SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR)

Year-ending: 31 December 2016

Cigna Myrtle Holdings, Ltd (Myrtle, ref. C 63025)
Including Cigna Life Insurance Company of Europe S.A./N.V. (CLICE, ref. 0421.437.284) and Cigna Europe Insurance Company S.A./N.V. (CEIC, ref. 0474.624.562)

Cigna®

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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 (SCFR) 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 help improve the health, well-being and sense of security of the people we serve. Our strategic focus is centered 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 40,000 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.

The financial results presented in the table below are derived from the BEGAAP Financial Statements for the year ended December 31, 2016 for CLICE and CEIC.

(EUR'000)	CLICE		CEIC		Myrtle[1]	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Income Statement Data						
Gross Premium	721,142	709,124	230,614	228,946	937,383	927,383
Result of financial year	6,454	33,670	(639)	875	10,122	99,887
Balance Sheet Data						
Total assets	708,635	651,613	286,727	310,450	1,114,997	1,081,973
Shareholders' equity	131,559	127,105	114,125	112,380	242,160	234,173

(1) Unaudited Consolidated figures

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 table below illustrates the Own Funds and the Solvency Capital Requirements for year end 2016 compared with 2015.

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-16	31-Dec-15[1]	31-Dec-16	31-Dec-15[1]	31-Dec-16	31-Dec-15[1]
Own Funds and SCR/MCR Data						
Own Funds	157,880	153,515	114,529	104,239	264,225	252,098
Solvency Capital Requirement (SCR)	92,370	89,444	73,601	58,518	172,826	155,324
Minimum Capital Requirement (MCR)	23,846	27,522	18,400	14,629	42,246	42,151
Ratio of Eligible own funds to SCR	171%	172%	156%	178%	153%	162%
Ratio of Eligible own funds to MCR	662%	558%	622%	713%	625%	598%

(2) Own Funds and Solvency Capital Requirements for year end 2016 and 2015

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 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.

The key emerging risk the Company faces is the Business risk exposure related to the UK leaving the European Union (BREXIT). The short term impacts included the financial market volatility and decreasing power of GBP which directly impacted the two UK Domestic markets in terms of underwriting performance and also retained earnings for European business. This risk will be a key risk to monitor going forward. 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 an investment portfolio which is based upon on 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.

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 for all members. 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

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 insureds (owned 70% by Connecticut General Corporation and 30% by CESL).

CLICE has branches in Spain, UK, Italy and France and CEIC has branches in Switzerland, UK and Singapore.

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.

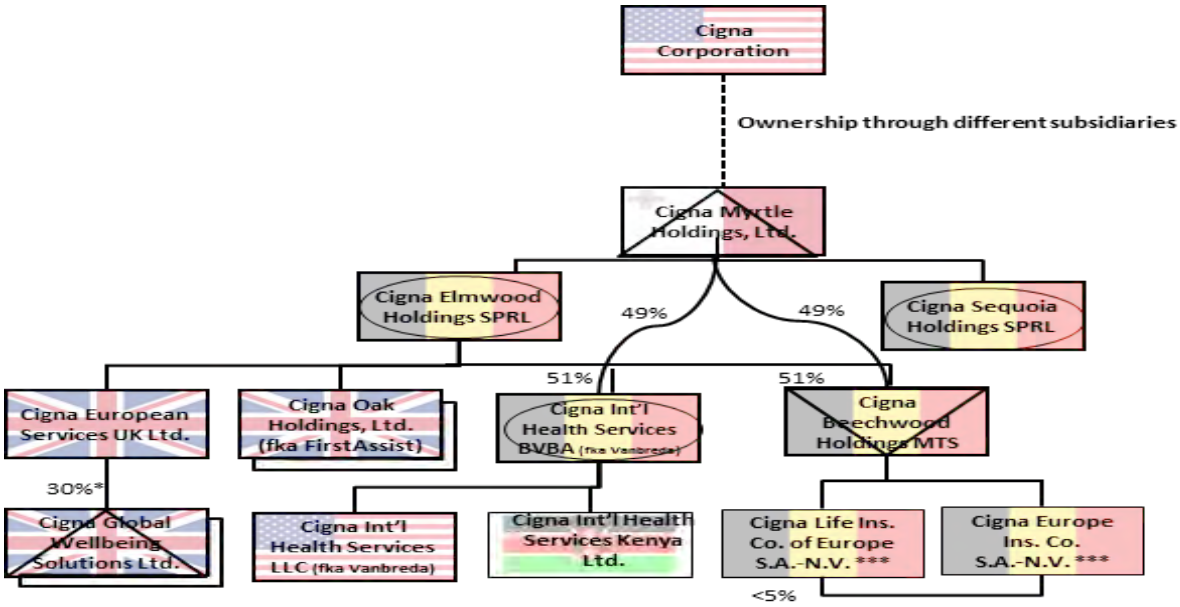

Exhibit A.1: Simplified Group Structure of Cigna Europe

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) 2016 amounts to €85,011,556 and for CEIC €39,500,000.

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 96,65%	142,089 shares 89,41%
Cigna Myrtle Holdings, Ltd., 171 Old Bakery Street, Valletta VLT 1455, Malta	1 share 0,0007%	16,835 share 10,59%
Cigna Europe Insurance Company SA, "Société Anonyme", Avenue de Cortenbergh 52, 1000 Brussels, Belgium	4,855 shares 3,35%	

Exhibit A.2: YE 2016 Shareholders CLICE and CEIC

During the year 2016, the following transactions amongst the group entities took place:

- On 7 April 2016: Cigna Holdings Overseas has bought 16,834 shares (capital increase);
- On 15 December 2016: 16,834 shares of CEIC have been transferred from Cigna Holdings Overseas to Myrtle.

- On 21 December 2016: Cigna Beechwood Holdings MTS has increased its shareholding participation by 4,192 shares in CLICE;
- On 29 December 2016: CLICE has repurchased 4,955 of its own shares that were immediately cancelled.

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 for the Company 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 40,000 employees, 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. With more than 30 years' experience and presence across Europe, the Company is the partner of choice for some of Europe's leading financial institutions offering value-added insurance products to their customer base.

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	EMPLOYER SEGMENT			INDIVIDUAL SEGMENT		
BUSINESS UNITS	GHB	UKHB	SPAIN HB	CISEL	GIPMI	HLA
GEOGRAPHICAL FOOTPRINT	Europe, Singapore, Middle East	UK	Spain	UK	Europe, Singapore	Europe
SOLVENCY II PRODUCTS	Medical Expenses, Income Protection Life	Medical Expenses	Medical Expenses	Medical Expenses, Income Protection Life	Medical Expenses	Medical Expenses, Income Protection Life

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

A.1.4. Global Employer business

Cigna's Global Employer business (GES) 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.

- **Cigna Global Health Benefits (CGHB):** healthcare coverage for expatriates from major corporate groups, international governmental and non-governmental organisations.
- **Spanish HealthCare Benefits (SPAIN HB):** domestic healthcare coverage for corporate groups and individuals.
- **UK HealthCare Benefits (UKHB):** domestic healthcare coverage for corporate groups and a very small number of individuals.

A.1.5. Global Individual business

Cigna's Global Individual (GIS) segment 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.

- **Health, Life & Accident (UK - CISEL):** selling through affinity partners in the UK market by CISEL covering individual health and accident.
- **Health, Life & Accident (HL&A - European (non-UK)):** 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.
- **Cigna Global Individual Private Medical Insurance (GIPMI):** healthcare coverage for individual expatriates and high net worth individuals.

A.1.6. Key changes during 2016

In 2016, CLICE has used the retained earnings of 13m€ for the repurchase and the cancellation of 4,955 of own shares. CLICE shareholder's equity has also increased by 11 million with a new cash contribution. Furthermore CLICE has invested significantly in the Shenkman Fund.

In April 2016, Cigna Holding Oversees (CHO) received additional shares in CEIC resulting in an ownership holding of 10.59%. In December 2016, CHO's ownership in CEIC was transferred to Cigna Myrtle Holdings Limited, consequently, CEIC is again fully owned within the Cigna Europe Group.

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 2015 and 2016 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-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Earned Premium (a)	654,591	673,429	61,771	115,957	716,362	789,386
Claims Incurred (b)	530,502	526,574	13,118	51,857	543,619	578,431
Commission (c)	39,430	39,356	9,285	31,573	48,715	70,929
Expenses (d)	69,558	68,272	16,389	16,601	85,947	84,873
Underwriting Profit (a-b-c-d)	**15,102**	**39,227**	**22,979**	**15,925**	**38,081**	**55,153**

Exhibit A.4: CLICE Underwriting Performance by Business segments

At total CLICE level, Underwriting Profit has reduced by €17m in 2016 relative to 2015, the reduction driven by increased claims and expenses experienced in 2016. Gross Earned Premium has reduced by 9.3% (€73m) mainly due to internalisation of CISL business from CLICE to CEIC and also to volume movements in other business units to a lesser extent. Clams incurred have reduced by 6.0% (€35m) again mainly due to internalisation of CISL business again offset by some upward pressure on Global Employer business. Commission has reduced by 31.3% (€22m) again due to internalisation of CISL business, which typically operates on a higher commission basis.

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 reduction arises mainly in UK (€83m) due to internalisation of CIS UK business to Cigna Europe's non life company CEIC. This is offset to some extent by premium growth in Belgium, Germany and Other countries (combined €20m) predominantly in the Global Employer business segment with some offsetting reduction (€13m) for similar business written in France. For Claims incurred at country level, the largest reduction comes in UK as a result of the reduced premium volume with claim movements in the other countries also moving directionally similar to premium movement. The Commission reduction is again seen mainly in UK again due to the impact of CIS business.

A.2.2. CEIC Underwriting Performance

(EUR'000)	GES (Group)		GIS (Individual)		Total	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Earned Premium (a)	88,789	67,001	154,340	163,416	243,129	230,418
Claims Incurred (b)	62,073	47,298	71,146	69,639	133,218	116,937
Commission (c)	7,391	4,577	74,745	90,508	82,135	95,085
Expenses (d)	12,825	10,020	8,031	10,342	20,856	20,362
Underwriting Profit (a-b-c-d)	**6,501**	**5,107**	**419**	**(7,072)**	**6,920**	**(1,966)**

Exhibit A.5: CEIC Underwriting Performance by Business segments

At total CEIC level, Underwriting Profit has increased by €9m in 2016 relative to 2015, mainly due to significant commission paid reductions as a result of business mix changes. Gross Earned Premium has increased by 5.5% (€13m) mainly due to growth in Singapore Group Medical business and CIHS business, offset by reduction in CISL business. Claims Incurred have similarly increased by 13.9% (€16m) largely due to upward pressure on Global Employer business. Commission has reduced by 13.6% (€13m) due to client mix change within CISL 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 in both Switzerland and Singapore from both Group and Individual business, offset by reduction in UK CISL business. Claims Incurred increases are also mainly found in Switzerland and Singapore business consistent with premium growth.

A.2.3. Myrtle Underwriting Performance

(EUR'000)	GES (Group)		GIS (Individual)		Total	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Earned Premium (a)	743,380	740,431	216,111	279,373	959,491	1,019,804
Claims Incurred (b)	592,574	573,872	84,263	121,496	676,838	695,368
Commission (c)	46,821	43,933	84,030	122,081	130,850	166,014
Expenses (d)	82,383	78,292	24,420	26,943	106,802	105,234
Underwriting Profit (a-b-c-d)	**21,603**	**44,334**	**23,398**	**8,853**	**45,001**	**53,187**

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 risk & credit rate risk. The Group only hold assets in the investment classes; bonds and Investment funds. Investment income and management expenses are detailed below:

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Investment Income by Class						
Bonds	5,437	6,525	1,990	1,313	7,428	7,837
Investment Funds	621	-	-	-	621	-
Investment Income	**6,058**	**6,525**	**1,990**	**1,313**	**8,048**	**7,837**
Realized Capital Gains/ losses	129	(429)	57	(201)	186	(629)
Gain on Sale (Intercompany shares)	-	-	372	-	372	-
Net Investment Income	**6,187**	**6,096**	**2,419**	**1,112**	**8,606**	**7,208**
Investment Expenses	**289**	**310**	**94**	**83**	**383**	**250**
Unrealized gains and losses	**17,169**	**13,637**	**1,830**	**917**	**18,999**	**14,555**

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

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Government Bonds	93,202	107,362	66,480	55,136	159,682	162,498
Corporate Bonds	203,729	202,965	57,209	55,667	260,938	258,632
Investment funds	19,594	-	-	-	19,594	-
Total Investments	**316,525**	**310,327**	**123,689**	**110,802**	**440,214**	**421,130**

Exhibit A.8: Investment by Class

(EUR'000)	CLICE 31-Dec-16	CEIC 31-Dec-16	Myrtle 31-Dec-16
Opening Balance	310,327	110,802	421,130
Asset Injections	22,992	21,237	44,229
Net Investment Income	6,058	1,990	8,048
Increase in unrealised Gains/Losses	3,531	913	4,444
FX + Amortisation of Premium	(26,384)	(11,253)	(37,637)
Total Investments	**316,525**	**123,689**	**440,214**

Exhibit A.9: Investment Performance

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

Not Applicable

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);
- Governance Memorandum, 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. Governance Memorandum, 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 Governance Memorandum 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 Governance Memorandum and charters of the Board of Directors (sub) committees are updated when deemed appropriate for the Company.

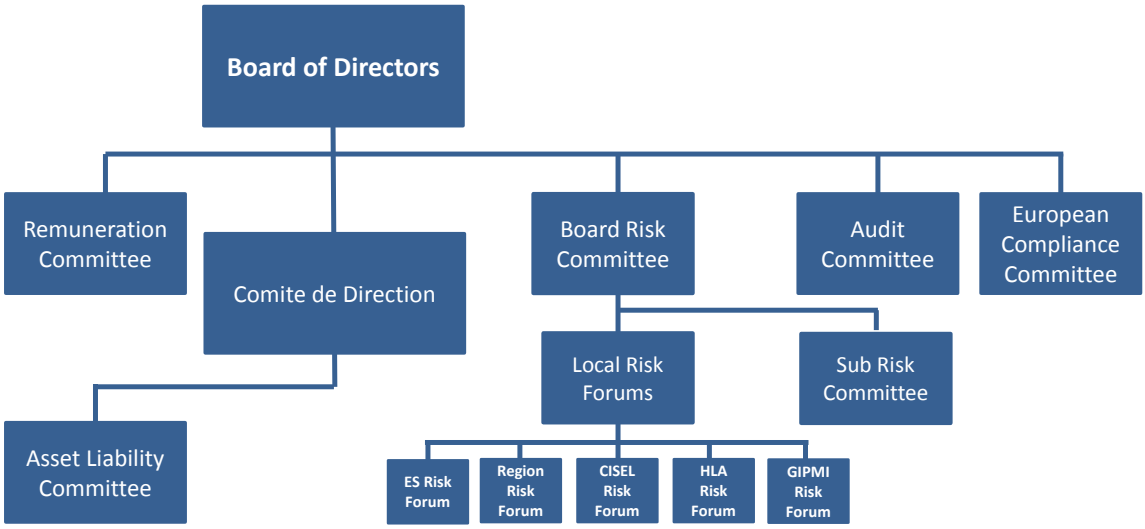

Exhibit B.1: The Company Committee Reporting Structure

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 risk management 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 three non-executive directors, two of which are independent. 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 Internal Control Self-Assessment exercise, the annual 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' 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.

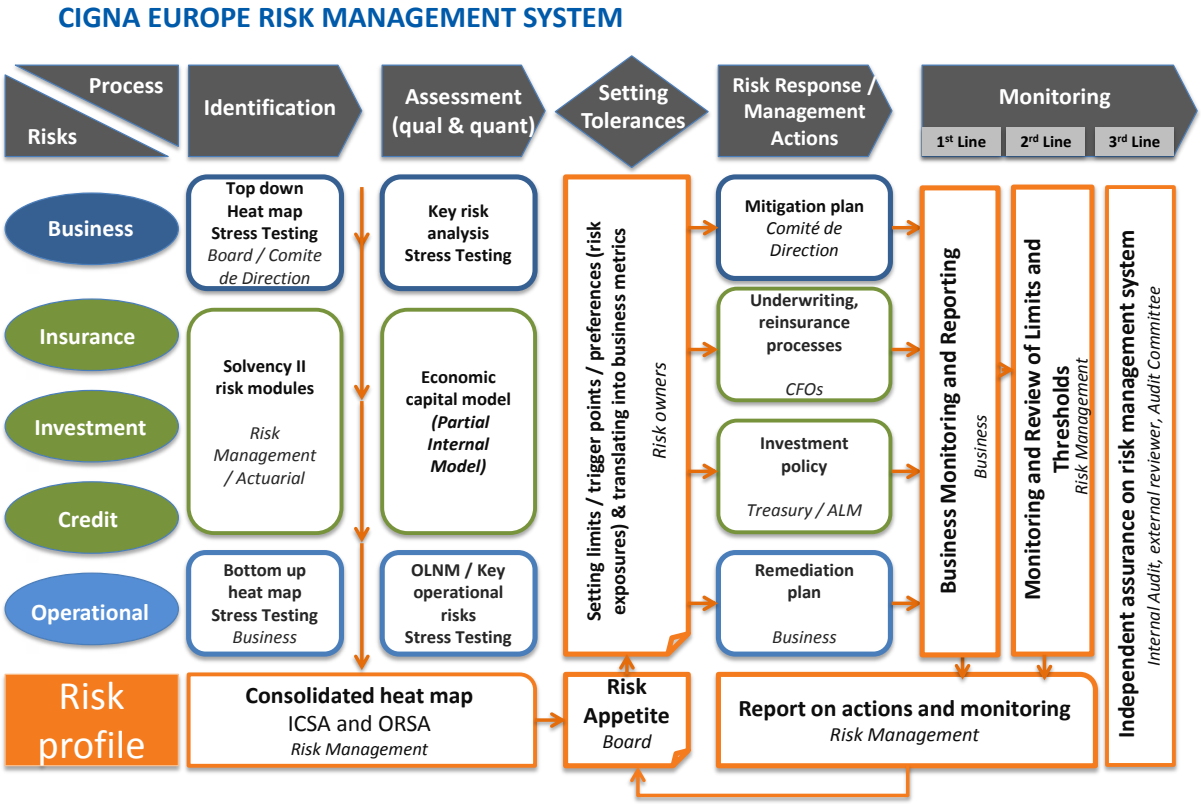

Exhibit B.2: The Company Risk Management System

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.

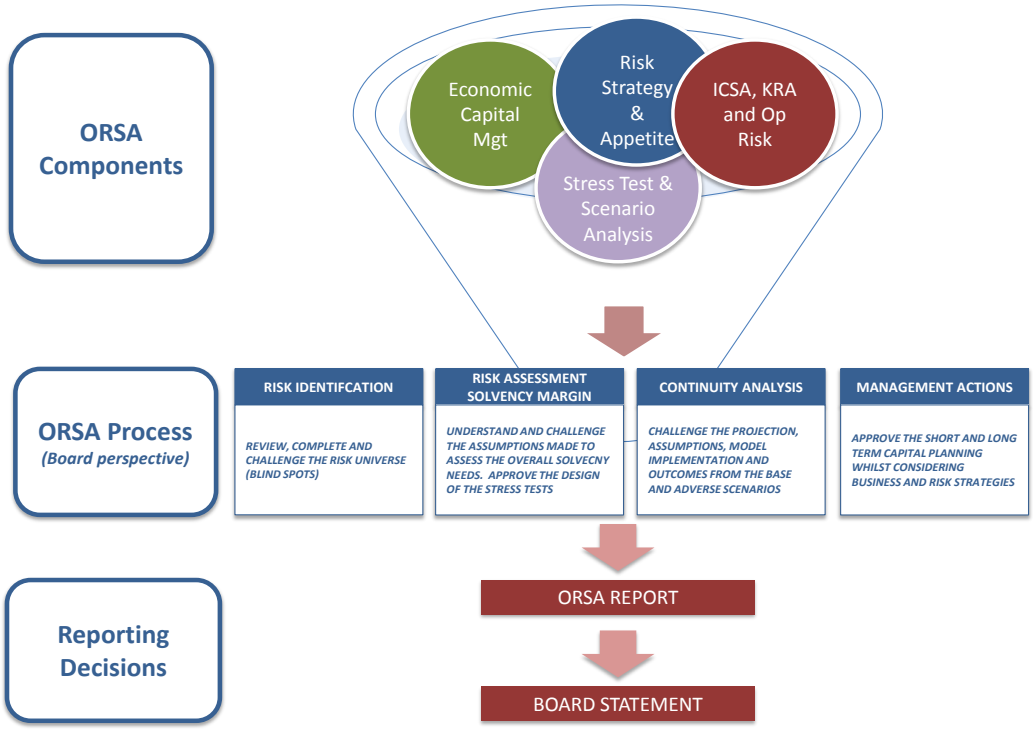

Exhibit B.3: Own Risk & Solvency Assessment

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, Internal Control Self-Assessment, Operational Risk Report and Operational Loss and Near Miss (OLNM) data collection); and
- Stress Scenario Management.

The Company elected to internally develop 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. 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 or on an ad-hoc basis following any significant changes in the internal or external business environment or at the request of the regulator. Change is defined within the PIM Change Policy based on a set criteria including quantitative impacts on Solvency Capital Ratio and Risk Budget.

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 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

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.

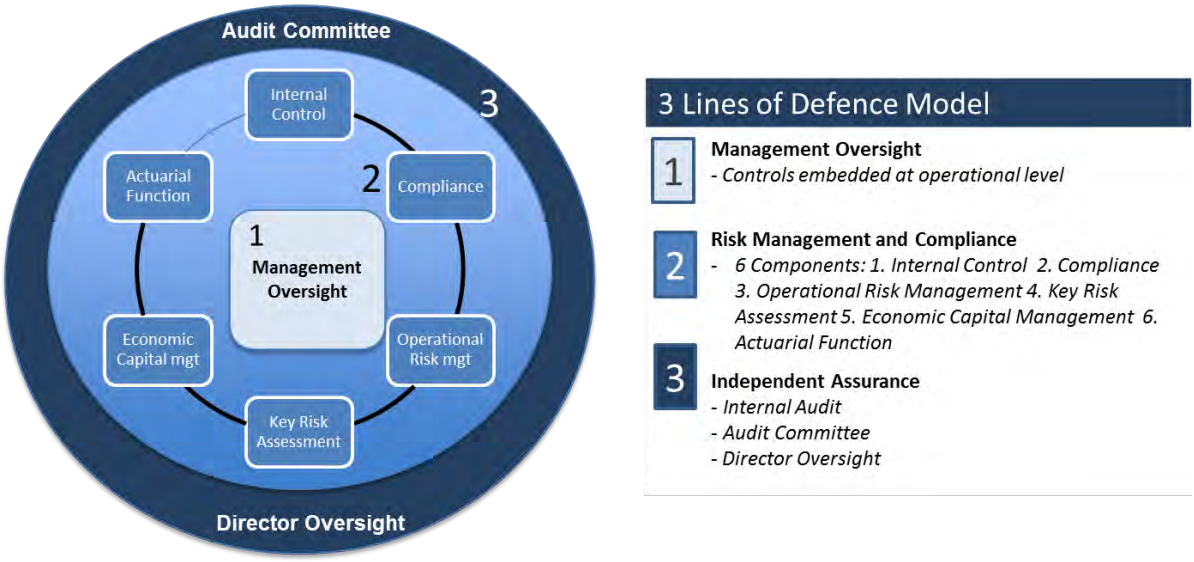

Exhibit B.5: Line of Defence

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 on an annual basis as required by the Belgian Regulator. The Internal Control Self-Assessment (ICSA) is based on the externally recognised Committee of Sponsoring Organisations (COSO) framework and is assessed across the full scope of the Company, including all business units and control functions. Through the adoption of this approach, the Company assesses the internal control environment through a consistent manner and is able to produce the following:

- Key Risk Map and Qualitative Risk Profile;
- Trend analysis of consistent risk exposures across the European Business;
- Evaluation of control environment and remediation plan for key weaknesses; and
- Comparisons of effectiveness of controls across business lines and function of control.

B.4.2.3. Key Risk Assessment

The Key Risk Assessment (KRA) is based upon the key risk assessment contained within the ICSA (Internal Control Self Assessment). The KRA is conducted on a quarterly basis by each of the Company's business units and functions of control to identify and assess the Top 5 key risk exposures. The KRA is a high level qualitative assessment which includes all risk categories (Strategic, Operational, Financial, Insurance, and Business), and 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 operational through two business-as-usual processes and is also in scope of the ORSA Stress Testing and Scenario Analysis.

The Company has established process for operational risk data collection through the Operational Loss and Near Miss process and implemented monthly reporting into the Comité de Direction through the Operational Risk Report which monitors key operational risk indicators across the organisation: OLNM events, Data Protection/Information Protection breaches, IT Systems Outage, BCP events, Complaints, Fraud, Internal and Quality Audit Open and Overdue items. This approach to data collection and reporting enables a dynamic reporting to be built and a clear escalation process to the Comité de Direction for any significant breaches in the control environment.

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 OLNM) 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 Elmwood. All the below information applies to all companies under the responsibility of Elmwood.

B.5.1. Mission statement

Internal Audit is an independent, objective assurance and advisory activity 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 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 the examination and evaluation of the adequacy and effectiveness of the Company's internal control structure, adherence to the Code of Ethics and Principles of Conduct, the Integrity Policy and related policies and 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 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, a consultation of companies' executives and control functions to take into account their recommendations. The audit plan aims at covering all significant activities 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 distributes a summary of all open findings and closure status to the Comité de Direction for review.

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. 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 was introduced in 2015 to the US, Europe and Hong Kong teams. 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. 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 overseen 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 Actuarial Manager who is responsible for establishing and implementing a number of tasks to embed the system of governance and a strong internal control environment. 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 overall underwriting policy; and
- Express an opinion on the adequacy of reinsurance arrangements.

A key deliverable of the Actuarial Function to address each of the above responsibilities is the production of the annual Actuary's Report prepared by the European Actuarial Manager. 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)
External to Cigna Group Subcontracting	
Management of investments including full discretion to manage portfolio creation and credit underwriting.	Subcontractor at 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
Provider network and administrative services (claims and provider calls) for Gulf Coast countries (UAE, Kuwait, Oman, Qatar, Bahrain)	GHB – Middle East
Provider network and administrative services (claims and provider calls) for KSA	GHB – Middle East
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: Critical Subcontractor 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.

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 by the NBB 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.

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	
	31-dec-16	31-dec-15	31-dec-16	31-dec-15	31-dec-16	31-dec-15
SCR	**92,370**	**89,444**	**73,601**	**58,518**	**172,826**	**155,342**

Exhibit C.1: Cigna Europe's SCR

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..

As far as the operational capital charge is concerned, 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..

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 is 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		CEIC		Myrtle	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Health Underwriting risk	**37,195**	**40,510**	**29,165**	**23,291**	**66,360**	**63,801**
Premium risk	18,330	23,181	25,051	20,170	43,381	43,351
Reserve risk	12,129	10,848	3,086	2,669	15,215	13,516
Lapse risk	1,790	2,474	234	104	2,024	2,579
Catastrophe risks	4,946	4,006	794	348	5,740	4,355
Life Underwriting risk	**2,510**	**2,565**	**Not applicable**		**2,510**	**2,565**
Mortality/ Longevity risk	810	740			810	740
Expenses risk	166	189			166	189
Lapse risk	56	94			56	94
Catastrophe risk	1,478	1,543			1,478	1,543
Non-Life Underwriting risk	**Not applicable**		**5,147**	**6,601**	**5,147**	**6,601**
Premium risk			1,371	4,438	1,371	4,438
Reserve risk			3,325	1,113	3,325	1,113
Lapse risk			1	3	1	3
Catastrophe risks			449	1,048	449	1,048

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.

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. The main objective of reinsurance is to reduce volatility in capital requirements and profits, and hence drive back the uncertainty associated with the risk in the insurer's valuation.

This reinsurance may be on a policy-by-policy basis (per risk) or on a portfolio basis (per event). Reinsurance companies 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.

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			
	31-Dec-16		31-Dec-15	
Solvency position	After shock	Solv. position	After shock	Solv. position
Pandemic scenario [1]	104.6%	-63.6%	120.1%	-56.2%
Concentration scenario [2]	135.0%	-33.1%	140.0%	-36.3%
Terrorism attack at London Heathrow airport [3]	**Not applicable**			

Exhibit C.3: CLICE's sensitivity to underwriting scenario

	CEIC			
	31-Dec-16		31-Dec-15	
Solvency position	After shock	Solv. position	After shock	Solv. position
Pandemic scenario [1]	153.3%	-8.3%	121.3%	-29.1%
Concentration scenario [2]	Not applicable			
Terrorism attack at London Heathrow airport [3]	158.7%	-2.9%	148.3%	-2.1%

Exhibit C.4: CEIC's sensitivity to underwriting scenario

	Myrtle			
	31-Dec-16		31-Dec-15	
Solvency position	After shock	Solv. position	After shock	Solv. position
Pandemic scenario [1]	118.9%	-44.8%	119.3%	-41.7%
Concentration scenario [2]	135.8%	-27.8%	141.4%	-19.6%
Terrorism attack at London Heathrow airport [3]	155.2%	-8.5%	160.2%	-0.8%

Exhibit C.5: Myrtle's sensitivity to underwriting scenario

(1) The scenario considers the occurrence of a severe flu pandemic in an integrated worldwide context at YE16
(2) The scenario considers the occurrence of a terrible accident in the most concentrated exposures in the same building at YE16 inspired by the World Trade Center Terrorist attack in terms of severity.
(3) The scenario considers the occurrence of a terrorism attack at the London Heathrow airport at YE16

The concentration scenario is specifically designed for IGO 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. As can be seen, Cigna keeps a very strong solvency position whatever the extent of the underwriting scenarios.

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.

(EUR'000)	31-Dec-16			31-Dec-15		
CLICE	EUR	GBP	Others	EUR	GBP	Others
Sovereign bonds	**43,718**	**60,363**	**0**	**45,644**	**70,735**	**0**
AAA	12,027	8,075	0	15,095	12,297	0
AA	31,691	52,288	0	30,549	58,439	0
A	0	0	0	0	0	0
BBB	0	0	0	0	0	0
Below BBB	0	0	0	0	0	0
Corporate bonds	**138,407**	**71,514**	**19,692**	**124,276**	**83,309**	**0**
AAA	9,894	453	0	4,594	501	0
AA	18,466	6,417	0	29,041	10,944	0
A	82,868	48,092	0	60,599	48,329	0
BBB	26,775	13,670	174	29,375	22,089	0
Below BBB	404	2,881	19,518	666	1,446	0
Loans [1]	**0**	**0**	**0**	**0**	**8,587**	**0**
Short-Term deposits	**0**	**1**	**3,941**	**0**	**6,105**	**2,488**

Exhibit C.6: CLICE's credit quality of market risk exposure

(EUR'000)	31-Dec-16			31-Dec-15		
CEIC	EUR	GBP	Others	EUR	GBP	Others
Sovereign bonds	**7,677**	**19,269**	**40,389**	**8,265**	**14,697**	**32,691**
AAA	3,570	0	33,095	4,455	0	27,391
AA	4,107	19,269	7,295	3,810	14,697	5,300
	0	0	0	0	0	0
BBB	0	0	0	0	0	0
Below BBB	0	0	0	0	0	0
Corporate bonds	**15,924**	**42,260**	**0**	**13,423**	**42,644**	**0**
AAA	2,152	0	0	1,349	103	0
AA	2,157	4,727	0	3,011	8,341	0
A	7,937	26,955	0	5,125	22,398	0
BBB	3,344	9,332	0	3,374	11,537	0
Below BBB	333	1,247	0	563	266	0
Loans [1]	**0**	**0**	**9,533**	**0**	**0**	**9,029**
Short-Term deposits	**0**	**5,677**	**0**	**1,728**	**3,042**	**0**

Exhibit C.7: CEIC's credit quality of market risk exposure

(EUR'000)	31-Dec-16			31-Dec-15		
Myrtle	**EUR**	**GBP**	**Others**	**EUR**	**GBP**	**Others**
Sovereign bonds	**51,395**	**79,632**	**40,389**	**53,432**	**84,614**	**31,296**
AAA	15,597	8,075	33,095	19,319	12,263	26,222
AA	35,798	71,557	7,295	34,114	72,351	5,074
A	0	0	0	0	0	0
BBB	0	0	0	0	0	0
Below BBB	0	0	0	0	0	0
Corporate bonds	**154,331**	**113,774**	**19,692**	**136,789**	**123,909**	**0**
AAA	12,046	453	0	5,874	598	0
AA	20,624	11,144	0	31,845	18,900	0
A	90,805	75,047	0	65,341	69,640	0
BBB	30,119	23,002	174	32,526	33,074	0
Below BBB	737	4,128	19,518	1,203	1,697	0
Loans [1]	**0**	**3,474**	**9,533**	**0**	**12,036**	**8,644**
Short-Term deposits	**1,387**	**5,678**	**12,223**	**4,066**	**9,001**	**4,061**

Exhibit C.8: Myrtle's credit quality of market risk exposure

(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-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Market risk	**19,264**	**18,261**	**29,205**	**16,037**	**55,323**	**41,678**
Interest rate risk	2,819	3,241	1,065	1,001	3,883	4,241
Spread risk	5,220	4,162	1,226	1,283	6,446	5,445
Equity risk	0	0	732	1,763	7,587	9,143
Currency risk	11,213	10,533	25,516	11,097	36,729	21,630
Concentration risk	12	325	666	893	678	1,218

Exhibit C.9: 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 dependency and the recent volatility experienced following Britain's vote to leave the European Union and the American's election.

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 minimises this risk 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.

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.

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			
	31-Dec-16		31-Dec-15	
Solvency position	**After shock**	**Solv. Position**	**After shock**	**Solv. position**
Eurozone crisis (1)	126.6%	-41.5%	134.2%	-42.1%
Investment contraction (2)	163.2%	-5.6%	170.9%	-5.9%

Exhibit C.10: CLICE's sensitivity to market scenario

	CEIC			
	31-Dec-16		31-Dec-15	
Solvency position	**After shock**	**Solv. Position**	**After shock**	**Solv. position**
Eurozone crisis (1)	137.3%	-24.3%	128.0%	-22.4%
Investment contraction (2)	149.4%	-12.0%	145.8%	-4.0%

Exhibit C.11: CEIC's sensitivity to market scenario

	Myrtle			
	31-Dec-16		31-Dec-15	
Solvency position	**After shock**	**Solv. Position**	**After shock**	**Solv. position**
Eurozone crisis (1)	100.7%	-63.0%	130.1%	-30.9%
Investment contraction (2)	156.2%	-7.5%	166.3%	-4.7%

Exhibit C.12: Myrtle'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 counties 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 but reversible scenario mainly related to cash balance. Additional measures are already taken into account such as optimizing the spread of cash which will reduce the risk.

EIOPA stress tests cover similar scenarios to the Eurozone crisis' ones but the latter's specifications are significantly stronger.

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		CEIC		Myrtle	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Internal exposures	**80,141**	**89,489**	**43,841**	**43,811**	**127,863**	**130,104**
CGRC	65,077	69,018	41,709	43,754	106,786	110,719
Intercompany transactions	15,064	20,471	2,132	57	21,077	19,385
External exposures	**103,904**	**88,121**	**28,174**	**37,202**	**210,445**	**239,932**
Reinsurers	71,599	71,845	10,901	28,051	83,432	110,418
Cash and cash equivalents	32,305	16,276	17,273	9,151	127,013	129,514

Exhibit C.13: 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-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Credit risk	**26,268**	**16,175**	**4,384**	**7,070**	**30,652**	**23,245**
Type 1 risk exposures	4,073	4,582	535	1,772	4,607	6,353
Type 2 risk exposures	22,195	11,593	3,849	5,298	26,044	16,892

Exhibit C.14: Cigna Europe's credit risk

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 IGO 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 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. 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.

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			
	31-Dec-16		31-Dec-15	
Solvency position	After shock	Solv. Position	After shock	Solv. position
Collateral down shock [1]	128.0%	-40.1%	145.4%	-30.9%
Non-payment of receivables [2]	165.8%	-2.3%	174.4%	-2.0%
Bank bankruptcy [3]	158.5%	-9.6%	166.5%	-9.9%

Exhibit C.15: CLICE's sensitivity to credit scenario

	CEIC			
	31-Dec-16		31-Dec-15	
Solvency position	After shock	Solv. position	After shock	Solv. position
Collateral down shock [1]	127.7%	-33.9%	95.4%	-55.0%
Non-payment of receivables [2]	152.3%	-9.3%	146.1%	-4.2%
Bank bankruptcy [3]	141.4%	-20.2%	139.5%	-10.9%

Exhibit C.16: CEIC's sensitivity to credit scenario

	Myrtle			
	31-Dec-16		31-Dec-15	
Solvency position	After shock	Solv. position	After shock	Solv. position
Collateral down shock [1]	127.8%	-35.9%	120.9%	-40.1%
Non-payment of receivables [2]	158.8%	-4.8%	158.3%	-2.7%
Bank bankruptcy [3]	116.2%	-47.4%	151.4%	-9.6%

Exhibit C.17: Myrtle'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

As for the market and underwriting risks, the scenarios internally designed by the Company are much stronger than those required by the regulators.

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-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Health underwriting	**24,850**	**25,166**	**7,275**	**3,991**	**32,126**	**29,157**
Medical Expenses	14,639	15,592	3,862	2,132	18,500	17,723
Income Protection	10,212	9,574	3,414	1,860	13,626	11,434
Life underwriting	**0**	**0**	**0**	**0**	**0**	**0**
Non-Life Underwriting risk	**0**	**0**	**294**	**518**	**294**	**518**
Miscellaneous Non-Life	0	0	251	423	251	423
Legal Expenses	0	0	42	94	42	94

Exhibit C.18: Cigna Europe's expected profit included in future premiums

C.4.2. Risk concentration

No liquidity risk concentration exists.

C.4.3. Risk mitigation

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

The Credit 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.

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	16.5%	83.5%	
Availability of funds CEIC	36.7%	63.3%	
Availability of funds Myrtle	23.3%	76.7%	

Exhibit C.19: 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 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. However a capital add-on (based on an equivalent premium and under SF) will be calculated in the context of the ORSA even if the P&L attribution of solo insurance entity shows that the capital charge for this risk is largely overestimated.

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 two prioritised risk exposures from an operational perspective were:

1. Disaster Recovery Capabilities;
2. Cyber Security Threat / Hacking.

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. Disaster Recovery Capabilities
    - Testing conducted on restoration processes;
    - Output from table top exercises and recommendations from external advisors;
    - Coordination between IT and Business Continuity;
    - Development of documentation to support restoration of critical and support systems;
    - Gap analysis of process, documentation and areas of improvement;
    - Staff relocation strategies;
    - Client, member and staff communications.

2. Cyber Security Threat / Hacking
    - Ethical hacking exercises, recommendations and action plans;
    - Review of Data Retention protocols.

C.5.4. Risk sensitivity

For the purposes of Solvency II and ORSA reporting, only Disaster Recovery and Hacking / Cyber Security Breach were considered to be sufficiently material to threaten the continuity of CLICE and CEIC and ultimately the Group. Although not quantitatively assessed, the operational impact of either stressed scenarios could ultimately result in extended operational outages or long term downtime subsequently impacting financial performance, reputation and 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) to support 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, the most significant risk scenario was BREXIT. Post-BREXIT referendum decision in the UK, the anticipated FX volatility was realised and the short term/immediate risk implications of BREXIT impacted UK domestic underwriting performance and statutory earnings in 2016. Taking a longer term perspective, there are potential cost implications associated with changes to the current operating model dependent upon political agreements and future resolution.

C.7. Any other information

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

D. VALUATION FOR SOLVENCY PURPOSES

Cigna Europe has applied the deduction and aggregation method to value the consolidated assets, technical provisions, other liabilities and own funds of the Group. The deduction and aggregation method calculates the group solvency as the ratio between the sum of the aggregated own funds in the group and the aggregated solvency capital requirements in the group.

The group consolidated assets, liabilities and own funds under the deduction and aggregation method 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%
Vanbreda International LLC	USA	US GAAP	USD	100%
Cigna International Health Services Kenya	Kenya	IFRS	KES	100%
Informatica J. Vanbreda & Co	Belgium	BE GAAP	EUR	30%
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%
Cigna European Services (UK) Limited	United Kingdom	UK GAAP	GBP	100%
Cigna Global Wellbeing Holdings Limited	United Kingdom	UK GAAP	GBP	30%
Cigna Global Wellbeing Solutions Limited	United Kingdom	UK GAAP	GBP	30%

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 2016. 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.

Material intra-group receivables and payables 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. Only 30% of the results of Cigna Global Wellbeing Holdings Limited, Cigna Global Wellbeing Solutions Limited, and Informatica J. Vanbreda & Co have been included in the consolidated group numbers as this reflects the ownership of these entities.

Twelve of the fourteen entities included in the Myrtle Group are subject to an annual external audit:

1. Cigna Life Insurance Company of Europe S.A – N.V ("CLICE");
2. Cigna Europe Insurance Company S.A – N.V ("CEIC");
3. Cigna International Health Services BVBA ("CIHS Belgium");
4. Cigna International Health Services Kenya Ltd ("CIHS Kenya");
5. Informatica J. Vanbreda & Co NV. ("Informatica");
6. Cigna Sequoia Holdings SPRL ("Sequoia");
7. Cigna Elmwood Holdings SPRL ("Elmwood");
8. Cigna European Services UK Ltd ("CESL");
9. Cigna Oak Holdings Ltd ("Oak");
10. Cigna Global Wellbeing Holdings Limited ("CGWH");
11. Cigna Global Wellbeing Solutions Limited ("CGWS"); and
12. 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 2016 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-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Health underwriting	**24,850**	**25,166**	**7,275**	**3,991**	**32,126**	**29,157**
Medical Expenses	14,639	15,592	3,862	2,132	18,500	17,723
Income Protection	10,212	9,574	3,414	1,860	13,626	11,434
Life underwriting	**0**	**0**	**0**	**0**	**0**	**0**
Non-Life Underwriting risk	**0**	**0**	**294**	**518**	**294**	**518**
Miscellaneous Non-Life	0	0	251	423	251	423
Legal Expenses	0	0	42	94	42	94

Exhibit D.2: Summary of assets by class fort CLICE, CEIC and Myrtle

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-16	31-Dec-15	Methods and main assumptions	31-Dec-16	31-Dec-15	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	293	287	Historic Cost less depreciation	293	287	Historic Cost less depreciation
Property (other than for own use)	-	-	Historic Cost less impairment	-	-	Historic Cost less impairment
Participations	-	-	Fair value	-	-	Historic Cost
Bonds	314,002	323,965	Market Value	296,931	310,327	Historic Cost/Market Value
Deposits other than cash equivalents	3,942	8,593	Fair value	3,942	8,593	Fair value
Other investments	19,692	-	Fair value	19,594	-	Fair value
Loans & mortgages	-	-	Fair value	-	-	Fair value
Reinsurance recoverables	81,338	87,780	Fair value	107,576	107,210	Fair value
Insurance & intermediaries receivables	180,395	112,625	Fair value	173,139	112,625	Fair value
Reinsurance receivables	59,202	64,026	Fair value	59,202	64,026	Fair value
Receivables (trade, not insurance)	68	70	Fair value	68	70	Fair value
Cash and cash equivalents	32,305	16,276	Mix of nominal and market value	32,305	16,276	Nominal value
Any other assets, not elsewhere shown	8,329	32,198	Fair value	15,585	32,198	Fair value
Total Assets	**699,565**	**645,820**		**708,635**	**651,613**	

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-16	31-Dec-15	Methods and main assumptions	31-Dec-16	31-Dec-15	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	10	15	Historic Cost less depreciation	10	15	Historic Cost less depreciation
Property (other than for own use)	-	-	Historic Cost less impairment	-	-	Historic Cost less impairment
Participations	5,295	19,377	Fair value	12,373	34,030	Historic Cost
Bonds	125,520	111,720	Market Value	123,689	110,802	Historic Cost/Market Value
Deposits other than cash equivalents	5,677	3,042	Fair value	5,677	3,042	Fair value
Other investments	-	-	Fair value	-	-	Fair value
Loans & mortgages	9,533	0	Fair value	9,476	0	Fair value
Reinsurance recoverables	42,680	44,251	Fair value	57,842	64,274	Fair value
Insurance & intermediaries receivables	37,505	57,757	Fair value	48,389	57,757	Fair value
Reinsurance receivables	6,998	28,600	Fair value	6,998	28,600	Fair value
Receivables (trade, not insurance)	56	48	Fair value	56	48	Fair value
Cash and cash equivalents	17,273	9,151	Mix of nominal and market value	17,273	9,151	Nominal value
Any other assets, not elsewhere shown	15,827	2,730	Fair value	4,943	2,730	Fair value
Total Assets	**266,374**	**276,690**		**286,727**	**310,450**	

Exhibit D.4: Summary of Assets for CEIC

D.1.1.3. Myrtle 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.

(EUR'000)	Solvency II Basis			Statutory Basis		
	31-Dec-16	31-Dec-15	Methods and main assumptions	31-Dec-16	31-Dec-15	Methods and main assumptions
Intangible assets	-	-	Historic Cost less amortisation	7,538	7,412	Historic Cost less amortisation
Deferred tax assets	3,053	2,540	Fair value	3,053	2,540	Fair value
Pension benefit surplus	1,109	3,628	Fair value	1,109	3,628	Fair value
Property, plant & equipment held for own use	13,224	13,960	Historic Cost less depreciation	13,224	13,960	Historic Cost less depreciation
Property (other than for own use)	-	-	Historic Cost less impairment	-	-	Historic Cost less impairment
Participations	-	-	Fair value	-	-	Historic Cost
Bonds	439,522	430,041	Market Value	420,620	415,562	Historic Cost/Market Value
Deposits other than cash equivalents	19,288	15,475	Fair value	19,288	15,475	Fair value
Other investments	19,692	3,472	Fair value	19,594	3,472	Fair value
Loans & mortgages	13,007	8,643	Fair value	11,878	8,643	Fair value
Reinsurance recoverables	124,018	129,905	Fair value	165,419	168,452	Fair value
Insurance & intermediaries receivables	205,703	147,897	Fair value	205,703	147,897	Fair value
Reinsurance receivables	66,201	91,232	Fair value	59,942	91,232	Fair value
Receivables (trade, not insurance)	25,928	28,451	Fair value	32,186	28,437	Fair value
Cash and cash equivalents	127,013	129,514	Mix of nominal and market value	127,013	129,514	Nominal value
Any other assets, not elsewhere shown	28,430	43,620	Fair value	28,430	45,765	Fair value
Total Assets	**1,086,188**	**1,048,378**		**1,114,997**	**1,081,989**	

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 2016 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 Protec-tion	Legal Expenses	Miscella-neous Financial Loss	Non Propor-tional Health Reinsu-rance	LIFE	Total
CLICE							
Gross of Reinsurance	117,766	21,315	n.a.	n.a.	n.a.	29,555	**168,636**
Reinsurance Ceded	58,998	16,415	n.a.	n.a.	n.a.	5,924	**81,338**
Net of Reinsurance	58,768	4,900	n.a.	n.a.	n.a.	23,631	**87,298**
Risk Margin	8,370	1,515	n.a.	n.a.	n.a.	2,101	**11,986**
Total Net TP	**67,138**	**6,415**	n.a.	n.a.	n.a.	**25,731**	**99,284**
CEIC							
Gross of Reinsurance	51,821	4,066	5,152	3,458	9,924	n.a.	**74,421**
Reinsurance Ceded	26,406	2,761	2,173	1,565	9,774	n.a.	**42,680**
Net of Reinsurance	25,414	1,305	2,979	1,893	150	n.a.	**31,741**
Risk Margin	2,729	214	271	182	523	n.a.	**3,919**
Total Net TP	**28,144**	**1,519**	**3,250**	**2,075**	**672**	n.a.	**35,660**
Myrtle							
Gross of Reinsurance	169,587	25,382	5,152	3,458	9,924	29,555	**243,057**
Reinsurance Ceded	85,404	19,177	2,173	1,565	9,774	5,924	**124,018**
Net of Reinsurance	84,182	6,205	2,979	1,893	150	23,631	**119,039**
Risk Margin	11,100	1,729	271	182	523	2,101	**15,906**
Total Net TP	**95,282**	**7,934**	**3,250**	**2,075**	**672**	**25,731**	**134,944**

Exhibit D.6: Best Estimate Liability

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. Unmodelled Business

The vast majority of Best Estimate Liability is calculated using the methodology described in the 3 sub-sections above. For the remaining unmodelled 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;
- Operating Expense Ratio;
- Acquisition Expense Ratio;
- Gross Commission Ratio;
- Ceding Commission Ratio.

In general, a combination of the historic actual experience plus consideration of forecasted 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 €5.2m gross of reinsurance or €2.6m net of reinsurance in CLICE and by around €1.4m gross of reinsurance or €0.7m net of reinsurance in CEIC. Changing the Operating Expense Ratio by 1% similarly impacts the gross reserve by €5.2m in CLICE and by €1.4m 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 and Commissions is not so significant.

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 €493m in CLICE and €105m in CEIC at end 2016 and so a 1% change in expected profit margin through change to Loss Ratio or Expense Ratio will change the gross reserve estimate by €4.9m 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 €1.9m and therefore have 105% impact relative to the base gross reserve. Other sensitivities such as changes to operating expenses, persistency experience or discount rates are much less significant and impact the base gross reserve by no more than 10%.

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	168,636	73.13%	230,593	Total TP Gross
Total Net BEL	87,298	70.97%	123,010	Total TP Net
Risk Margin	11,986			
Total Net TP	**99,284**	**80.71%**	**123,010**	**Total TP Net**
CEIC				
Total Gross BEL	74,421	73.83%	100,797	Total TP Gross
Total Net BEL	31,741	73.89%	42,955	Total TP Net
Risk Margin	3,919			
Total Net TP	**35,660**	**83.02%**	**42,955**	**Total TP Net**
Myrtle				
Total Gross BEL	243,057	73.34%	331,390	Total TP Gross
Total Net BEL	119,039	71.72%	165,966	Total TP Net
Risk Margin	15,906			
Total Net TP	**134,944**	**81.31%**	**165,966**	**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 2016 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-16	31-Dec-15	Methods and main assumptions	31-Dec-16	31-Dec-15	Methods and main assumptions
Provisions other than technical provisions	-	-	Fair value	-	-	Fair value
Pension benefit obligations	-	-	Actuarial valuation	-	-	Actuarial valuation
Deposits from reinsurers	91,174	84,096	Fair value	91,174	84,096	Fair value
Deferred tax liabilities	14,567	11,577	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	141,670	90,413	Fair value	105,089	90,413	Fair value
Reinsurance payables	67,557	59,198	Fair value	67,557	59,198	Fair value
Payables (trade, not insurance)	41,855	61,295	Fair value	78,437	61,295	Fair value
Any other liabilities, not elsewhere shown	4,240	4,011	Fair value	4,240	4,011	Fair value
Total Liabilities	**361,063**	**310,591**		**346,496**	**299,014**	

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-16	31-Dec-15	Methods and main assumptions	31-Dec-16	31-Dec-15	Methods and main assumptions
Provisions other than technical provisions	-	-	Fair value	-	-	Fair value
Pension benefit obligations	-	-	Actuarial valuation	-	-	Actuarial valuation
Deposits from reinsurers	41,840	46,529	Fair value	41,840	46,529	Fair value
Deferred tax liabilities	1,593	2,394	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	15,776	24,566	Fair value	10,061	24,566	Fair value
Reinsurance payables	840	670	Fair value	840	670	Fair value
Payables (trade, not insurance)	12,407	11,998	Fair value	18,122	11,998	Fair value
Any other liabilities, not elsewhere shown	1,049	1,047	Fair value	1,049	1,047	Fair value
Total Liabilities	**73,504**	**87,204**		**71,912**	**84,810**	

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-16	31-Dec-15	Methods and main assumptions	31-Dec-16	31-Dec-15	Methods and main assumptions
Provisions other than technical provisions	20,882	21,571	Fair value	20,882	21,571	Fair value
Pension benefit obligations	518	316	Actuarial valuation	518	316	Actuarial valuation
Deposits from reinsurers	133,014	128,413	Fair value	133,014	128,413	Fair value
Deferred tax liabilities	16,160	13,838	Fair value	-	-	n/a
Debts owed to credit institutions	13,588	733	Nominal value	13,588	733	Nominal value
Financial liabilities other than debts owed to credit institutions	-	3,379	Nominal value	-	3,379	Nominal value
Insurance & intermediaries payables	89,343	110,315	Fair value	89,343	110,325	Fair value
Reinsurance payables	68,397	59,679	Fair value	68,397	59,679	Fair value
Payables (trade, not insurance)	191,204	166,341	Fair value	190,948	166,382	Fair value
Any other liabilities, not elsewhere shown	14,272	23,742	Fair value	14,272	23,742	Fair value
Total Liabilities	**547,378**	**528,327**		**530,962**	**514,540**	

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 2016 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

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.

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 31/12/2016 and 31/12/2015 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-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Reconciliation reserve	**26,322**	**26,410**	**511**	**(8,140)**	**27,188**	**23,049**
Total best estimate impact (i.e. sum of below)	35,706	37,755	11,215	11,642	46,921	49,397
Claims provision, net of reinsurance[(1)]	6,209	6,007	3,423	2,554	9,631	8,561
Premium provision, net of reinsurance[(2)]	23,553	24,023	7,792	9,088	31,345	33,111
Life provision, net of reinsurance[(3)]	5,944	7,725	0	0	5,944	7,725
Risk margin [(4)]	(11,986)	(13,344)	(3,919)	(3,705)	(15,906)	(17,049)
Investment [(5),(6)]	17,169	13,637	(5,192)	(13,736)	12,333	4,681
Tax impact on valuation differences	(14,567)	(11,639)	(1,593)	(2,341)	(16,160)	(13,980)

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 (3)	CLICE		CEIC		Myrtle	
		31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Basic own funds	**T1**	**157,880**	**153,515**	**114,529**	**104,239**	**264,225**	**252,098**
Ordinary share capital		84,078	81,628	92,401	91,401	1,503,836	1,424,423
Other reserves from accounting balance sheet (1)		17,052	8,502	1,440	1,408	13,079	36,631
Retained earnings		30,429	36,975	20,177	19,570	(29,201)	(1,034)
Reconciliation reserve (2)		26,322	26,410	511	(8,140)	27,188	23,049
Participation adjustments		Not applicable		Not applicable		(1,250,677)	(1,230,972)
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		**157,880**	**153,515**	**114,529**	**104,239**	**264,225**	**252,098**
Eligible capital to cover MCR		**157,880**	**153,515**	**114,529**	**104,239**	**264,225**	**252,098**

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

(1) Legal reserve and share premium accounts

(2) In calculating the notional SCR for the non-insurance entities, Cigna Europe includes only an equity risk component (with no assessment of currency risk). The notional SCR is determined by applying the reduced equity risk charge of 22% to the economic net asset value of these entities. The 22% factor has been used rather than the full equity risk charge because the investments in the subsidiary undertakings are considered to be of a strategic nature given they are wholly owned within the Cigna Group. In addition, where a non-insurance entity's net asset value is negative after removing the participations, the net asset value is taken as zero so as not to reduce the SCR.

(3) Tiering with respect to Capital Eligibility

E.2. Solvency Capital Requirement and Minimum Capital Requirement

At 31 December 2016, the solvency II position of the Group stood at 153% of the SCR (31 December 2015: 166%) and at 625% of the required minimum (31 December 2015: 610%). Solo entities are at similar or above 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-16 (1)	31-Dec-15	31-Dec-16 (1)	31-Dec-15	31-Dec-16 (1)	31-Dec-15
Solvency Capital requirement *(Partial Internal Model)*						
Eligible capital to cover	157,880	153,515	114,529	104,239	264,225	252,098
SCR	92,370	89,444	73,601	58,518	172,826	155,342
Solvency position	**171%**	**172%**	**156%**	**178%**	**153%**	**162%**
Minimum Capital requirement *(Partial Internal Model)*						
Eligible capital to cover	157,880	153,515	114,529	104,239	264,225	252,098
MCR(2)	23,846	27,522	18,400	14,629	42,246	42,151
Solvency position	**662%**	**558%**	**622%**	**713%**	**625%**	**598%**

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		CEIC		Myrtle	
	31-Dec-16 (1)	31-Dec-15	31-Dec-16 (1)	31-Dec-15	31-Dec-16 (1)	31-Dec-15
Solvency Capital Requirement	**92,370**	**89,444**	**73,601**	**58,518**	**172,826**	**155,342**
Market risk(2)	30,644	28,789	37,574	22,930	75,073	59,099
Counterparty risk	37,923	26,446	8,664	11,681	46,587	38,127
Health underwriting risk	47,743	48,883	39,094	31,073	86,838	79,955
Life underwriting risk	6,085	6,174	Not applicable		6,085	6,174
Non-Life Underwriting risk	Not applicable		13,051	13,792	13,051	13,792
Diversification between risks	(37,158)	(32,781)	(30,483)	(26,477)	(67,641)	(59,258)
Operational risk	21,656	23,253	7,294	8,537	28,950	31,790
Loss absorbing effect of deferred taxes	(14,523)	(11,321)	(1,593)	(3,017)	(16,116)	(14,337)

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.
(2) The market risk includes the capital charge related to all ancillary services entities where the notional SCR is equivalent to 22% of the value of their participations

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 IGO, HL&A and Group Life and Life CAT underwriting risk for GHB IGO and HL&A. 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		CEIC		Myrtle	
	31-Dec-16 (1)	31-Dec-15	31-Dec-16 (1)	31-Dec-15	31-Dec-16 (1)	31-Dec-15
Partial Internal Model						
Eligible capital to cover SCR	157,880	153,515	114,529	104,239	264,225	252,098
Solvency Capital Requirement	92,370	89,444	73,601	58,518	172,826	155,342
Solvency position	**171%**	**172%**	**156%**	**178%**	**153%**	**162%**
Standard Formula						
Eligible capital to cover SCR	156,911	152,056	115,388	119,145	264,114	251,019
Solvency Capital Requirement	109,003	115,273	55,404	53,471	171,262	176,125
Solvency position	**144%**	**132%**	**208%**	**223%**	**154%**	**143%**

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 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 (please see next section to see the consolidated technique used for Myrtle) 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 components which are separately calculated and aggregated via the default integration technique at the highest level. The probability distribution forecast is thus calculated for each component.

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

(EUR'000)	CLICE		CEIC		Myrtle	
	31-Dec-16 (1)	31-Dec-15	31-Dec-16 (1)	31-Dec-15	31-Dec-16 (1)	31-Dec-15
Solvency Capital Requirement						
Partial Internal Model (2)	**92,370**	**89,444**	**73,601**	**58,518**	**172,826**	**155,342**
Impact of internal model on...						
Market risk	(569)	5,656	(9,110)	(1,977)	(9,679)	3,679
Counterparty risk	(12)	102	(3)	(1)	(14)	100
Health underwriting risk	20,349	25,138	(11,623)	(2,195)	8,727	22,943
Life underwriting risk	0	0	Not applicable		0	0
Non-Life Underwriting risk	Not applicable		(5,959)	(4,272)	(5,959)	(4,272)
Diversification between risks	(3,447)	(5,743)	8,652	3,452	5,205	(2,292)
Loss absorbing effect of deferred taxes	312	59	(155)	(53)	157	6
Standard Formula	**109,003**	**115,273**	**55,404**	**53,471**	**171,262**	**176,125**

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 CEIC (Counterparty, Market, Operational, Health and Non-Life). Cigna Europe will then consolidate the two solo applications to calculate the Group Capital Requirements for Cigna Myrtle Holdings through the Deduction and Aggregation (D&A) Methodology

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
MCR	Minimum Capital Requirements
Myrtle	Cigna Myrtle Holdings Limited
NBB	National Bank of Belgium
ORSA	Own Risk and Solvency Assessment
QRT	Quantitative Reporting Templates
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition report
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.19.01.21** 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.25.01.21** 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.

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- **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.19.01.21** specifying information on non-life insurance claims in the format of development triangles for the total non-life business.
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- **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.

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- **QRT S.32.01.22** specifying information on the undertakings in the scope of the group.
- **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.