reserve margin in the Solvency I TP again offset to some extent by the addition of Risk Margin.

D.2.7. Key changes since previous reporting period

There have been no material changes in methodology or assumptions used in calculating Technical Provisions relative to the prior reporting period.

D.2.8. Other disclosures

- › Volatility adjustment is not applicable.
- › Transitional Risk Free Rates are not applicable.
- › Transitional deduction has not been applied.

D.3. Other Liabilities

D.3.1. Summary of Other Liabilities

The tables below show the composition of Other Liabilities in the balance sheet as at 31 December 2018 measured on a Solvency II basis (as per the Quantitative Reporting Templates (QRTs)) and, for comparison, as measured on statutory basis.

D.3.1.1. CLICE Other Liabilities

CLICE Solvency II Other Liabilities are prepared as of December 31, in compliance with the Solvency II Regulations. Liabilities are valued based on the assumption that the Company will pursue its business on a going concern basis.

(EUR'000)	Solvency II Basis			Statutory Basis		
	31-Dec-18	31-Dec-17	Methods and main assumptions	31-Dec-18	31-Dec-17	Methods and main assumptions
Provisions other than technical provisions	-	-	Fair value	-	-	Fair value
Pension benefit obligations	-	-	Actuarial valuation	-	-	Actuarial valuation
Deposits from reinsurers	105,039	115,372	Fair value	105,039	115,372	Fair value
Deferred tax liabilities	7,793	11,699	Fair value	-	-	n/a
Debts owed to credit institutions	-	-	Nominal value	-	-	Nominal value
Financial liabilities other than debts owed to credit institutions	-	-	Nominal value	-	-	Nominal value
Insurance & intermediaries payables	105,092	98,901	Fair value	105,092	98,901	Fair value
Reinsurance payables	16,764	12,120	Fair value	16,764	12,120	Fair value
Payables (trade, not insurance)	94,818	45,487	Fair value	94,818	45,487	Fair value
Any other liabilities, not elsewhere shown	6,167	7,891	Fair value	6,167	7,891	Fair value
Total Liabilities	335,673	291,470		327,880	279,771	

Exhibit D.8: Summary of Other Liabilities for CLICE

D.3.1.2. CEIC Other Liabilities

CEIC Solvency II Other Liabilities are prepared as of December 31, in compliance with the Solvency II Regulations. Liabilities are valued based on the assumption that the Company will pursue its business on a going concern basis.

(EUR'000)	Solvency II Basis			Statutory Basis		
	31-Dec-18	31-Dec-17	Methods and main assumptions	31-Dec-18	31-Dec-17	Methods and main assumptions
Provisions other than technical provisions	-	-	Fair value	-	-	Fair value
Pension benefit obligations	-	-	Actuarial valuation	-	-	Actuarial valuation
Deposits from reinsurers	33,091	38,715	Fair value	33,091	38,715	Fair value
Deferred tax liabilities	562	989	Fair value	-	-	n/a
Debts owed to credit institutions	-	-	Nominal value	-	-	Nominal value
Financial liabilities other than debts owed to credit institutions	-	-	Nominal value	-	-	Nominal value
Insurance & intermediaries payables	8,499	8,622	Fair value	8,499	8,622	Fair value
Reinsurance payables	192	764	Fair value	192	764	Fair value
Payables (trade, not insurance)	17,404	11,965	Fair value	17,404	11,965	Fair value
Any other liabilities, not elsewhere shown	2,209	1,526	Fair value	2,208	1,526	Fair value
Total Liabilities	61,957	62,581		61,394	61,592	

Exhibit D.9: Summary of Other Liabilities for CEIC

D.3.1.2. Myrtle Other Liabilities

Myrtle Solvency II Other Liabilities are prepared as of December 31, in compliance with the Solvency II Regulations. Liabilities are valued based on the assumption that the Company will pursue its business on a going concern basis.

(EUR'000)	Solvency II Basis			Statutory Basis		
	31-Dec-18	31-Dec-17	Methods and main assumptions	31-Dec-18	31-Dec-17	Methods and main assumptions
Provisions other than technical provisions	-	20,136	Fair value	-	20,136	Fair value
Pension benefit obligations	311	243	Actuarial valuation	311	243	Actuarial valuation
Deposits from reinsurers	138,130	154,087	Fair value	138,130	154,087	Fair value
Deferred tax liabilities	8,355	9,705	Fair value	-	-	n/a
Debts owed to credit institutions	6,221	15,007	Nominal value	6,221	15,007	Nominal value
Financial liabilities other than debts owed to credit institutions	3,501	-	Nominal value	3,354	-	Nominal value
Insurance & intermediaries payables	92,753	88,469	Fair value	92,753	88,469	Fair value
Reinsurance payables	16,956	12,884	Fair value	16,956	12,884	Fair value
Payables (trade, not insurance)	188,289	114,001	Fair value	188,289	114,001	Fair value
Any other liabilities, not else here shown	19,299	18,703	Fair value	19,299	18,703	Fair value
Total Liabilities	473,815	433,235		465,313	423,530	

Exhibit D.10: Summary of Other Liabilities for Myrtle Group

D.3.2. Differences between statutory valuation and the approach used for Solvency II

There are no material differences for the valuation of other liabilities between the statutory basis used in financial statements and the Solvency II valuation approach except for the inclusion of a deferred tax liability on a Solvency II basis, which is the expected future tax effect of the profit and loss impact from valuing the balance sheet on an economic basis as opposed to the statutory basis used for Belgium tax purposes.

D.3.3. Key changes since previous reporting period

There have been no changes during 2017 to the approach for valuing other liabilities.

D.4. Alternative methods for valuation

The key areas which require mark to model techniques are the valuation of investments (fixed maturities and equity securities) and loans held between Cigna entities (fixed maturity).

For any investments in fixed maturities and equity securities, the fair value is classified as level 2 due to the lower trading activity of these investments. Recent trades or pricing models are therefore used to determine fair value. When utilising pricing models, these models calculate fair values by discounting future cash flows at estimated market interest rates. Typical inputs and assumptions to pricing models include, but are not limited to, a combination of benchmark yields, reported trades, issuer spreads, liquidity, benchmark securities, bids, offers, reference data, and industry and economic events.

D.5. Any other information

All material facts regarding the valuation of assets and liabilities are covered in the relevant sections above, except for the section below on contingent liabilities. In particular, the nature of the Company's business means that no assumptions need to be made about future management actions. Similarly with policyholder's behaviour, the only assumption is the lapse rate, and this is described in the section above on the valuation of Technical Provisions.

The Company has not used the counter-cyclical premium or matching premium adjustments.



E. CAPITAL MANAGEMENT

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E. CAPITAL MANAGEMENT

Until year-end 2015, supervision was based on Solvency I requirements. Since 1st January 2016, the Company is supervised based on the Solvency II framework on a statutory basis, allowing for the use of a Partial Internal Model for the calculation of its regulatory Solvency Capital Requirement following NBB's formal approval late 2015 for CLICE and CEIC and late 2017 for Myrtle. The management of own funds is considered over the business planning period i.e. 3 years alongside the Company's risk appetite. Those policies cover the following objectives:

- › Maintain a level of capital in adequacy with the Company's Risk Appetite;
- › Identify the key components of own funds and planning of future composition of capital;
- › Outline measures in the event that their solvency ratio declines rapidly or falls below the critical limit in respect; and
- › Set out the roles and responsibilities of each participant.

E.1. Own funds

The following tables are as at 31/12/2018 and 31/12/2017 and are shown on a Solvency II basis. Under Solvency II, the excess of assets over liabilities is called “Own Funds” in the following exhibits and is all classed as Tier 1 in the own funds structure as detailed below. The differences between “Own Funds” (here from an economic perspective) and Shareholder’s Equity under BE GAAP as shown in the Company’s financial statements are due to the “reconciliation reserve” that comprises:

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Reconciliation reserve	24,583	27,582	1,596	(2,452)	15,685	31,742
Total best estimate impact (i.e. sum of below)	35,135	37,563	(775)	7,007	34,360	44,570
Claims provision, net of reinsurance ⁽¹⁾	6,753	6,236	3,500	2,042	10,253	8,278
Premium provision, net of reinsurance ⁽²⁾	20,700	23,324	(4,276)	4,966	16,424	28,289
Life provision, net of reinsurance ⁽³⁾	7,683	8,003	0	0	7,683	8,003
Risk margin ⁽⁴⁾	(10,654)	(12,411)	(2,978)	(3,100)	(13,632)	(15,511)
Investment ^{(5),(6)}	7,894	14,130	5,912	(5,371)	3,313	12,388
Tax impact on valuation differences	(7,793)	(11,699)	(562)	(989)	(8,355)	(9,705)

Exhibit E.1: Cigna Europe's Reconciliation reserves

- (1) Removal of prudence from best-estimate Solvency II reserves
- (2) Profit margin in next year’s future premiums
- (3) Difference in valuation assumptions due to best estimate versus inclusion of prudence
- (4) Explicit allowance under Solvency II (in excess of best-estimate) for capturing intrinsic market consistent value
- (5) Market value of bonds under Solvency II versus book value under Solvency I
- (6) For the non-insurance entities, the only contribution to the reconciliation reserve from a group perspective is the removal of intangibles, and the exclusion of software reported in the “Property, plant & equipment held for own use” line of the balance sheets

This table explains the move from Solvency I to Solvency II. The stability of the reconciliation reserve brings stability to the own funds evolution, as shown in previous tables.

OWN FUNDS STRUCTURE

Solvency II classifies the available capital into three main groups according to its availability and liquidity, i.e. from Tier 1 (which contains the highest quality of own funds that can fully absorb losses), to Tier 3.

The Eligible Capital held to meet the Solvency II requirement (SCR) is the available economic capital satisfying Tier 1, 2 and 3 conditions, including:

- › Tier 2 and Tier 3 funds are limited to 50% of the SCR; and
- › Tier 3 is limited to 15% of the SCR.

The split of available capital between the different Tiers together with their capital requirements is shown in the following tables for the Company respectively:

(EUR'000)	Tier ²⁾	CLICE		CEIC		Myrtle	
		31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Basic own funds	T1	170,704	191,044	104,686	109,988	334,769	328,538
Ordinary share capital		104,078	104,078	79,357	92,401	1,244,820	493,993
Other reserves from accounting balance sheet ⁽¹⁾		19,075	17,892	1,689	1,440	350,283	146,215
Retained earnings		22,969	41,492	22,043	18,599	(97,585)	9,658
Reconciliation reserve		24,583	27,582	1,596	(2,452)	15,685	31,742
Participation adjustments		Not applicable		Not applicable		(1,162,750)	(347,947)
Non Available Own Funds		Not applicable		Not applicable		(5,124)	(5,124)
Unpaid capital, initial fund not been paid-up	T2	0	0	0	0	0	0
Deferred Tax Assets	T3	0	0	0	0	0	0
Eligible capital to cover SCR		170,704	191,044	104,686	109,988	334,769	328,538
Eligible capital to cover MCR		170,704	191,044	104,686	109,988	334,769	328,538

Exhibit E.2: Cigna Europe's Own Funds structure

(1) Legal reserve and share premium accounts

(2) Tiering with respect to Capital Eligibility

The key change with YE 2017 is the payment of a dividend of EUR 41M from CLICE to Myrtle and the profits made by those legal entities.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

At 31 December 2018, the solvency II position of the Group stood at 212% of the SCR (31 December 2017: 192%) and at 974% of the required minimum (31 December 2017: 767%). Solo entities are at similar levels.

The Company continues to hold a strong capital base under Solvency II driven by our continuous willingness to sustain business growth and reinforce value, strength and security brought to all stakeholders.

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-18 ⁽¹⁾	31-Dec-17	31-Dec-18 ⁽¹⁾	31-Dec-17	31-Dec-18 ⁽¹⁾	31-Dec-17
Solvency Capital requirement (<i>Partial Internal Model</i>)						
Eligible capital to cover	170,704	191,044	104,686	109,988	334,769	328,538
SCR	95,002	98,424	50,896	59,058	167,562	171,425
Solvency position	180%	194%	206%	186%	200%	192%
Minimum Capital requirement (<i>Partial Internal Model</i>)						
Eligible capital to cover	170,704	191,044	104,686	109,988	334,769	328,538
MCR ⁽²⁾	23,750	24,606	12,724	14,764	36,474	42,856
Solvency position	719%	776%	823%	745%	918%	767%

Exhibit E.3: Cigna Europe's required capital and solvency positions

- (1) This final amount of the Solvency Capital Requirement is still subject to final approval by the auditor.
- (2) The Minimum Capital requirement is calculated following Standard Formula specifications and is the sum of the notional MCR non-Life and notional MCR life. There is no crossing activities MCR_(l,nl) and MCR_(nl,l) such as the linear formula component for life insurance relating to non-life insurance and the linear formula component for non-life relating to life insurance company.

The Solvency Capital Requirement is calculated based on an internal approach as set out in section C and E.4. The risk profile of the Company is split over the different risk categories as follows:

(EUR'000)	CLICE		CEC		Myrtle	
	31-Dec-18 ⁽¹⁾	31-Dec-17	31-Dec-18 ⁽¹⁾	31-Dec-17	31-Dec-18 ⁽¹⁾	31-Dec-17
Solvency Capital Requirement	95,002	98,424	50,896	59,058	167,562	171,425
Market risk	28,829	37,308	22,758	31,817	84,018	85,700
Counterparty risk	30,490	27,922	7,204	8,019	50,322	44,135
Health underwriting risk	51,060	55,464	27,957	26,579	64,660	73,494
Life underwriting risk	4,314	5,547	Not applicable		5,547	4,314
Non-Life Underwriting risk	Not applicable		7,745	10,734	16,408	15,144
Diversification between risks	(33,585)	(37,117)	(20,320)	(24,120)	(69,109)	(71,508)
Operational risk	21,622	20,993	6,114	7,017	27,736	28,009
Loss absorbing effect of deferred taxes	(7,728)	(11,693)	(562)	(989)	(9,521)	(10,361)

Exhibit E.4: Cigna Europe's risk profile

(1) This final amount of the Solvency Capital Requirement is still subject to final approval by the auditor.

In respect of the calculation of the risk-modules and sub-modules of the standard formula, the Company does use simplified calculations in the Life expense for GHB IO, HL&A and Group Life. Further improvements are foreseen in the near future.

The Company does not use any undertaking specific parameters as internal model better captures the underlying underwriting volatility.

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

The Company does not apply the duration-based equity risk –sub-module.

E.4. Differences between the standard formula and any internal model used

The following table shows the Solvency II position under on the one hand the Partial Internal Model and on the other hand the Standard Formula.

(EUR'000)	CLICE		CEC		Myrtle	
	31-Dec-18 ⁽¹⁾	31-Dec-17	31-Dec-18 ⁽¹⁾	31-Dec-17	31-Dec-18 ⁽¹⁾	31-Dec-17
<i>Partial Internal Model</i>						
Eligible capital to cover SCR	170,704	191,044	104,686	109,988	334,769	328,538
Solvency Capital Requirement	95,002	98,424	50,896	59,058	167,562	171,425
Solvency position	180%	194%	206%	186%	200%	192%
<i>Standard Formula</i>						
Eligible capital to cover SCR	169,633	188,981	105,445	110,548	334,493	327,184
Solvency Capital Requirement	114,569	122,354	42,850	50,982	175,989	179,186
Solvency position	148%	154%	246%	217%	190%	183%

Exhibit E.5: Cigna Europe's Partial Internal Model vs. Standard Formula solvency positions

(1) This final amount of the Solvency Capital Requirement is still subject to final approval by the auditor.

The Company has developed a PIM at solo entity and at group level to ensure the Solvency Capital Requirements are accurate and proportionate to the specific Risk Profile of the organization. The PIM is embedded within the organisation and provides a basis for management to take fully informed, risk based decisions on both the operational and strategic business environment since July 2013. More specifically, the Company has now embedded the PIM throughout standardised business practices including Business and Capital Planning exercises, underwriting discipline, investment and market risk monitoring, input into Company Rating review process in order to retain our key clients and reviews of Reinsurance arrangements.

The proposed approach to use a PIM at solo entity level was approved by the Board of Directors in agreement that the Standard Formula (SF) being considered unsuitable it has been decided in early 2011 to internally model four risks and integrated these results into standard formula results using the default integration techniques as stated in Article 245 of the Delegated Acts. The SCR modelled internally covers all quantifiable risks upon existing and also renewal/ new business expected to be written in the forthcoming 12 months.

- › Premium and reserve risks: the Company developed a simulation-based approach allowing to produce a full probability distribution
- › Pandemic risk: the Company designed a stochastic scenario generator for pandemic risk based on Monte-Carlo simulations.

- › Currency risk: the Company built a currency scenario generator simulating scenarios for every currency exposures over a one year period, accounting for their own dependencies. Each of these simulations is therefore applied on the relevant exposure and then the model aggregates all exposures to drive a different possible outcome.

All lines of business are considered in the scope of the PIM for the Company to avoid any form of cherry picking. This means that the Health and Non-Life risk modules are both concerned by this scope through the medical expenses, the income protection, the Miscellaneous Non-Life and the Legal expenses business.

In the Company's case the partial internal model consists of different risk components which are separately calculated and aggregated via the SF default integration technique at the highest level. The probability distribution forecast is thus calculated for each component that is internally modelled.

The following table outlines the main differences between Standard Formula and Partial Internal Model.

(EUR'000)	CLICE		CEC		Myrtle	
	31-Dec-18 ⁽¹⁾	31-Dec-17	31-Dec-18 ⁽¹⁾	31-Dec-17	31-Dec-18 ⁽¹⁾	31-Dec-17
<i>Solvency Capital Requirement</i>						
Partial Internal Model ⁽²⁾	95,002	98,424	50,896	59,058	167,562	171,425
<i>Impact of internal model on...</i>						
Market risk	1,211	6,518	633	(3,163)	(10,062)	(12,428)
Counterparty risk	(135)	(48)	(4)	(1)	27	58
Health underwriting risk	21,739	23,390	-8,845	(4,580)	27,090	26,659
Life underwriting risk	0	0	Not applicable		0	0
Non-Life Underwriting risk	Not applicable		(5,252)	(5,719)	(12,212)	(11,071)
Diversification between risks	(3,505)	(5,839)	5,462	5,431	3,086	4,090
Loss absorbing effect of deferred taxes	257	(91)	(38)	(44)	498	454
Standard Formula	114,569	122,354	42,850	50,982	175,989	179,186

Exhibit E.6: Impact of internal model

- (1) This final amount of the Solvency Capital Requirement is still subject to final approval by the auditor.
- (2) The scope of the PIM encompasses both Insurance Companies within Cigna Europe and is split through the modular approach per CLICE (Counterparty, Market, Operational, Health and Life) and CEC (Counterparty, Market, Operational, Health and Non-Life). Cigna Europe calculates the Group Capital Requirements for Cigna Myrtle Holdings through the use of the Consolidation Methodology after consolidating the scope of the two solo entities with the ancillary service companies

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

There is no non-compliance with the MCR and SCR of the undertaking.

E.6. Any other information

There is no additional information needed related to the capital management of the undertaking.

GLOSSARY

Beechwood	Cigna Beechwood Holdings MTS
CEIC	Cigna Europe Insurance Company S.A./N.V.
CESL	Cigna European Services (UK) Ltd
CGHB	Cigna Global Health Benefits
CIHS	Cigna International Health Services BVBA
CISEL	Cigna Insurance Services (Europe) Limited
CLICE	Cigna Life Insurance Company of Europe S.A./N.V.
Elmwood	Cigna Elmwood Holding SPRL-BVBA
GEP	Gross Earned Premium
GES	Global Employer Segment
GIPMI	Cigna Global Individual Private Medical Insurance
GIS	Global Individual Segment
HL&A	Health, Life & Accident
IG	Intra Group
IGT	Intra Group Transaction
KRA	Key Risk Assessment
MCR	Minimum Capital Requirements
Myrtle	Cigna Myrtle Holdings Limited
NBB	National Bank of Belgium
Op Risk	Operational Risk Management
ORSA	Own Risk and Solvency Assessment
QRT	Quantitative Reporting Templates
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition report
SOG SA	System of Governance Self-Assessment
SI	Solvency I
SII	Solvency II
SPAIN HB	Spanish Healthcare Benefits
UKHB	United Kingdom HealthCare Benefits

APPENDIX – REPORTING TEMPLATES

The following Quantitative Reporting Templates (QRTs) for Myrtle, CLICE and CEIC are available by clicking on the links given below.

[CLICK HERE FOR CLICE QRTS](#)

- **QRT S.02.01.02** specifying balance sheet information using the valuation in accordance with Article 75 of Directive 2009/138/EC.
- **QRT S.05.01.02** specifying information on premiums, claims and expenses using the valuation and recognition principles used in the undertaking's financial statements, for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35.
- **QRT S.05.02.01** specifying information on premiums, claims and expenses by country using the valuation and recognition principles used in the undertaking's financial statements.
- **QRT S.12.01.02** specifying information on the technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance ('health SLT') for each line of business as defined in Annex I to Delegated Regulation (EU) 2015/35.
- **QRT S.17.01.02** specifying information on non-life technical provisions, for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35.
- **QRT S.19.01.02** specifying information on non-life insurance claims in the format of development triangles for the total non-life business.
- **QRT S.23.01.01** specifying information on own funds, including basic own funds and ancillary own funds.
- **QRT S.25.02.21** specifying information on the Solvency Capital Requirement calculated using the standard formula and a partial internal model.
- **QRT S.28.02.01** specifying the Minimum Capital Requirement for insurance undertakings engaged in both life and non-life insurance activity.

[CLICK HERE FOR CEIC QRTS](#)

- **QRT S.02.01.02** specifying balance sheet information using the valuation in accordance with Article 75 of Directive 2009/138/EC.
- **QRT S.05.01.02** specifying information on premiums, claims and expenses using the valuation and recognition principles used in the undertaking's financial statements, for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35.
- **QRT S.05.02.01** specifying information on premiums, claims and expenses by country using the valuation and recognition principles used in the undertaking's financial statements.
- **QRT S.17.01.02** specifying information on non-life technical provisions, for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35.
- **QRT S.19.01.02** specifying information on non-life insurance claims in the format of development triangles for the total non-life business.
- **QRT S.23.01.01** specifying information on own funds, including basic own funds and ancillary own funds.
- **QRT S.25.02.21** specifying information on the Solvency Capital Requirement calculated using the standard formula and a partial internal model.
- **QRT S.28.01.01** specifying the Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity.

[CLICK HERE FOR MYRTLE QRTS](#)

- **QRT S.32.01.22** specifying information on the undertakings in the scope of the group.
- **QRT S.02.01.02** specifying balance sheet information using the valuation in accordance with Article 75 of Directive 2009/138/EC.
- **QRT S.05.01.02** specifying information on premiums, claims and expenses, using the valuation and recognition principles used in the consolidated financial statements for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35.
- **QRT S.05.02.01** specifying information on premiums, claims and expenses by country, using the valuation and recognition principles used in the consolidated financial statements.
- **QRT S.23.01.22** specifying information on own funds, including basic own funds and ancillary own funds.
- **QRT S.25.02.22** specifying information on the Solvency Capital Requirement calculated using the standard formula and a partial internal model.