MetLife Europe d.a.c.

Solvency II Solvency and Financial Condition Report

For the year ended 31 December 2019

Table of Contents

MetLife

Executive summary

Background

MetLife Europe d.a.c. (the Undertaking) is an Irish incorporated entity domiciled in Ireland and is authorised by the Central Bank of Ireland (CBI) to transact life assurance business in Life Classes I, III, IV and VI and Non-Life Classes 1 and 2 under the European Union (EU) (Insurance and Reinsurance) Regulations 2015 (S.I. No 485 of 2015).

The Undertaking's immediate parent company is MetLife EU Holding Company Limited (MetLife EU) and its ultimate parent company is MetLife Inc., a company domiciled in the United States of America (USA).

MetLife Inc. operates within Europe through various subsidiaries. The Undertaking leverages the options provided by the European Insurance Directives to "passport" throughout the EU from a single base in Ireland. The Undertaking has branches in the United Kingdom (UK), Italy, Spain, Portugal, France, Czech Republic, Bulgaria, Slovakia, Hungary, Romania and Cyprus. The Undertaking also operates via Freedom of Service (FOS) in Poland, Greece, Norway, Germany, Austria and the Netherlands. The Undertaking reinsures business from Russia and Indonesia. The Undertaking ceased operating via FOS in Norway following the sale of this business to Laguna Life d.a.c. on 1 April 2019. See section A for further details.

The Undertaking is required to submit the 2019 Solvency and Financial Condition Report (SFCR) to the Central Bank of Ireland (CBI) as part of the 2019 annual Solvency II returns. The SFCR is prepared pursuant to the Commission Delegated Regulation (EU) 2015/35 (The Delegated Acts) and the European Insurance and Occupational Pensions Authority (EIOPA) Final Report on Public Consultation No. 14/047. The Delegated Acts supplement Directive 2009/138/EC as implemented in Ireland by the EU (Insurance and Reinsurance) Regulations 2015.

The SFCR is an annual public document and is available on the Undertaking's website.

Content

The following summarises the information included in the SFCR by section and notes any material changes during the year.

A - Business and Performance

Significant business events

On 31 January, 2020, the U.K. ceased to be a member of the EU and entered into a transition period expected to end on 31 December, 2020. During the transition period, the relationship between the U.K. and the EU will remain primarily as it was prior to 31 January, 2020. The U.K. and EU will use this period to negotiate the structure of the future relationship between the U.K. and EU after 31 December, 2020.

The Undertaking's U.K. business model utilises certain rights to operate cross-border insurance and investment operations, which may be modified or eliminated as a result of the U.K. exiting the EU. The Undertaking expects to maintain its existing operating model, including as an inbound EEA-insurer under the U.K.'s Temporary Permissions Regime, which is due to last for at least three years and will permit the Undertaking to carry on its insurance business in the U.K. during that period. Operating expenses could increase as a result of such changes.

In June 2018, the Undertaking and Monument agreed, subject to regulatory and court approvals, for Monument to acquire a run-off portfolio of business from the Undertaking, initially through reinsurance to Monument (reinsurance effective from 1 April 2018). The portfolio of products acquired includes unit-linked, fixed term annuity, group life and personal accident products. It excludes the guarantees on the variable annuity unit-linked business which remain reinsured with MetLife Bermuda. At inception, the Undertaking agreed to pay €508m as part of the funds withheld agreement, in consideration for its IFRS net reinsured liabilities of €522m. The Undertaking also paid a ceding commission of €21m to Monument. This resulted in a IFRS net cost of reinsurance at inception of the contract to the Undertaking of €7m. This cost is deferred and amortised over the remaining life of the reinsured contracts. Under Solvency

II, there was a net gain of €14m recognised in 2018, primarily due to the release of Solvency II specific expense reserves.

During 2019, following receipt of the relevant court approvals, the business portfolio, excluding one unit-linked product which will remain reinsured to Monument, was transferred to Laguna Life d.a.c., a life insurance entity in Ireland which is part of the Monument group of companies. The Undertaking also recaptured the guarantees from MetLife Bermuda immediately prior to the transfer and then transferred to Laguna Life d.a.c. at the same time. The remaining deferred cost of reinsurance was fully amortised on transfer.

On 26 September 2019, the Undertaking completed an equity reclassification by means of a capital reduction in accordance with the Summary Approval Procedure under the Irish Companies Act 2014. This reclassified the share premium to retained earnings.

The impact of the COVID-19 virus is as a consequence of events that arose after the Undertaking's reporting date of 31 December 2019, and therefore treated as a non-adjusting post balance sheet event. Since 31 December 2019, the COVID-19 virus has caused a pandemic, and governments and businesses have taken measures such as travel bans, quarantines, and social distancing to combat the spread of the virus. These have disrupted business activity, as well as causing economic slowdown and significant volatility in financial markets. The Undertaking activated its business continuity plan with the majority of staff working from home, where possible. The Undertaking cannot determine or estimate the extent to which these events have affected the Undertaking’s operations, business, financial results, or financial condition. In general under Solvency II, EU insurance companies are required to hold sufficient eligible own funds on an on-going basis to cover their Solvency Capital Requirement. The risk-based Solvency Capital Requirement enables insurance undertakings to absorb significant losses and give confidence to policyholders and beneficiaries that payments will be made as they fall due. Based on the results of the 31 December 2019 Solvency II valuation and of the 2019 Own Risk Solvency Assessment, and notwithstanding the emergence of COVID-19 (as a non-adjusting post balance sheet event), there is no expectation of non-compliance with the Minimum Capital Requirement or SCR over the planning horizon. The directors have considered the potential impact of COVID-19 on the Undertaking, and have concluded that the Solvency II returns/ will continue to be prepared on a going concern basis.

During 2019, the Undertaking completed the transfer of certain finance and actuarial activities from Ireland to the existing Centre of Excellence in India and new Centres of Excellence in Poland and Malaysia.

The four cornerstones of the Undertaking’s strategy are to optimise value and risk, drive operational excellence, deliver the right solutions for the right customers and strengthen distribution advantage. To execute its strategy, MetLife Inc. has identified "enablers" such as leveraging digital to help drive transformation and combat customer confusion and hidden costs by focusing on simplifying operations and products. The Undertaking is evaluating processes with the view of simplifying or automating where possible to ensure it can continually adapt to the environment it operates in.

Business performance

The financial statements are prepared under IFRS. There is a decrease in IFRS profit of €113m from €149m in 2018 to €36m in 2019. This is mainly due to the impact of lower GBP interest rates on the guarantees of the UK unit-linked business, the sale of a run-off portfolio of business, foreign exchange movements and increased restructuring costs. This was partially offset by business growth.

There are no material changes by line of business or by geographical segment over the reporting period.

B - Systems of Governance

Governance structure and roles

The key organs of the system of governance are the Board of Directors, Executive Management and the various committees. There has been no material changes to the systems of governance over the reporting period.

The Board directs the Undertaking's affairs to ensure its prosperity, whilst meeting the appropriate interests of its shareholders and third parties, such as customers and regulators. In particular, the Board provides effective, prudent and ethical oversight of the Undertaking.

The Board is responsible for, among other things, where relevant, reviewing and/or setting and overseeing:

- The business strategy;
- The amounts, types and distribution of capital adequate to cover the risks of the Undertaking;
- The strategy for the ongoing management of material risks;
- A robust and transparent organisational structure with effective communication and reporting channels;
- A remuneration framework that is in line with the risk strategy of the Undertaking; and
- An adequate and effective internal control framework, that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.

The Corporate Governance Structure is supported by the Executive Management organisational structure, which defines key areas of authority and responsibility and establishes the appropriate lines of reporting. The Executive Management is responsible for the day to day running of the Undertaking and is led by the Chief Executive Officer (CEO).

The committees of the Board are:

- Audit Committee;
- Risk Committee;
- Investment Committee; and
- Nomination Committee.

Fit and proper requirements

The Undertaking's Fitness and Probity Policy sets out the minimum standards, in compliance with the CBI Fitness and Probity Standards and relevant legislation. It is there to ensure that a person, who is known as a 'Responsible Person', has the necessary qualities and competencies in order to allow him/her to perform the duties and carry out the responsibilities of his/her position within the Undertaking. The qualities and competencies relate to the integrity demonstrated by a Responsible Person in personal behaviour and business conduct, soundness of judgement, a sufficient degree of knowledge and experience and appropriate professional qualifications.

Risk management and internal controls

The Risk Management Framework (the Framework) sets out the approaches to risk management and structure to be followed by all associates in their capacity as executives, management and staff. The key objectives of the Framework are to:

- Promote a strong risk culture in the Undertaking, rooted in the Undertaking's purpose and values, in particular customer protection;
- Ensure consistent, systematic management of risks across all businesses, operations and risk types; and
- Enable decision makers to efficiently direct the Undertaking's resources to appropriate business opportunities that are within the Board's risk appetite.

A key element of risk management is the ORSA. The ORSA is a bespoke strategic analysis which links together all pillars of Solvency II and all areas of the Undertaking. It enables the Board to understand the risks faced, and how they translate into capital needs or alternatively require mitigating actions. The ORSA process is an ongoing and continuous process, of which the annual report is a complete board-level roundup at a point in time providing a meaningful and useful report to the Board. The results of the ORSA process and the insights gained in the process provide input into risk management, long-term capital management, business planning and product development and design.

The Undertaking's Control Framework promotes the importance of having appropriate internal controls and ensuring that all associates are aware of their role in the internal control system. The Control Framework sets out clear standards for the design, operation, validation and oversight of the system of Internal Control. It defines how effective internal control is achieved through joint responsibilities of the general managers and the Heads of Functions.

C - Risk Profile

The Undertaking is exposed to underwriting, market, credit, liquidity and operational risk. Overall the risk profile remained relatively stable over the year with risk exposures moving in line with business mix and volumes and changes in reinsurance treaties. The closure of the UK unit-linked business to new business during 2017 has not resulted in any significant change in the current risk profile of the Undertaking. However, over time the run-off of this business will result in a reduction in risk exposures, in particular market risk.

Underwriting risk includes mortality risk, longevity risk, morbidity risk, policyholder-behaviour risk, and expense risk. Underwriting risks are primarily mitigated through diversification and single-exposure limits for different components such as mortality and morbidity. Risks in excess of such limits can be accepted but must be reinsured. Catastrophe reinsurance is used to limit the total loss that can be incurred as the result of single events and to manage risk concentrations.

The Undertaking is exposed to market risks, including interest rates due to timing differences of asset and liability cash flows and basis differences between valuation rates, different currencies and equity markets, either indirectly through revenues that depend on the value of investments covering unit-linked policies or directly through positions held to facilitate policyholder transactions or guarantees provided to policyholders. Market risks are primarily mitigated through aligning assets and liabilities, in particular in terms of currencies and timing of cash flows. The risks relating to investment guarantees on the Variable Annuity (VA) business are reinsured. Equity exposures from the book of unit-linked policies are managed through product design and selection of suitable investment funds.

The Undertaking is exposed to credit risks (i.e. the risk of a value decrease of assets or increase of liabilities due to the default of third parties, or the increase of the probability of such a default and/or the associated loss). Exposure to credit risk comes primarily from the investment portfolio and from a number of counterparties related to risk mitigation. Credit risks are primarily mitigated through asset allocation, diversification and single-exposure limits. For counterparty exposures, the Undertaking may require the placement of collateral.

The Undertaking is exposed to liquidity risks where it is obliged to settle liabilities at short notice and assets cannot be liquidated at all or only with very significant haircuts. Given the long-term nature of its business, there are only very few areas in which liquidity risk can arise. Liquidity risks are primarily mitigated through asset allocation, diversification and single-exposure limits, and by avoiding entering obligations to provide liquidity to counterparties.

The Undertaking is exposed to operational risk consistent with other financial institutions, including the impact of changes in the regulatory and legal environments, the dependency on multiple internal and external operators (for investment activities as an example) and complex modelling for financial reporting and solvency reporting. Operational risks are primarily mitigated through functional controls, which are integral elements of the Undertaking's Risk Framework, independently validated by Risk, Compliance (where applicable) and Internal Audit functions.

In addition to the risks covered above, the Undertaking may in the future also be exposed to emerging risks. The Undertaking currently considers geopolitical risk, disruptive technology (including transformative technology for insurance distribution ('InsurTech') and cybersecurity issues) and regulatory changes on data protection, business conduct and financial reporting that can transform the insurance industry, as key emerging risks.

In particular, the decision of the UK to leave the EU ("Brexit") will have implications for the Undertaking's business in the UK and its legal structure. At this time, since the UK left the EU on 31 January 2020, the UK branch of the Undertaking is continuing to operate on a freedom of establishment basis and will continue to do so until the end of the transition period (during which the UK and EU will negotiate the structure of their future relationship), which is expected to be 31 December 2020. At the end of the transition period, the UK branch of the Undertaking will operate under the Temporary Permission Regime (TPR) for three years during which the business will work with the UK and Irish regulators to determine the most appropriate legal and operating structure going forward.

The Undertaking reviews its risk exposures regularly and considers potential actions to align exposure to risk appetite.

D - Valuation for solvency purposes

Assets

Assets are valued at fair value for Solvency II. This represents the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The main valuation differences between Solvency II and IFRS relate to deferred acquisition costs and intangible assets, which are not recognised under Solvency II. In addition property, plant and equipment is measured at cost less accumulated depreciation for IFRS as against fair value for Solvency II. Commercial mortgage loans are stated at unpaid principal balance, adjusted for any deferred fees for IFRS compared to fair value for Solvency II.

Technical Provisions

The technical provisions correspond to the current amount the Undertaking would have to pay if they were to transfer their insurance obligations immediately to another Undertaking. The value of technical provisions are equal to the sum of a best estimate liability (BEL) and a risk margin. The best estimate corresponds to the probability weighted average of future cash-flows taking account of the time value of money. The cash-flow projections reflect the expected realistic future demographic, legal, medical, technological, social and economic developments over the lifetime of the insurance and reinsurance obligations. The risk margin is a fair value adjustment that captures the cost of holding the unhedgeable part of the Solvency Capital Requirement (SCR) over the lifetime of the policies in force.
The calculation of amounts recoverable from reinsurance contracts follow the same principles and methodology as presented above for the calculation of other parts of the technical provisions.

Solvency II and IFRS have different rules for classifying/grouping insurance contracts, and these rules affect the valuation of the liabilities. Solvency II capitalises all future profits, subject to contract boundaries, whereas IFRS generally does not. Solvency II determines a risk margin, whereas this concept does not generally apply to IFRS.

Solvency II requires assumptions to be based on best estimate whereas IFRS may apply Provisions for Adverse deviations to the assumptions used to value the reserves. The Solvency II assumptions are revised on a regular basis to adjust for recent experience and changes to market factors. The principal assumptions used in the determination of technical provisions relate to lapses, expenses, mortality and morbidity.

Net technical provisions have increased by €201m from €7,426m in 2018 to €7,627m in 2019. This is mainly due to organic changes in relation to new business, actual experience and market movements, and roll-forward of the technical provisions on the in-force business €214m. This is partially offset by the impact of assumption changes during the year €13m.

E - Capital Management

Capital Management Policy

The strategic objectives of capital management for the Undertaking are:

- Regulatory compliance: to ensure compliance with the Undertaking's regulatory capital requirements.
- Efficient allocation: to manage and allocate capital efficiently to achieve sustainable returns and facilitate growth objectives.
- Financial strength: to ensure access to capital markets on competitive terms, so that the Undertaking's overall cost of capital is minimised.

Taken together, these strategic goals strengthen the Undertaking's ability to withstand losses from adverse business and market conditions, enhance its financial flexibility and serve the interests of stakeholders.

The Undertaking's capital is monitored through the capital management process and within the Undertaking's stated risk appetite limits. Any breaches of these limits is escalated in accordance with and as defined by any relevant regulatory or internal policies. The Undertaking's risk appetite recognises the regulatory minimum standard, as it applies to technical provisions, own funds and capital under Solvency II, and sets the target ongoing solvency level in order to enable the Undertaking to withstand the financial implications of adverse experience.

There has been no material changes to capital management policy over the reporting period.

Own funds and SCR

The SCR is calculated using the standard formula approach. This method uses stresses for each of the individual risks as calibrated by EIOPA. EIOPA also provides the standard correlation matrices for the purpose of aggregation. It is based on a modular approach consisting of a core of life, non-life, market, health and counterparty default risks with associated sub-modules. These are aggregated using correlation matrices, both at the sub-module and the main module level. The operational risk component and adjustments for the risk absorbing effect of future profit sharing and deferred taxes are then allowed for, to give the overall SCR.

The own funds, SCR, solvency ratio and Minimum Capital Requirement (MCR) are as follows:

	31-Dec-19	**31-Dec-18**	**Movement**
	€'m	**€'m**	**€'m**
Own Funds			
Tier One	1,325	1,199	126
Tier Two	—	—	—
Tier Three	5	4	1
Eligible own funds for SCR	1,330	1,203	127
SCR	772	702	70
Solvency Ratio	172%	171%	1%
Eligible own funds for MCR	1,325	1,199	126
MCR	347	316	31

Own funds increased by €127m from €1,203m in 2018 to €1,330m in 2019. Primary drivers of increase are business growth and unrealized gains on non UL assets, partially offset by impact of falling interest rates.

The solvency ratio increased by 1% from 171% in 2018 to 172% in 2019.

The Undertaking has had own funds in excess of both the SCR and MCR requirements over the reporting period. The ORSA assessments to date indicate that the Undertaking is adequately capitalised.

Appendix

This includes all public QRTs.

Approval

The SFCR was approved by the Board of Directors on 1 April 2020.

A Business and performance

A.1 Business

A.1.1 Overview

The Undertaking is an Irish incorporated entity domiciled in Ireland and is authorised by the Central Bank of Ireland (CBI) to transact life assurance business in Life Classes I, III, IV and VI and Non Life Classes 1 and 2 under the EU (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015).

The Undertaking's immediate parent company is MetLife EU and its ultimate parent company is MetLife Inc., a company domiciled in the USA. See section A.1.3 for details on the Group entity structure.

MetLife Inc. operates within Europe through various subsidiaries. The Undertaking leverages the options provided by the European Insurance Directives to "passport" throughout the EU from a single base in Ireland. The Undertaking has branches in the UK, Italy, Spain, Portugal, France, Czech Republic, Bulgaria, Slovakia, Hungary, Romania and Cyprus. The Undertaking also operates via FOS in Poland, Greece, Norway, Germany, Austria and the Netherlands. The Undertaking reinsures business from Russia and Indonesia. The Undertaking ceased operating via freedom of services in Norway following the sale of this business to Laguna Life d.a.c. on 1 April 2019. See section A.1.2 for further details.

The Undertaking's regulatory supervisor is the CBI, whose address is:

Central Bank of Ireland
New Wapping Street,
North Wall Quay,
Dublin 1

The Undertaking's external auditor is Mazars, whose address is:

Mazars
Chartered Accountants and Statutory Audit Firm
Harcourt Centre
Block 3
Harcourt Road
Dublin 2

The auditors, Deloitte, Chartered Accountants, resigned from the office of auditor on 20 May 2019. Mazars, Chartered Accountants, were appointed as auditors of the Undertaking on 22 July 2019.

See section A.2 for a description of the Undertaking's underwriting performance by material lines of business and geographical areas.

A.1.2 Significant business and other events

On 31 January, 2020, the U.K. ceased to be a member of the EU and entered into a transition period expected to end on 31 December, 2020. During the transition period, the relationship between the U.K. and the EU will remain primarily as it was prior to 31 January, 2020. The U.K. and EU will use this period to negotiate the structure of the future relationship between the U.K. and EU after 31 December, 2020.

The Undertaking's U.K. business model utilizes certain rights to operate cross-border insurance and investment operations, which may be modified or eliminated as a result of the U.K. exiting the EU. The Undertaking expects to maintain its existing operating model, including as an inbound EEA-insurer under the U.K.'s Temporary Permissions Regime, which is due to last for at least three years and will permit the Undertaking to carry on its insurance business in the U.K. during that period. Operating expenses could increase as a result of such changes.

In June 2018, the Undertaking and Monument agreed, subject to regulatory and court approvals, for Monument to acquire a run-off portfolio of business from the Undertaking, initially through reinsurance to Monument (reinsurance effective from 1 April 2018). The portfolio of products acquired includes unit-linked, fixed term annuity, group life and personal accident products. It excludes the guarantees on the variable annuity unit-linked business which remain reinsured with MetLife Bermuda. At inception, the Undertaking agreed to pay €508m as part of the funds withheld agreement, in consideration for its IFRS net reinsured liabilities of €522m. The Undertaking also paid a ceding commission of €21m to Monument. This resulted in a IFRS net cost of reinsurance at inception of the contract to the Undertaking of €7m. This cost is deferred and amortised over the remaining life of the reinsured contracts. Under Solvency II, there was a net gain of €14m recognised in 2018, primarily due to the release of Solvency II specific expense reserves.

During 2019, following receipt of the relevant court approvals, the business portfolio, excluding one unit-linked products which will remain reinsured to Monument, was transferred to Laguna Life d.a.c., a life insurance entity in Ireland which is part of the Monument group of companies. The Undertaking also recaptured the guarantees from MetLife Bermuda immediately prior to the transfer and then transferred to Laguna Life d.a.c. at the same time. The remaining deferred cost of reinsurance was fully amortised on transfer.

On 26 September 2019, the Undertaking completed an equity reclassification by means of a capital reduction in accordance with the Summary Approval Procedure under the Irish Companies Act 2014. This reclassified the share premium to retained earnings.

The impact of the COVID-19 virus is as a consequence of events that arose after the Undertaking's reporting date of 31 December 2019, and therefore treated as a non-adjusting post balance sheet event. Since 31 December 2019, the COVID-19 virus has caused a pandemic, and governments and businesses have taken measures such as travel bans, quarantines, and social distancing to combat the spread of the virus. These have disrupted business activity, as well as causing economic slowdown and significant volatility in financial markets. The Undertaking activated its business continuity plan with the majority of staff working from home, where possible. The Undertaking cannot determine or estimate the extent to which these events have affected the Undertaking’s operations, business, financial results, or financial condition. In general under Solvency II, EU insurance companies are required to hold sufficient eligible own funds on an on-going basis to cover their Solvency Capital Requirement. The risk-based Solvency Capital Requirement enables insurance undertakings to absorb significant losses and give confidence to policyholders and beneficiaries that payments will be made as they fall due. Based on the results of the 31 December 2019 Solvency II valuation and of the 2019 Own Risk Solvency Assessment, and notwithstanding the emergence of COVID-19 (as a non-adjusting post balance sheet event), there is no expectation of non-compliance with the Minimum Capital Requirement or SCR over the planning horizon. The directors have considered the potential impact of COVID-19 on the Undertaking, and have concluded that the Solvency II returns will continue to be prepared on a going concern basis.

During 2019, the Undertaking completed the transfer of certain finance and actuarial activities from Ireland to the existing Centre of Excellence in India and new Centres of Excellence in Poland and Malaysia.

A.1.3 Entity structure

The Undertaking's immediate parent company is MetLife EU and its ultimate parent company is MetLife Inc. The Undertaking's parent is subject to group regulatory supervision by the CBI.

The Undertaking has authorised share capital of 100,000,000 shares of €1 each. At 31 December 2019, the Undertaking had issued €4,379,124 (2018: €4,379,124) in share capital. The qualifying holdings, number of shares and voting rights of the issued shares as at 31 December 2019 and 2018 are:

	Holdings	Shares
MetLife EU Holding Company Limited	100.00%	4,379,124

The Undertaking has a 100% owned subsidiary in the UK, MetLife Pension Trustees Limited. This subsidiary is trustee and administrator of personal pension schemes.

A.1.4 Total performance

Total performance	Section reference	**2019 €'m**	2018 €'m
Operating			
Underwriting result	A2.1	**246**	242
Investment income	A3.1	**81**	86
Other income	A4.1	**19**	22
Expenses	A4.1	**(194)**	(171)
Tax	A4.1	**(32)**	(34)
Total operating		**120**	145
Non-operating			
Investment income	A3.1	**722**	(254)
Net fees	A4.1	**—**	(1)
Net investment gain/(loss)	A4.1	**(48)**	8
Foreign exchange gain/(loss)	A4.1	**(25)**	14
Interest credited to policyholder account balances	A4.1	**(673)**	245
Expenses	A4.1	**(45)**	(18)
Tax	A4.1	**(15)**	10
Total non-operating		**(84)**	4
Profit for the financial year		**36**	149

The financial values are per the Undertaking's IFRS financial statements.

Analysis is provided in the sections referenced above.

A.2 Underwriting performance

A.2.1 Underwriting performance by line of business

The tables below set out the analysis of 2019 underwriting performance against the prior year.

	Health Insurance €'m 2019	Insurance with profit participation €'m 2019	Index linked and unit linked €'m 2019	Other life insurance €'m 2019	Non-life insurance €'m 2019	Total €'m 2019
Net earned premium	230	57	—	483	71	841
Fee income	—	25	143	1	—	169
Total premium and fee income	230	82	143	484	71	1,010
Claims incurred	(80)	(135)	—	(203)	(34)	(452)
Change in technical provisions	(2)	36	1	(18)	(3)	14
Total policyholder benefits	(82)	(99)	1	(221)	(37)	(438)
Commission	(80)	(1)	(41)	(132)	(17)	(271)
Other variable expenses	(30)	(12)	—	(55)	(2)	(99)
Total variable expenses	(110)	(13)	(41)	(187)	(19)	(370)
Deferred acquisition costs	15	18	(18)	25	4	44
Underwriting result	53	(12)	85	101	19	246

	Health Insurance 2018 €'m	Insurance with profit participation 2018 €'m	Index linked and unit linked 2018 €'m	Other life insurance 2018 €'m	Non-life insurance 2018 €'m	Total 2018 €'m
Net earned premium	219	64	—	279	61	623
Fee income	—	12	137	1	—	150
Total premium and fee income	219	76	137	280	61	773
Claims incurred	(82)	(150)	—	(179)	(26)	(437)
Change in technical provisions	(4)	41	2	164	(1)	202
Total policyholder benefits	(86)	(109)	2	(15)	(27)	(235)
Commission	(64)	(2)	(35)	(143)	(14)	(258)
Other variable expenses	(23)	(6)	—	(57)	(3)	(89)
Total variable expenses	(87)	(8)	(35)	(200)	(17)	(347)
Deferred acquisition costs	14	10	6	19	2	51
Underwriting result	60	(31)	110	84	19	242

The underwriting profit increased by €4m from €242m in 2018 to €246m in 2019.

Premium has increased due to business growth across the branches, particularly in the UK through the group and individual protection business as well as in Italy. This is partially offset by higher claims and commissions. Fees have also increased, mainly in Czech, UK and Romania.

The Monument transaction, as noted in section A.1.2, has impacted a number of line items. The recapture of the reinsurance from Monument and the sale to Laguna resulted in the release of the gross liabilities, reinsurance liabilities and the deferred cost of reinsurance. The gross and reinsurance liabilities release offset. However the gross liability includes €17m shadow liabilities, which were released through other comprehensive income. The balance of the gross reserves and the reinsurance reserves were released through the ‘change in technical provisions’ line item.

Overall there is a net €4m adverse equity impact in 2019. This is reflected through the deferred costs of reinsurance in operating expenses (see section A.4.1), which was fully amortised on the transfer to Laguna. There are other offsetting items between the income statement (change in technical provisions as noted above and the investment income realized gains on the disposal of the related assets covering the liabilities) and other comprehensive income (release of both the shadow liability and the unrealised gains on the assets).

The reinsurance with Monument in 2018 also impacts on the variances against the prior year. The 2018 underwriting result reflects the reinsurance premium (€163m), the establishment of the reinsured reserves (€177m) and the ceding commission (€21m). This has driven the increase in net premium and the decrease in the change in technical provisions and commission. The Monument agreement covers unit-linked and other life Solvency II lines of business. However the unit-linked transactions are not reflected in the underwriting result as they are deposit accounted for through the balance sheet.

For the insurance with profit participation line of business, the underwriting result is depressed due to the cost of meeting the significant levels of investment guarantees historically associated with this business. This impacts the results by increasing the change in technical provisions net of releases on claims. Such cost is offset by investment income not counted in the underwriting result. This line of business is largely in run-off so the relative contribution to the underwriting result will ultimately fall over time.

A.2.2 Underwriting performance by geographical segment

The Undertaking performance, split by material geographic performance is set out in the table below:

	UK and Ireland		Western Europe		Central Europe		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	€'m	€'m	**€'m**	€'m	**€'m**	€'m	**€'m**	€'m
Premium and fee income	**291**	101	**439**	416	**280**	256	**1,010**	773
Policyholder benefits	**(161)**	29	**(142)**	(128)	**(135)**	(136)	**(438)**	(235)
Variable expenses	**(55)**	(66)	**(207)**	(193)	**(107)**	(88)	**(369)**	(347)
Deferred acquisition costs	**(31)**	(8)	**36**	30	**38**	29	**43**	51
Underwriting result	**44**	56	**126**	125	**76**	61	**246**	242

See the narrative analysis in section A.2.1 which sets out the main drivers of the movements in underwriting profit in the branches

A.3 Investment performance

A.3.1 Investment return

	2019	2018
	€'m	€'m
Operating investment income		
Non unit-linked fixed interest securities		
Net interest income	**80**	87
Investment management expenses	**(3)**	(6)
Other		
Mortgage loan income	**4**	5
Total operating investment income	**81**	86
Non-operating investment income		
Unit-linked assets		
Dividend income	**128**	38
Net interest income	**4**	4
Realised gains/(losses)	**279**	252
Unrealised gains/(losses)	**303**	(548)
Investment management expenses	**—**	—
Non unit-linked fixed interest securities		
Realised gains/(losses)	**8**	(1)
Other		
Net gains/(losses) from derivatives	**—**	1
Total non-operating investment income	**722**	(254)
Total investment return	**803**	(168)

Total investment return increased by €971m from €(168)m in 2018 to €803m in 2019. This is mainly driven by improved returns on equity markets, notably UK, which increased the level of unrealised gains.

A.3.2 Gains/losses recognised directly in equity

	2019 €'m	2018 €'m
Investment gains/(losses) recognised directly in equity	**238**	202

The gains reflect the accumulation of the movements from amortised cost to fair value on available for sale financial assets. These are disclosed in equity in the IFRS financial statements.

The investment gains have increased by €36m from €202m in 2018 to €238m in 2019. This is mainly due to decreased market yields which have increased the investment revaluation reserve despite a decrease in asset holdings.

A.3.3 Investments in securitisations

The Undertaking has no investments in securitisations.

A.4 Performance of other activities

A.4.1 Other Income and Expenses

The other income and expenses of the Undertaking for the year are set out below:

	2019 €'m	2018 €'m
Performance of other activities		
Operating		
Other income	**19**	22
Expenses	**(194)**	(171)
Tax	**(32)**	(34)
Total operating	**(207)**	(183)
Non-operating		
Expenses	**(45)**	(18)
Guaranteed fees net of reinsurance	**—**	(1)
Interest credited to policyholder account balances	**(673)**	245
Net investment gain/(loss)	**(48)**	8
Foreign exchange gain/(loss)	**(25)**	14
Tax	**(15)**	10
Total non-operating	**(806)**	258
Net results from other activities	**(1,013)**	75

Net results from other activities have decreased by €(1,088)m from €75m in 2018 to €(1,013)m in 2019.

MetLife

Operating expenses have increased by €23m. This is mainly due to the deferred cost of reinsurance in relation to the Monument transaction noted in section A.2.1. The variance is impacted by the amortization on transfer in 2019 as against the deferral in 2018. There was also higher costs in UK and higher litigation costs in Spain.

Non-operating expenses have increased by €27m. This is primarily due to the interest on funds withheld relating to ceded unit-linked investment income on the Monument business. This is offset within ‘interest credited to policyholder account balances’. In addition, restructuring costs increased in 2019.

Interest credited to policyholder account balances has decreased by €919m. This is driven by the increase in unit-linked investment income (see section A.3.1). As noted above this includes a ceded portion relating to the Monument business which offsets with the interest on funds withheld.

There was an unfavourable impact of €56m on the investment gain/(loss). This is due to adverse capital market movements on the guarantees of the UK unit-linked business.

There was an unfavourable impact of €39m on the foreign exchange gain/(loss). The increase is mainly due to the impact of GBP-EUR foreign exchange movements on the revaluation of UK EUR surplus assets to the UK branch GBP functional currency. This is offset by the related foreign exchange movements on the translation of the UK branch’s revalued net assets to the Undertakings EUR reporting currency. The translation is disclosed in other comprehensive income.
Non-operating tax has increased by €25m mainly due to higher policyholder tax on the UK unit-linked business. This tax offsets against the related unit-linked investment income and the ‘interest credited to policyholder account balances’.

A.4.2 Leases

The Undertaking adopted IFRS 16 from 1 January 2019. The new standard capitalises leases for lessees under a single model, eliminating the distinction between operating and finance leases.

For Solvency II, this has resulted in the recognition of a new "right-of-use" asset and a corresponding liability representing the obligation to make lease payments on the Balance Sheet of €22m.

Expenses of €7m were incurred in the year in relation to the above leases.

A.5 Any other information

Intra-group transactions

Intra-group operations and transactions are mainly related to the Undertaking's reinsurance and operational arrangements.

All intra-group operations and transactions are at arm's length as it would be if the operations and transactions were with a third party.

A.5.1 Outstanding balances at year end

The Undertaking has intra-group balances with the following companies that are subsidiaries of its ultimate parent, MetLife Inc.:

	2019	2018
	€'000	€'000
MetLife EU	**45,331**	50,367
Alico US	**7,338**	5,927
Delaware Life Insurance	**2,432**	3,261
MetLife Europe Insurance d.a.c.	**(1,248)**	(95)
MetLife International Holdings Inc.	**1,267**	(3,898)
MetLife Solutions SAS	**1,036**	1,084
MetLife Services Spain	**—**	(8)
Metropolitan Life Training and Consulting s.r.l.	**11**	5
MetLife Services Cyprus Limited	**134**	(7)
MetLife TFI SA	**32**	32
Alico Qatar	**14**	—
MetLife Ireland Treasury d.a.c.	**84**	—
Metropolitan Life Insurance Company	**562**	591
Alico United Arab Emirates	**9**	21
MetLife Innovation Centre Limited	**—**	33
MetLife Services Sp z.o.o	**(4)**	(3)
MetLife Inc.	**(4)**	(5)
Metropolitan Life SAFPAP S.A.	**(17)**	(17)
MetLife Investments Limited	**(95)**	(119)
MetLife Pension Trustees Limited	**(216)**	(223)
Agenvita s.r.l.	**(262)**	(266)
MetLife Greece	**(47)**	(74)
MetLife Europe Services Limited	**(4,328)**	(4,050)
MetLife Services EEIG	**(17,680)**	(4,087)
MetLife Reinsurance Company of Bermuda Limited	**(123,097)**	(64,315)

A.5.2 Material transactions during the year

During 2019, the business portfolio, excluding one unit-linked product which will remain reinsured to Monument, was transferred to Laguna Life d.a.c.

On 26 September 2019, the Undertaking completed an equity reclassification by means of a capital reduction in accordance with the Summary Approval Procedure under the Irish Companies Act 2014. This reclassified the share premium to retained earnings.

See note A.1.2 for further details.

A.5.3 Events after the year end

The impact of the COVID-19 virus is as a consequence of events that arose after the Undertaking's reporting date of 31 December 2019, and therefore treated as a non-adjusting post balance sheet event. Since 31 December 2019, the COVID-19 virus has caused a pandemic, and governments and businesses have taken measures such as travel bans, quarantines, and social distancing to combat the spread of the virus. These have disrupted business activity, as well as causing economic slowdown and significant volatility in financial markets. The Undertaking activated its business continuity plan with the majority of staff working from home, where possible. The Undertaking cannot determine or estimate the extent to which these events have affected the Undertaking's operations, business, financial results, or financial condition. In general under Solvency II, EU insurance companies are required to hold sufficient eligible own funds on an on-going basis to cover their Solvency Capital Requirement. The risk-based Solvency Capital Requirement enables insurance undertakings to absorb significant losses and give confidence to policyholders and beneficiaries that payments will be made as they fall due. Based on the results of the 31 December 2019 Solvency II valuation and of the 2019 Own Risk Solvency Assessment, and notwithstanding the emergence of COVID-19 (as a non-adjusting post balance sheet event), there is no expectation of non-compliance with the Minimum Capital Requirement or SCR over the planning horizon. The directors have considered the potential impact of COVID-19 on the Undertaking, and have concluded that the Solvency II returns will continue to be prepared on a going concern basis.

B System of governance

B.1 General information on the system of governance

B.1.1 Governance structure

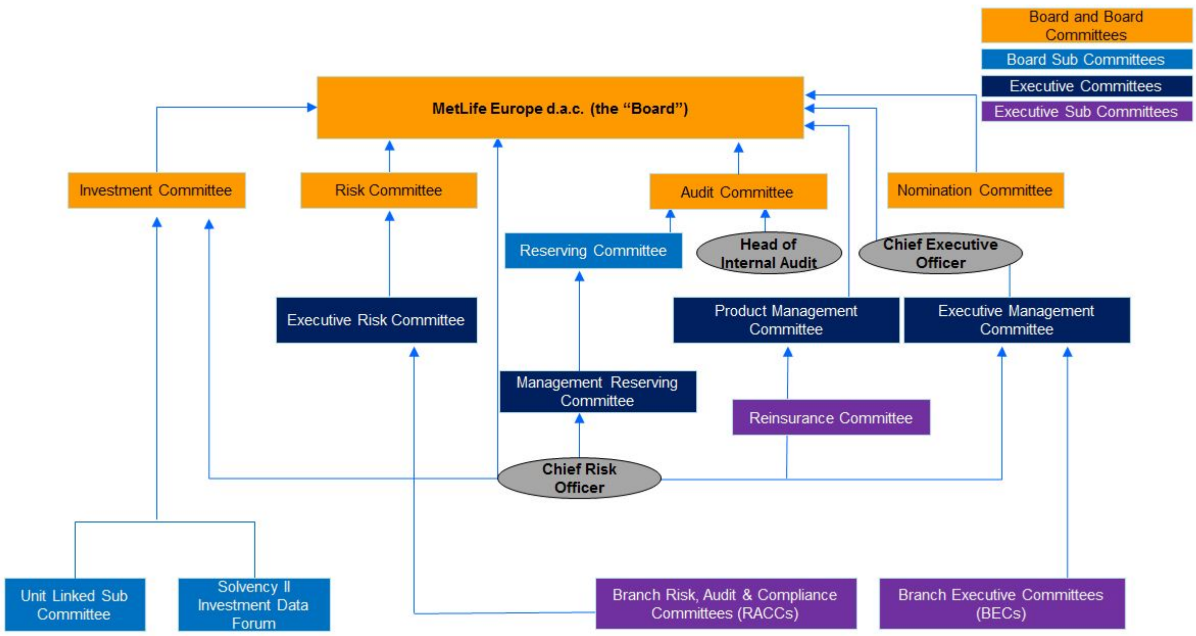
A consistent governance structure is in place across MetLife's European Economic Area (EEA) group of entities, supporting clear decision making, roles and responsibilities. The Corporate Governance Manual (the "Manual") describes corporate governance within the Undertaking. The Manual ensures that there is a common understanding of the following:

- key organs of the Undertaking (i.e. the Board of Directors (the Board), Executive Management and the various committees) and their roles;
- the membership of the Board, its role, the frequency of meetings and the process for making changes to Board membership;
- the membership of each of the Undertaking's committees, each committee's role, the frequency of meetings and how changes to membership are effected;
- who is empowered to act on behalf of the Undertaking and in what capacity and to what extent; and
- how certain key individuals are appointed, resign or are removed.

The Manual also provides a central record of the current membership of the Board, the various committees, and a list of all Pre-Approval Controlled Functions, i.e. roles for which CBI prior approval is required.

The governance structure defines the key areas of authority and responsibility and establishes the appropriate lines of reporting. The Undertaking is structured so as to achieve its objectives and to enable effective risk management and to carry out its activities in a manner reflective of its size and requirements.

Figure: Undertaking's Corporate Governance Structure

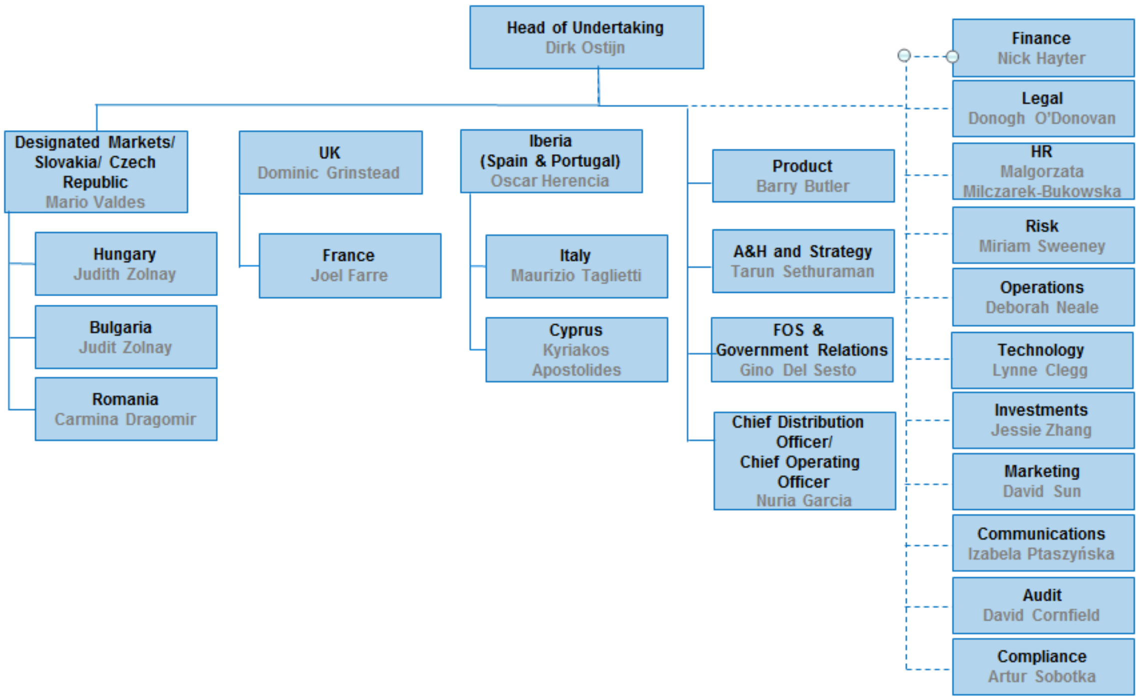


The Corporate Governance Structure is supported by the Executive Management organisational structure, which defines key areas of authority and responsibility and establishes the appropriate lines of reporting. The Executive Management is responsible for the day to day running of the Undertaking and is led by the Chief Executive Officer (CEO).

In Ireland, there is an established fitness and probity regime and the list of 'key functions' is naturally and conclusively defined by all those who are subject to fit and proper requirements under the CBI's guidance.

The list of those persons is detailed within section B.2. The following chart indicates the positions of key function holders within the Executive Management team and their reporting lines.

Figure: Executive Management Organisational Structure as at 31/12/2019



B.1.2 Role of the Board

The Board directs the Undertaking's affairs to ensure its prosperity, whilst meeting the appropriate interests of its shareholders and third parties, such as customers and regulators. In particular, the Board provides effective, prudent and ethical oversight of the Undertaking.

The Board is responsible for, among other things, where relevant, reviewing and/or setting and overseeing:

- the business strategy;
- the amounts, types and distribution of capital adequate to cover the risks of the Undertaking;
- the strategy for the ongoing management of material risks;
- a robust and transparent organisational structure with effective communication and reporting channels;
- a remuneration framework that is in line with the risk strategy of the Undertaking; and
- an adequate and effective internal control framework, that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.

The Board focuses on the following key areas:

Vision and values

- Guide and set the pace for the Undertaking's current operations and future development.
- Promote appropriate values throughout the Undertaking (e.g. values on compliance through the compliance statement).
- Determine policies and ensure they are consistent with, and promote the vision and values, of the Undertaking.

Strategy and structure

- Review present and future opportunities, threats and risks in the external environment and strengths, weaknesses and risks relating to the Undertaking.
- Review strategic options, decide on those to be pursued and the means to implement and support them.
- Determine and review the Undertaking's goals.
- Ensure that the Undertaking's organisational structure and capability are appropriate for implementing the chosen strategies and manage risk and compliance effectively in the Undertaking.
- Ensure that risk and compliance are managed effectively throughout the Undertaking.
- Oversee remuneration practices and shall ensure that the Undertaking has remuneration policies and practices that are consistent with and promote sound and effective risk management.

Delegation to management

The Board delegates certain matters by board resolution, by terms of reference for committees of the Board or by power of attorney to specific individuals to act on behalf of the Board in respect of certain matters. Where the Board delegates authority it shall monitor the exercise of this delegated authority. The Board cannot abrogate its responsibility for delegated authority.

Meetings of the Board, Board working sessions and Board training sessions

The Board meets at least six times per calendar year and at least three times in every six month period.

All directors attend Board meetings in person unless they are unable to do so due to circumstances beyond their control (e.g. illness). However, where physical presence is not possible, directors may attend by teleconference or video-conference. In the event of the absence of the Chair, an independent non-executive director chairs Board meetings.

Board working sessions and Board training sessions are scheduled regularly to discuss key developments, projects and initiatives. The aim of these sessions is to provide the Board with the opportunity to explore, at an early stage, topics which will be presented at a future Board meeting for consideration.

All Board meetings are arranged through the Company Secretary and the Chair. Minuting of all Board meetings follow the Board/Committee minute review process in line with the Manual.

B.1.3 Role of directors

The role of the independent non-executive director

As an integral component of the Board, independent non-executive directors represent a key layer of oversight. It is essential for independent non-executive directors to bring an independent viewpoint to the deliberations of the Board that is objective and independent of the activities of the executives.

The role of the executive director

The role of the executive director includes to propose strategies to the Board and, following Board scrutiny, to execute the agreed strategies to the highest possible standards.

Responsibilities of all directors

All directors are responsible for the following:

- ensuring that there is an effective executive team in place;
- participating actively in constructively challenging and developing strategies proposed by the executive team;
- participating actively in the Board’s decision making process;
- participating actively in committees of the Board; and
- exercising appropriate oversight over execution by the executive team of the agreed strategies, goals and objectives and to monitor reporting of performance.

B.1.4 Matters reserved for the Board

Strategy and Management

- Responsibility for overseeing the management of the Undertaking.
- Approval of the Undertaking's long term objectives and business strategy; and review of performance in light of strategy.
- Approval of all relevant Undertaking policies and MetLife Group policies where they apply to the Undertaking.
- Decisions to extend the Undertaking's activities into new business or geographic areas.
- Decisions to cease to operate all or any material part of the Undertaking's business.
- Decisions to vary the Undertaking's strategy for meeting the policyholder liabilities.

Structure and Capital

- Reviewing and approving the Undertaking's financial plans.
- Approval of changes relating to the Undertaking's capital structure, including share issues, reduction in capital, loan capital and gifts of capital.

Financial Reporting and Controls

- Approval of the annual report and accounts.
- Approval of the annual regulatory return to the CBI.
- Approval of significant changes in accounting policies and practices.
- Approval of dividends.
- Approval of the external auditor's fees.

Internal Controls

- Responsibility for setting and overseeing the establishment of an adequate and effective internal control and risk management systems, including approval of the internal audit plan.
- Receiving reports from the audit and risk committees on, and reviewing effectiveness of, the Undertaking's risk and control processes.
- Approval of the Risk Management Framework.
- Approval of the ORSA process.

Non-insurance Contracts

- Approval of capital projects.
- Approval of acquisitions, mergers or disposals.
- Approval of material contracts by nature or amount entered into by the Undertaking in the ordinary course of business (e.g., acquisitions or disposals of fixed assets). Note: Material includes, but is not limited to, consideration over €7,500,000 (or €5,000,000 net of reinsurance, per matter).
- Approval of new bank borrowing facilities.
- Approval of all investment transactions reserved for the Board in the investment policy.

Board Membership and other Appointments

- Other than where the shareholder exercises the right, appointment and removal of directors.
- Approval of changes to Board structure, size and composition.
- Appointment and removal of the Chair.
- Appointment and removal of the Company Secretary.
- Appointment, reappointment and removal of the external auditor.
- Appointment and removal of Chair and members of committees of the Board.
- Appointment and removal from office of the CEO or the Head of a Controlled Function.

Remuneration

- Review the remuneration structure for employees of the Undertaking in line with the risk strategies of the Undertaking.

Delegation of Authority

- Maintain oversight of all committees of the Board including approval of the terms of reference.
- Review information from committees of the Board on their activities.
- Approval of Undertaking's authorised signatories.
- Authorising individuals to grant powers of attorney.

Corporate Governance

- Review and approval of the Undertaking's overall corporate governance arrangements.
- Consider balance of interests between shareholders, employees and customers.
- Undertake a formal annual review of its own performance, that of its committees and that of individual directors.

Compliance

- Approval of the compliance monitoring programme.
- Responsibility for review and monitoring of Treating Customers Fairly (TCF) across the business.

Other

- Approval and settlement of material litigation matters.
- Approval of schedule of matters reserved to the Board.
- Any decision likely to have a material impact on the Undertaking from any perspective, including, but not limited to, financial, operational, strategic or reputational.

B.1.5 Role of CEO

The Board appoints a CEO.

The CEO is the most senior executive officer and has ultimate executive responsibility for the Undertaking's operations, compliance and performance. The CEO is a director of the Undertaking. The CEO is the main link between the executive and the Board. The CEO has certain authorities delegated to him by the Board.

In conjunction with the Chair of the Board, the CEO is responsible for agreeing the remuneration of the independent non-executive directors.

The Executive Management is responsible for the day to day running of the Undertaking and is led by the CEO.

B.1.6 Board committee structure

The purpose of a committee of the Board is to provide more detailed oversight of particular areas of the Undertaking's activities.

The Board has oversight of all committees of the Board and ensures and documents that all members of any committees of the Board have the necessary skills, knowledge, expertise and time to fulfil that role. Minutes of all committees of the Board are distributed to the Board either at a Board meeting or via Board Vantage. The Board documents and provides any necessary training to those members to ensure they have, and maintain, the necessary skills and experience.

The current committees of the Board are:

- Audit Committee;
- Risk Committee;
- Investment Committee; and
- Nomination Committee.

The Audit Committee

The purpose of the Audit Committee (AC) is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, internal controls and the independence and effectiveness of internal and external audit.

The role of the AC, its membership, frequency of meetings and reporting requirements are set out in the Terms of Reference of the AC as approved by the Board.

The Board Risk Committee

The Board Risk Committee (BRC) is responsible for oversight and advice to the Board on the current risk exposures of the Undertaking and its future risk strategy. The BRC advises and makes recommendations to the Board on the following:

- risk appetite and tolerance for future strategy (taking into account the Board's overall risk appetite, the current financial position of the Undertaking and, drawing on the work of the AC and the external auditor, the capacity of the Undertaking to manage and control risks within the agreed strategy);
- the system and programme of risk management with the aim of identifying, measuring, controlling and reporting risks;
- the alignment of strategy with the Board's risk appetite; and
- promoting and embedding a risk awareness culture within the Undertaking.

The BRC also oversees the risk management function.

The role of the BRC, its membership, frequency of meetings and reporting requirements are set out in the Terms of Reference of the BRC as approved by the Board.

The Investment Committee

The purpose of the Investment Committee (IC) is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the oversight of investment management for the Undertaking.

The role of the IC, its membership, frequency of meetings and reporting requirements are set out in the Terms of Reference of the IC as approved by the Board.

The Nomination Committee

The purpose of the Nomination Committee (Nom Co) includes to:

- Make recommendations to the Board on all new appointments of both executive and non-executive directors; and
- Be involved in succession planning for the Board, bearing in mind the future demands on the Undertaking and the existing level of skills and expertise.

The role of the Nom Co, its membership, frequency of meetings and reporting requirements are set out in the Terms of Reference of the Nom Co as approved by the Board.

B.1.7 Main roles and responsibilities of key functions

This section details the roles and responsibilities of the four mandatory 'key functions' of Internal Audit, Compliance, Risk Management and the Actuarial function.

The role of Head of Internal Audit

The Head of Internal Audit reports to the Chair of the Audit Committee. The Head of Internal Audit is responsible for:

- leading the performance of all audit activities across the Undertaking;
- providing input and challenge to management regarding the effectiveness of risk management and internal control processes across the Undertaking;
- evaluating the design and operating effectiveness of the Undertaking's policies and processes;
- performing consulting and advisory services related to governance, risk management and control processes;
- developing, presenting and executing appropriate risk-based audit plans in accordance with MetLife's global audit methodology, including presenting quarterly plans for review and approval by the Audit Committee;
- providing timely reports to the Audit Committee regarding the outputs of planned audit activities, including progress against agreed management action plans;

- attending, presenting at, and issuing reports to the appropriate governing bodies, including the Audit Committee, the BRC and other committees as appropriate;
- providing the Audit Committee and the broader management team with an understanding of Internal Audit's methodology and approach;
- ensuring that the Internal Audit team is appropriately resourced in terms of skills and experience to undertake planned audit activities;
- assisting the Audit Committee in meeting its fiduciary responsibilities;
- maintaining open, constructive and cooperative working relationships with regulators, including the CBI; and
- developing and maintaining an effective working relationship with the external auditors.

The role of Head of Compliance

The Head of Compliance is a member of the Undertaking's Executive Management and reports to the CEO. The Head of Compliance is the executive officer with primary responsibility for ensuring that the Undertaking remains compliant with applicable laws, requirements and regulations and with the Undertaking's Compliance Policies, Procedures and Programmes.

The role of Chief Risk Officer (CRO)

The CRO is a member of the Undertaking's Executive Management and reports to the CEO. The CRO is a director of the Undertaking. The CRO's primary responsibility is to the Board. The CRO reports to the Board periodically and has direct access to the Chairman. The CRO reports to the BRC on a regular basis. The CRO chairs the Executive Risk Committee.

The CRO is the senior executive officer with responsibility for the risk management function and for maintaining and monitoring the effectiveness of the Undertaking's risk management system.

The role of the Head of Actuarial Function

The Head of Actuarial Function is a member of the Undertaking's Executive Management and reports to the Chief Finance Officer (CFO). The role relates to the delivery of actuarial services to the Undertaking and comprises responsibilities for general management input to the Undertaking, administration of the actuarial function, and statutory duties set out in legislation (subject also to regulation and professional guidance).

Actuarial services includes but is not limited to the determination of technical provisions (for all accounting bases) and required capital, and the provision of advice in relation to capital management, underwriting, reinsurance and investment.

B.1.8 Material changes

Over the reporting period, there were no material changes to the system of governance of the Undertaking.

B.1.9 Remuneration

The Undertaking adopts the remuneration policy and practices determined by MetLife Inc. The Undertaking's Board is responsible for ensuring that in adopting the policy that it is in line with the risk strategies of the Undertaking and that it is consistent with and promotes sound and effective risk management. The Undertaking's Board provides oversight of the remuneration policy and practices and ensures that these do not promote excessive risk taking.

Remuneration Policy

MetLife's compensation program is designed to:

- provide competitive total compensation opportunities that will attract, retain and motivate high-performing employees;
- align compensation plans with its short-term and long-term business strategies;
- align the financial interests of the executives with those of its shareholders through stock-based incentives and stock ownership requirements; and
- reinforce the pay for performance culture by making a meaningful portion of total compensation variable, and differentiating awards based on company and individual performance.

MetLife uses a competitive total compensation structure that consists of base salary, annual incentive awards and stock-based long-term incentive award opportunities.

Variable remuneration for eligible MetLife associates is determined by a combination of grade/seniority, individual performance and Group performance. There are appropriate measures in place to promote prudent and effective risk management and avoid promoting excessive risk taking.

The Undertaking does not provide supplementary pension schemes (i.e. superior conditions for some individuals) or early retirement schemes for members of the Board or other key function holders.

B.1.10 Material transactions with related parties

Material transactions with shareholder

There were no material transactions with related parties during 2019.

All intra group balances and transactions are set out in section A.5.1.

Material transactions with persons who exercise a significant influence on the Undertaking

There were no material transactions with any persons who exercise a significant influence on the Undertaking over the reporting period.

Material transactions with members of the Board

There were no material transactions with members of the Board over the reporting period.

B.1.11 Adequacy of system of governance

The Executive Management and the Board regularly review the adequacy of the system of governance as a whole and in selected areas, to confirm it remains adequate for the Undertaking's needs, and to prioritise areas of improvement. There were no major changes required to the system of governance as a result of these reviews.

B.2 Fit and proper requirements

B.2.1 Fit and proper policy

The Undertaking's Fitness and Probity Policy (the Policy) sets out the minimum standards, in compliance with the CBI Fitness and Probity Standards and relevant legislation. It is there to ensure that a person, who is known as a 'Responsible Person', has the necessary qualities and competencies in order to allow him/her to perform the duties and carry out the responsibilities of his/her position within the Undertaking. The qualities and competencies relate to the integrity demonstrated by a Responsible Person in personal behaviour and business conduct, soundness of judgement, a sufficient degree of knowledge and experience and appropriate professional qualifications.

Compliance with the Policy is mandatory for the Undertaking and its branches. Specifically, the Policy sets out and describes the approach for assessing and monitoring individuals' fitness and probity.

Definitions

- Pre-Approval Controlled Functions (PCFs): The specific Controlled Functions (CFs) are set out in Schedule 2 of the Regulations. Persons appointed to a PCF must be approved in writing by the CBI, prior to their appointment.
- CFs: Specific functions as set out in the Regulations. Persons performing these functions include the persons who exercise a significant influence in the affairs of the Undertaking, monitor compliance or perform functions in a customer facing role. In determining whether an individual is performing a CF, the Undertaking assesses the role and responsibilities of the person in line with the relevant regulatory requirements.
- Regulations: Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011 as amended.
- Responsible Person: Any person performing one or more CF role.

Assessment of fit and proper

The Undertaking does not permit a person to perform a CF unless it is satisfied on reasonable grounds that the person complies with the standards described below and has obtained confirmation from the person that he/she agrees to abide by the standards.

The standards provide that a Responsible Person must be:

- Competent and capable;
- Honest, ethical and act with integrity; and
- Financially sound.

The Undertaking has in place appropriate procedures to maintain a register of all Responsible Persons (the Register) and a record of all due diligence undertaken in respect of such Responsible Persons.

Notification is made to the CBI (to the extent required) following any change to the Register arising either from the appointment, resignation, retirement, removal or material change in the responsibilities of a Responsible Person's role.

The notification to the CBI is carried out by Compliance following a review of the fit and proper assessment and completion of an individual questionnaire, if required based upon the event in question.

Fitness criteria

In determining a Responsible Person's competence and capability for performing their role, assessments may include, but will not be limited to:

- Whether the person satisfies the relevant training and competence requirements, which may be satisfied by evidence of qualifications (e.g. diplomas, degrees and professional memberships) and capability appropriate to the corresponding position description.
- Whether the person has demonstrated by experience that they are able, or can reasonably be expected to be able, to perform the intended function. Employment and reference checks may be used to establish such ability.

Probity criteria

In determining a Responsible Person's honesty, integrity and reputation for performing his/her role, the following factors may be considered, among others:

- Has the person been convicted of any criminal offence, whether or not presently of record; (particularly relevant being any offence involving dishonesty, fraud, financial crime or other offences under legislation relating to companies, building societies, industrial and provident societies, credit unions, friendly societies, banking and or other financial services, insolvency, consumer credit companies, insurance, and consumer protection, money laundering, market manipulation or insider dealing)?
- Has the person had any adverse finding against him/her or settlement in civil proceedings, particularly in connection with investment or other financial business, misconduct, fraud or the formation or management of a body corporate?
- Has the person had personal involvement in any investigation or disciplinary proceeding resulting in sanction or adverse finding with any requirements or standards of any supervisory bodies/ regulatory authorities, clearing houses and exchanges, professional bodies, or government bodies or agencies?
- Has the person been involved as a Responsible Person with a company, partnership or other organisation that has been refused registration, authorisation, membership or a licence to carry out a trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated, or has been expelled by the CBI or government body or agency?
- Has the person been refused the right to carry on a trade, business or profession requiring a licence, registration or other authority as a result of the removal of the relevant licence or registration?

- Has the person served as a director, partner, or chief executive of a business that has gone into insolvency, liquidation or administration while personally connected with that organisation or within one year after that connection?
- Has the person been investigated, disciplined, censured, suspended or criticised by a supervisory body/regulatory authority, professional body, government body or agency, a court or tribunal, whether publicly or privately, with which such Responsible Person has been involved?
- Has the person been dismissed or resigned, upon request, from employment or from a position of trust, fiduciary appointment or similar capacity while holding a position as a Responsible Person?

The aforementioned criterion will be considered in relation to a person's ability to perform the relevant CF. In addition, checks to ensure compliance with laws and regulations must include appropriate legal review.

Frequency of Assessment

A person proposed to perform a CF will be assessed prior to appointment and before any contract is signed.
All Responsible Persons will be reassessed on an annual basis as set out in the Undertaking's Human Resources (HR) procedure documents and in accordance with the relevant legislation. Notwithstanding the above, if a Responsible Person becomes aware of a material change in his/her circumstances that could affect his/her fit and proper assessment, he/she is required to notify the Head of HR without delay.

B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

B.3.1 Risk management structure

The Risk Management Framework (the Framework) sets out the approaches to risk management and structure to be followed by all associates in their capacity as executives, management and staff.

The key objectives of the Framework are to:

- Promote a strong risk culture in the Undertaking, rooted in the Undertaking's purpose and values, in particular customer protection;
- Ensure consistent, systematic management of risks across all businesses, operations and risk types; and
- Enable decision makers to direct the Undertaking's resources to attractive business opportunities that are within the Board's risk appetite.

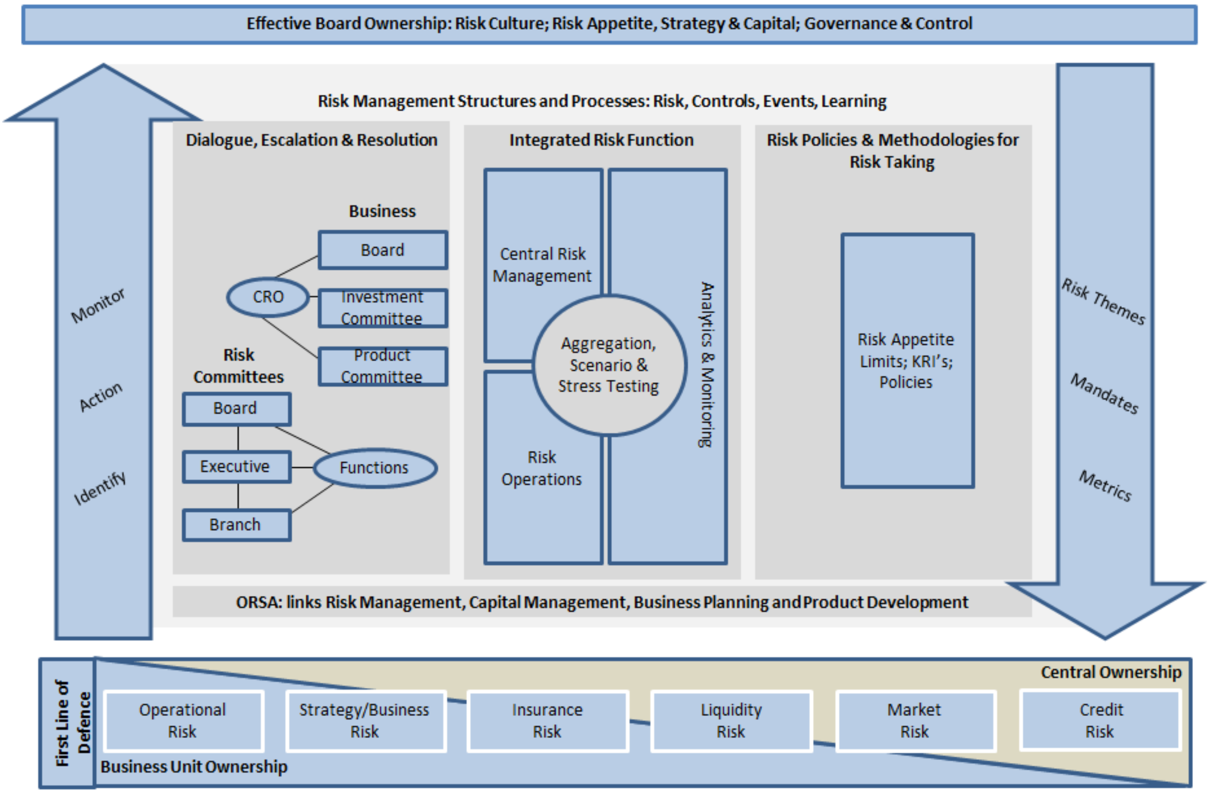
Scope and application

All business activity and decisions are made in the context of, and in compliance with, the Framework, which should also be read in the context of the Undertaking's Risk Strategy and Appetite and associated policies. Every associate is sufficiently familiar with the Framework as is relevant to their role, and exercises sound judgement to act within the Framework in their daily work. It is the responsibility of management to ensure that they have the capability, resources and knowledge to operate within this Framework and exercise their duties under it.

Risk governance

In its mandate to support MetLife Group's strategy in Europe, the Undertaking is active in diverse segments, markets and products. Decisions are made and implemented across borders; and business environments are the result of, for instance, different histories as the Undertaking has integrated other entities. The Framework is designed to facilitate, on an ongoing basis, the systematic management of risks consistent with this specific situation, by integrating risk management into business practices and decision mechanisms at the appropriate levels of the Undertaking.

Figure: The Elements of the Undertaking's Risk Management Framework



The Board owns the Undertaking's Risk Appetite and Strategy. In defining this, consideration is given to the existing and potential opportunities to develop and grow the business, and the Undertaking's capacity to absorb losses. In addition, as part of MetLife Group, the Undertaking's risk appetite takes strategic direction from MetLife's 'Enterprise Risk Appetite', as defined by the MetLife Inc. board, and cannot go beyond it in any dimension.

The Undertaking adopts the 'three lines of defence' governance model to ensure that the overall risk profile of the Undertaking remains within the risk appetite as mandated by the Board. The Undertaking's "three lines of defence" have independent reporting lines into the Board, and provide the Board with the assurance of strong governance and controls for every decision that impacts the risks the Undertaking faces.

The first line of defence

The managers of all business and operations areas, as the first line of defence, are responsible as risk owners for ensuring that all risks in their respective areas and any relevant interfaces with other areas are justified by business goals, and that all risks are appropriately managed and controlled within the Framework. In particular, it is the responsibility of the relevant department manager to identify, measure, manage, monitor and report all risks in an area according to the Framework and the Risk Appetite and Strategy.

The Finance Function is key to risk measurement. It measures and monitors financial valuations, flows and projections; ensures appropriate accounting procedures and authorities; and regularly reports to the Board. The Head of Actuarial Function regularly reports independently on valuation assumptions and uncertainties.

The second line of defence

The Risk Management, Compliance and IT Risk and Security Functions fulfil the second line of defence, advised by the Legal Function, by providing the enterprise-wide, comprehensive and consistent systems, techniques and processes to aggregate, assess and limit the risks the Undertaking faces across different areas. In particular, the Risk Function utilises risk quantification models such as Economic Capital, recommends risk appetite and limits, and provides support in the management of key risks.

The third line of defence

Internal Audit provides independent assurance over the strengths of controls as the third line of defence. Internal Audit examines and evaluates the adequacy and effectiveness of controls with a risk-based focus, and performs special reviews and investigations as directed by the Audit Committee and Executive Management.

Dialogue, escalation and resolution

A number of interacting committees provide the structure for the dialogue regarding risk exposures. This includes escalation of risks that cannot be managed within a confined area of the organisation and resolution of conflicts between different decision makers, in particular where questions of risk appetite are concerned.

At an executive level, the Undertaking has established the following committees: the Executive Management Committee (EMC), the Executive Risk Committee (ERC) and the Product Management Committee (PMC); and in each branch, there is a Branch Executive Committee (BEC) and a Risk, Audit and Compliance Committee (RACC). There are also RACCs specifically for the FOS Business (FOS RACC) and the Head Office functions (HO RACC).

Executive Risk Committee (ERC)

The ERC reports regularly to the BRC and is chaired by the CRO. The ERC monitors and reports to the BRC the current overall risk profile, key risks and risk metrics, including the solvency position of the Undertaking, and its dynamics, against the Board's stated risk appetite. It steers the operation of the Risk Management Framework and monitors, reviews and makes recommendations to management relating to risk issues facing the Undertaking. The ERC also makes recommendations to the BRC regarding risk appetite, policies etc. and also sets technical limits in line with the approved risk appetite.

Risk, Audit and Compliance Committees (RACCs)

RACCs report into the ERC and are established for each branch, the FOS business, and the HO functions, to review and approve the identification and assessment of all risks, losses, issues and near misses within its remit; approve the relevant controls and action plans, for existing and new businesses, product and distribution arrangements; and to provide general oversight to risk management within its area. The RACCs also monitor and review the metrics assigned to them for monitoring by the ERC. RACC meetings are scheduled to ensure timely information flow between the RACCs and the ERC.

One of the branch/FOS RACCs' primary responsibilities is to identify, monitor, assess and manage Operational and Conduct Risks, where the RACC ensures that these can be suitably integrated into the Undertaking-wide risk management programme. For Insurance Risks, Credit Risk, Market/Asset Liability Management (ALM) Risks and Liquidity Risk, the branch RACC supports the identification and monitoring in particular of exposures linked to products and distribution arrangements.

The branch general managers have a leading role in each RACC (and the Head of Operations in the HO RACC) in ensuring high-quality meetings through their example and authority. The RACC should be chaired by a person nominated by the CRO.

Other Committees

Reserving Committee

The Reserving Committee is a sub-committee of the Audit Committee and reviews the basis of Solvency II reserving, including assumptions and methodology. The CRO chairs the Reserving Committee.

Management Reserving Committee

The Management Reserving Committee was established in July 2019 as a sub-committee of the Reserving Committee to provide a forum for discussion of actuarial matters by executive leaders prior to submission to the Reserving Committee. The CRO chairs the Management Reserving Committee.

Product Management Committee (PMC)

The PMC assists the executive function of the Undertaking in relation to the creation and ongoing review of the Undertaking's products and reinsurance programmes. While not a 'Risk' committee, the PMC plays an important 'first-line' role in the approval of products, oversight and governance of the suite of products and the management of product related risks, in particular insurance risk but also credit and market/ALM risks originating from product features.

The CRO is a member of the PMC.

Reinsurance Committee

The Reinsurance Committee is a sub-committee of the PMC. The purpose of the Reinsurance Committee is to maintain oversight of the Undertaking's reinsurance operations and to assist the PMC in relation to any reinsurance arrangements to be entered into (including any amendments) or terminated by, or on behalf of, the Undertaking.

Executive Management Committee (EMC)

The CRO is a member of the Undertaking's EMC, where the Undertaking's strategic direction is decided, and its implementation is monitored.

Branch Executive Committee (BEC)

Each branch has a BEC which is chaired by the branch general manager, and together with the RACC forms part of the primary governance structure for each branch. Other working or steering groups may be established, however these should be concentrated on operational matters, with key decisions in terms of governance being referred to the BEC and RACC, as appropriate.

The branch risk manager is a member of and/or attends the BEC, which is responsible for ensuring that the branch establishes and maintains such systems and controls as are appropriate to its business. In particular, the BEC, together with the RACC, ensures the effective implementation of risk and compliance management within the branch. Under specific circumstances, the CRO can temporarily approve an alternative branch executive to represent risk management in the BEC.

Risk Management Function

The Risk Function operates an enterprise-wide, comprehensive system to identify, aggregate, measure and report risks across the Undertaking, and assesses how the full range of risks and their interaction impact the Undertaking's aggregate solvency, liquidity, earnings, business, customers and reputation.

The Risk Function leverages MetLife's Group Risk Management Function for the challenge and support, and escalates risks and issues as required.

Activities of the Risk Function

The Risk Function carries out the following key activities:

- Risk Monitoring and Analytics.
- Risk Governance and Reporting.
- Embedding of the Risk Management Framework in the business units (branches and FOS business).
- Operational risk management processes, e.g. management of the risk register.
- Leading the ORSA process, analysis and reporting.

Risk policies and methodologies

The Board approves policies and other documents providing binding direction and guidance used in the Undertaking to regulate risk exposures. All business activity and decisions in which an element of risk is present must be taken in the context of, and in compliance with, the Risk Strategy and Appetite document and such further policies.

It is the responsibility of all relevant individuals to be familiar with the contents of the policies, where appropriate, and to exercise sound judgement to act within the policies in their daily work.

The policies are to be adhered to in all circumstances. Implementation of the policies and monitoring of ongoing compliance is primarily the responsibility of the Heads of Function and is overseen by the relevant committee. In particular, policy breaches should be reported to the ERC, and as appropriate to the BRC and Board.

Risk Management policies are developed where necessary to regulate the management of specific risks and provide a consistent Framework for the management of risk in line with Risk Strategy and Appetite, and should be read and reviewed in the context of Risk Strategy and Appetite. They establish minimum standards, allocate responsibilities to ensure that these standards are upheld, and articulate the Undertaking's approach to risk management for a risk type, the key risk management processes, detailed limits, the governance approach, and reporting requirements.

The Board reviews the risk policies at least annually, amending them to reflect current best practice and changes in regulatory requirements. In the annual review process, each policy is reviewed with and by the Undertaking, with the appropriate challenge from the Risk Function. Any material change is not effective until approved by the Board either directly or via the BRC.

Following approval, the Risk Function circulates the Risk policies and communicates changes with the business. The Risk Function intranet page is a central location from which all Business Functions, including branches, can access the Risk policies. Approved policies are presented to the RACCs for noting and implementation. On a quarterly basis, the RACCs monitor and challenge the implementation of appropriate Risk policies within the Undertaking to ensure ongoing compliance.

B.3.2 Risk strategy and appetite

The Undertaking’s risk appetite is set in the context of both its overall business objectives and its risk strategy. The Undertaking takes certain financial and insurance risks as a strategic objective, but as a consequence of its activities is also exposed to operational and other risks. The Board is responsible for the Undertaking’s overall risk profile, and in particular sets the risk appetite.

The Risk Appetite is operationalised through quantitative limits set out in the appendices of the Risk Strategy and Appetite policy. These limits define both the medium-term risk appetite, and the range for permissible deviations over the short term. Further risk limits and guidelines on how to comply with risk appetite in each class are set out in the respective individual risk policies (Credit, Market, Liquidity, Insurance and Operational).

Management is responsible for defining the metrics in line with the business and the risk appetite set out in the Risk Strategy and Appetite. The ERC is responsible for approving any changes in the metrics that are proposed in between scheduled reviews. Any such approved changes are notified to the BRC and the Board. Additional limits can be set by agreement between the respective risk owners and the CRO.

Risk management strategies by category of risk

The material risks to which the Undertaking are exposed are insurance risk, credit risk, market risk, liquidity risk, operational and business risk and strategic risk.

Credit risk

The Undertaking is exposed to credit risk, i.e.:

- Another party’s failure to perform its financial obligations to the Undertaking, including failure to perform them in a timely manner (default risk);
- Increasing doubts over another party’s ability to meet its financial obligations (migration risk); or
- Increases in the discounts markets apply to the value of obligations with default risk (spread risk).

Credit risk of the Undertaking’s cash deposits, general-account investments, and derivative counterparties is managed by the Undertaking’s Treasury and Investment Functions, and overseen by the Investment Committee. The credit risk of reinsurance counterparties and where product design creates credit exposure on separate-account assets is managed by the Finance Function and overseen by the

Reinsurance Committee and PMC. The credit risk of other counterparties, such as distributors, large clients etc. is the responsibility of the respective business unit and where material to the Undertaking's risk profile is overseen by the appropriate Risk Committee on an exception basis.

Market risk

The Undertaking is exposed to market risk, including interest rates due to timing differences of asset and liability cash flows, and basis differences between valuation rates, different currencies, credit spreads, and equity markets on unit-linked books, either indirectly through revenues that depend on the value of investments covering unit-linked policies, or directly through positions held to facilitate policyholder transactions or guarantees provided to policyholders. These risks are identified and assessed as part of the ALM process, in which all balance sheet values are mapped to their relevant market drivers. The Investment Committee oversees the ALM process.

Market risks are primarily mitigated through aligning assets and liabilities, in particular in terms of timing of cash flows and currencies. Exposure to changes in credit spreads is mitigated by investing in a diversified and high-quality investment portfolio. Equity exposures from the book of unit-linked policies are managed through product design and the selection of suitable investment funds, hedging, and re-insurance. The Investment Committee and PMC oversee the management of the Undertaking's market risks.

Liquidity risk

The Undertaking is exposed to liquidity risks where it is obliged to settle liabilities at short notice, and is unable to liquidate assets or only with very significant haircuts. Given the long-term nature of its business, there are only very few areas in which liquidity risk can arise. These risks are mitigated by investing in a diversified, high-quality, liquid investment portfolio and a strong forecasting process. This process identifies liquidity needs in both stressed and non-stressed market conditions.

Liquidity risk management is managed by Treasury and overseen by the Investment Committee.

Insurance risk

The Undertaking is exposed to unanticipated fluctuations in the timing, frequency and severity of insured events relative to expectations, arising, for instance, from mortality, morbidity, longevity, or policyholders' exercise of options.

These are identified and assessed as part of the product development process, in which appropriate underwriting, sales and administrative conditions are defined for all risks associated with the insurance policies over their whole life cycle.

The branches develop insurance products and underwrite risks in line with approved standards. Each insurance class needs to be approved by the Board prior to any business being underwritten. The Board can delegate its authority to approve products to management if they do not have the potential to change the Undertaking's risk profile materially. The Undertaking's aggregate insurance risk is overseen by the PMC.

Operational and business risk

Operational risk arises from unexpected loss due to inadequate or failed internal processes, people and systems, or from external events (including legal risk). Specifically, conduct risk relates to losses, typically from supervisory intervention, caused by misconduct in the insurance market, such as mis-selling or product design that is unsuitable for the intended client.

Business risk is the possibility a company will have lower than anticipated profits, influenced by numerous factors, including sales volume, lapses, sales and maintenance costs, competition and achievable margins.

Operational and business risk is intricately tied to the overall management of a business and is therefore the responsibility of each business unit. Operational risk also arises in the Undertaking's HO functions, such as Finance, Actuarial, etc. Each function is responsible for the management of operational risk in their respective area. The Risk Management Function provide oversight as part of the Risk and Control Self Assessment (RCSA) process.

Strategy Risk

Strategy Risk is defined as failure of elements of a chosen strategy, leading to financial loss or foregone expected profits. A particular aspect of Strategy Risk is a withdrawal of capital and liquidity sources that the Undertaking relies upon in the execution of its strategy. Strategy risk is primarily owned in each business unit, and the Undertaking's Executive Team owns the risk of the Undertaking's overall strategy.

B.3.3 ORSA

ORSA Process

The ORSA is a bespoke strategic analysis which links together all pillars of Solvency II and all areas of the Undertaking. It enables the Board to understand the risks faced, and how they translate into capital needs or alternatively require mitigation actions.

The ORSA process is an ongoing and continuous process, of which the annual report is a complete board-level roundup at a point in time providing a meaningful and useful report to the Board. The results of the ORSA process and the insights gained in the process provide input into risk management, long-term capital management, business planning and product development and design and allow the Undertaking to:

- Assess the link between the Undertaking's Risk Management Framework, business plan, risk profile, and capital planning, including dividend payments.
- Understand the level at which the Risk Management Framework influences the decision making process.
- Establish the ORSA as a tool that allows the identification, measurement, management, monitoring and reporting of risk, which is embedded in the Undertaking's management processes, under the direction of the Board.
- Provide insight into the development of the balance sheet and the drivers of volatility.
- Confirm appropriate risk appetite limits, including the normal operating range for capital.
- Inform commercial decisions and assess key projects and solutions to meet customer needs.
- Describe the approach by which the Undertaking meets all relevant regulatory requirements in relation to stress testing and scenario analysis.
- Assess the Undertaking's overall solvency needs prospectively, providing analysis of the Undertaking's ability to remain a going concern.
- Monitor compliance with regulatory capital requirements on a continuous basis, allowing for changes in risk profile and stressed conditions, and the quality and loss absorbing capacity of own funds.
- Produce results that are integrated into long term capital planning, own funds allocation, business planning, product development and design, and governance.
- Describe the approach by which the Undertaking incorporates all key results and findings from stress testing and scenario analysis into the capital management and planning approach and business decision making approaches.

The ORSA process is a continuous cycle of assessment and is significantly dependent on the key interactions between the processes (i.e. business planning and stress testing) in order to obtain the results which provide senior management and the Board with comfort that there are adequate solvency levels, i.e. the regulatory capital requirements are achieved and within the risk tolerance limits.

The Board are heavily engaged with the ORSA process at all stages. Key stages of the Board's involvement in the ORSA process are as follows:

- Early in the year, the Board reviews the ORSA Board engagement plan for the year and agrees the stress and scenario tests;
- Over the course of several meetings during the year, the Board reviews the overall solvency needs output, including information on the risk profile, the draft solvency projections, the assessment of the appropriateness of the standard formula and the own view of capital. During these sessions, the Board engages in active challenge of the results, which may include

requesting further analysis, stress tests and scenarios, investigation of management actions or specific information to be added to the ORSA report;
- Towards the end of the year, the Board reviews the final ORSA report for approval. At the end of each ORSA cycle a “lessons learned” exercise takes place to identify any potential improvements to be applied to future ORSA cycles.

The ORSA process is overseen by the Executive Risk Committee. The quantitative output is prepared by the ORSA Process Delivery Team, which includes representatives from multiple teams across Finance, Actuarial and Risk. Various other functions and Subject Matter Experts across the organization also provide inputs to the ORSA process.

The ORSA process captures all the material risks that the Undertaking faces or may face in the future that may impact meeting its obligations. The business planning process feeds directly into the ORSA. The business plan links to capital management and solvency is stressed to ensure robustness over a five year horizon.

Material risks identified within the ORSA process for which it is not considered appropriate to hold a capital buffer are addressed by identifying contingency plans.

Risk Appetite forms a key part of the ORSA providing a link between the capital and risk management processes. It underpins the management and monitoring of key risks and helps shape management information and executive decision making. The Undertaking's overall solvency needs are assessed taking into account the Undertaking’s specific risk profile, approved risk tolerance limits and business strategy. This assessment represents the Undertaking’s own view of its risk profile and capital needs and other means needed to appropriately address these risks.

The ORSA process is conducted in its entirety at least annually and without delay following any significant change in the risk profile of the Undertaking and this is reviewed and approved by the Board following the recommendations of the BRC. There will be certain events that may require the process to be run on an ad hoc basis. Such events may follow from internal decisions and external factors.

The Undertaking has processes in place to ensure that the required documentation is produced to an appropriate standard. For each ORSA, the ORSA guidelines require three reports - a record of the ORSA process, an ORSA internal report and an ORSA supervisory report are produced. A single report may be produced to meet the requirements of the three reports. Supplementary documentation may be produced to support the official record and provide additional information to internal stakeholders.

In the last reporting period, the Undertaking did not perform any ad hoc ORSAs.

Own Solvency Needs

The Undertaking determines overall solvency needs taking into account the Undertaking’s specific risk profile, approved risk tolerance limits and business strategy. This assessment represents the Undertaking’s own view of its risk profile and capital needs and other means needed to appropriately address these risks.

The Undertaking expresses the overall solvency needs in quantitative terms and complements the quantification by a qualitative description of the risks. Within this process, the Undertaking carries out the following:

- Identifies the Undertaking's specific risk profile taking into account the approved risk tolerance limits and business strategy and external environment.
- Performs an assessment of the appropriateness of the Standard Formula (SF).
- Subjects the balance sheet and the identified risks to a range of stress test/scenario analyses to provide an adequate basis for the assessment of the overall solvency needs. This assessment is forward-looking and covers separately each year of the business planning period. The scope of the stress tests, reverse stress-tests and scenario analyses is compatible with the principle of proportionality, having regard to the nature, scale and complexity of the Undertaking’s business.

- Prepares contingency plans to address material risks that if they were to happen could have a significant impact on the solvency position or viability of the Undertaking.

The above process undertaken ensures that the capital management activities and the risk management system are interlinked and that all key decision making processes are aligned with the ORSA process.

The ORSA assessments to date indicate that the Undertaking is adequately capitalised.

B.4 Internal control system

B.4.1 Internal controls

The Undertaking's Control Framework promotes the importance of having appropriate internal controls and ensuring that all associates are aware of their role in the internal control system. The Control Framework sets out clear standards for the design, operation, validation and oversight of the system of Internal Control. It defines how effective internal control is achieved through joint responsibilities of the general managers and the Heads of Functions.

The Control Framework defines control activities as the policies and procedures that mitigate the Undertaking's risks to the expected level. Control activities can be preventative, corrective, detective or directive, and include a range of activities as diverse as authorisations, segregation of duties and required approvals, verifications, reconciliations, reviews of operating performance, documentation, and security of assets.

All key controls are registered with the associated risks in the Undertaking's risk register, and managed as part of that process to validate their effectiveness and address identified weaknesses. Ongoing monitoring occurs in the ordinary course of operations.

Both the Heads of Functions and the branch general managers have visibility of the control effectiveness and any deficiencies in their areas. The scope and frequency of independent validation depends primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies including loss events and near misses are reported, with material incidents escalated to the relevant Risk Committee.

B.4.2 Key procedures

The Undertaking's control environment comprises an extensive catalogue of controls that are defined for each function, and include the following:

Control Name	Description
Approval and Authorisation	Approval/authorisation is the confirmation or sanction of employee decisions, events or transactions based on a review by the appropriate management personnel.
Business Resumption	Controls that ensure that business operations can resume in the event of disaster or IT outage. These controls include Business Continuity (BCP) and Disaster Recovery (DR) Planning, BCP/DR Testing, system back-up and data retention.
Code of Accounts Structure	Controls to ensure that the design of the general ledger or subledger account codes assists in minimising errors and allow for effective data capture and reporting.
Documentation	Controls are in place ensuring decisions, exceptions, transactions, and other events are substantiated through documentation. This control includes confirmations, notices and/or disclosures that are required to be sent to clients on a periodic or annual basis.

Control Name	Description
Hiring/Selection	The hiring and selection process includes a due diligence and escalation process in connection with information received as a result of a background check conducted on an individual candidate who is seeking registration, appointment or a license with the Undertaking.
Input Form Design, Edits, and Validations	Controls that ensure the completeness, accuracy, and/or integrity of data input into information systems. These controls include business rules built into the design of system interfaces to reduce the probability of data input errors, (e.g. required fields, acceptable values, etc.), input data validation against known or expected values (e.g. tolerances etc.), or verifying the integrity and origin of data (e.g. digital signatures, hard-copy signatures etc.)
Physical Safeguarding Mechanisms	Controls that protect the Undertaking's assets through direct measures such as locks on doors, bars on windows, use of safes to secure valuables, and other similar techniques.
Policies & Procedures	There are policies and procedures describing the Undertaking's policies for operation and the procedures necessary to fulfill the policies. There are also reference aids or resources available which employees can refer to assist them in fulfilling their job responsibilities.
Process Monitoring	Management monitoring controls that ensure business processes within the Lines of Business meet their business objectives. These controls may include reviewing transaction error reports, reviewing compliance with applicable laws/regulations (e.g., monitoring the status of claims to ensure turnaround times comply with regulatory time standards), conducting quality assurance reviews, rejecting duplicate transactions, financial statement reviews, etc.
Reconciliations/ Comparisons	Control techniques that ensure that two or more data sets/elements match, for example reconciling bank accounts, comparisons of subledger totals to control accounts, comparisons of data transfer record counts, etc.
Segregation of Duties	Controls segregating tasks or processes to reduce the risk of accidental errors and/or fraud.
Strategic Monitoring and Governance	Management monitoring controls that ensure Lines of Business meet their strategic objectives. These controls include short and long-term range planning, organisational design/staffing, key performance indicator reviews, risk management, enterprise architecture, data governance, knowledge management, etc.
System Access Approval and Monitoring	Controls are in place over the authorisation, identification and authentication of associate access to IT Resources. Minimally, access to systems or data is formally approved and access is periodically reviewed for appropriateness.
System Change Control	Controls are in place to ensure changes to IT systems are reviewed to ensure they meet the needs of the Undertaking, perform as expected, and do not create security vulnerabilities. These controls could include unit testing, performance testing, user acceptance testing, vulnerability testing, etc.
System Data Encryption	Controls are in place to ensure sensitive data is encrypted in Undertaking systems. Encryption controls and other methods of safeguarding data are used in at-risk IT assets such as laptops, smart phones/blackberry's and back-up tapes to prevent unauthorised data access and/or disclosure of confidential or sensitive information.
System Monitoring and Response	Controls that ensure the technology environment is monitored for security incidents, processing abends, system outages, etc. and that appropriate actions are taken based on the results.
System Security Configurations	Security configurations at the software, infrastructure, hardware, or network layers that ensure the confidentiality of data.
Third-Party Monitoring	Controls that ensure that third-parties are operating in accordance with agreements and contracts and deviations are acted upon by management.

Control Name	Description
Training/Communication	Controls are in place to ensure that employees, at all levels, are provided with training activities that comply with regulatory requirements regarding training on products, services, procedures, rules and standards, as applicable. The organisation has communicated its values and standards to employees, suppliers, customers and other relevant stakeholders. There is a process to update and communicate these standards and related training regularly.
Validity/Existence Tests	Controls that validate the existence of assets. Examples include physical inventory counts to determine that quantities and descriptions of goods and/or supplies on hand are accurate, fixed asset inventories to validate the existence of items represented in the accounts, and other similar processes.

B.4.3 Description of Compliance Function

The Compliance Function is an important part of an effective internal control system and the three lines of defence model. In this regard, the Undertaking is committed to having in place an effective compliance risk management programme (MetLife Compliance Risk Management (CRM) Programme) wherever it does business and is guided by its core values, appropriate rules, structures, processes, training, documentation and controls to help prevent, detect and remediate compliance breaches and deficiencies. The aim of the CRM programme is to help management be reasonably assured that effective processes are in place to ensure adherence to applicable laws and regulations. It also ensures that any compliance issues uncovered by the programme are appropriately addressed and that ownership of the compliance risks and mitigating actions are assigned to business process owners.

The CRM Programme consists of the following key elements:

- Compliance Risk Identification and Prioritisation;
- Compliance Risk and Control Assessments;
- Monitoring and Testing Programme; and
- Policies and Procedures.

The Board has overall responsibility for setting and overseeing compliance arrangements in the Undertaking. Management has responsibility for maintaining compliance with all applicable laws and regulations and the commitment and support of management is an essential component of a successful compliance programme. The core role of the Compliance Function is to standardise, document and provide assurance to the management of the Undertaking, and ultimately to the relevant regulators, that the Undertaking is operating within the letter and the spirit of the legal and regulatory framework. The Compliance Function reports to the Undertaking's Executive Committee/BRC and ultimately to the Board.

The Compliance Function performs the following actions on an annual basis:

- In line with the CRM Programme, identification and assessment of compliance risk, including but not limited to, the completion of compliance monitoring and testing to ensure independent oversight and review of policies and procedures.
- Regulatory Development (in line with the Regulatory Development Policy):
    - Advising senior management, in conjunction with the Legal Function, on compliance with applicable laws and regulations;
    - Assessing the possible impact of changes in the regulatory environment on the operations of the Undertaking.
- Providing an Annual Compliance Plan, including a Testing and Monitoring Plan for approval from the Board.
- Supporting a robust training programme to ensure all staff are fully up to date with and understand all aspects of compliance rules and regulations.
- Reviewing compliance procedures and controls on a regular basis.
- In addition, the Head of Compliance is also responsible for providing compliance oversight of the Compliance Function in all branches of the Undertaking.

B.5 Internal Audit Function

B.5.1 Internal Audit

Internal Audit is an independent assessment group established within the MetLife Group as a service to management and to the Audit Committee of the Board. Its mission is to protect and enhance organisational value by providing risk-based assurance, advice and insight.

Internal Audit's purpose is to provide on-going objective and independent evaluations of the adequacy and effectiveness of internal controls. It may also perform consulting advisory services and special reviews as directed by the Audit Committee and Executive Management.

Roles and Responsibilities of Internal Audit

The scope of Internal Audit includes activities that provide reasonable assurance on:

- Whether internal controls throughout the Undertaking are operating as intended, and they provide reasonable assurance that transactions are executed in accordance with management authorisation, that they are properly recorded, and that assets are effectively safeguarded.
- The financial reporting process used to prepare the Undertaking's statutory and GAAP financial statements is operating effectively.
- Whether the management reporting system provides reliable and timely information.
- Departments are in compliance with Undertaking policies and procedures.
- The organisation's risk management processes are effective.
- New key systems and procedures prior to implementation or when there is a major change in an existing key system.
- The risk exposures relating to the organisation's governance, operations, and information systems regarding the achievement of the organisation's strategic objectives.

Internal Audit is also involved in:

- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation, so long as performing such services does not impede the basic tasks and responsibilities or independence of Internal Audit.
- Assisting the Audit Committee of the Board in exercising its fiduciary responsibilities, and apprising the Board (through the Audit Committee) of any significant developments warranting its consideration or action.
- Evaluating and investigating allegations and possibilities of fraud, and other inappropriate transactions, in coordination with other departments.
- Maintaining liaisons with appropriate external professional organisations and keeping informed on new developments in the field of auditing.

Internal Audit maintains an effective working relationship with the Undertaking's external auditors. External auditors perform work required to express an independent accountant's opinion on the Undertaking's consolidated financial statements, internal controls, other work as may be specifically requested. Internal Audit actively coordinates its efforts with the external auditors to optimise overall audit, coverage and minimise costs, where appropriate. The external auditors have access to work papers and reports produced by Internal Audit, as needed.

Internal Audit process

The Chief Auditor shall define the annual and long-term objectives of Internal Audit. Within the framework of these objectives, Internal Audit formally document its risk assessment methodology, and prepares audit plans, and expense budgets. These plans will be conducted at least annually and will include:

- A risk assessment of all key business processes
- A schedule of audits based on the results of the risk assessment
- A proposed budget that documents the level of resources and expenses that need to be committed to provide adequate audit coverage for the audit plan
- Flexibility to respond to special requests of senior management on a timely basis

The Head of Internal Audit reviews Internal Audit's planned activities for the coming year with senior management and the Audit Committee. The scope of this activity will also be reviewed with appropriate management in each line of business. The audit plan is locked down on a quarterly basis. Any significant deviation from the approved internal audit plan will be communicated to the Audit Committee through periodic activity reports.

Reporting Structure

Results and conclusions of Internal Audit work are reviewed with management directly responsible for the activity being evaluated, and such other management as appropriate. The purpose of reviewing results is to reach agreement on the facts presented by Internal Audit and to make management aware of Internal Audit issues before the report is released.

B.5.2 Independence

To maintain independence and objectivity, Internal Audit does not prepare any accounting and related records or engage in any relevant activity requiring audit review. This includes the development or installation of new systems, policies or procedures. The review of new systems or procedures prior to implementation is not considered an impairment of independence and objectivity.

B.5.3 Authority

Internal Audit has full and unrestricted authorisation to access all records, personnel, and physical property relevant to the performance of their assignment in any functional area of the Undertaking and, where contractually authorised, its contractors or suppliers. All employees assist Internal Audit in fulfilling its roles and responsibilities. Documents and information given to the Internal Audit Department are handled in the same prudent and confidential manner as by those employees normally accountable for them.

B.5.4 Performance

Internal Audit exercises due professional care in the performance of audits and other work. The Institute of Internal Auditors (IIA) has established standards ("Standards") for the professional practice of Internal Auditing. The Standards apply to individual internal auditors and to internal audit activities. All internal auditors are accountable for conforming with the Standards related to individual objectivity, proficiency, and due professional care. In addition, internal auditors are accountable for conforming with the Standards that are relevant to the performance of their job responsibilities. The Chief Auditor is responsible for ensuring that audit work conforms with those Standards. The IIA has also established a Code of Ethics. Each auditor is responsible to conduct him or herself so that his or her good faith and integrity are not open to question.

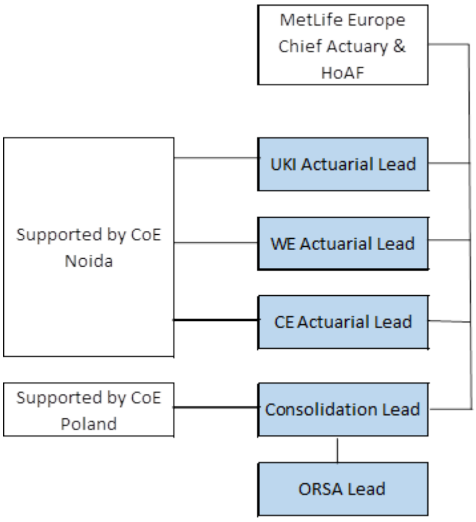
B.6 Actuarial Function

The Actuarial Function is responsible for the following key deliverables within the Undertaking:

- Production of the (External) Annual “Actuarial Function Report” covering the following matters (alternatively some of these may be provided separately):
    - Report on the technical provisions;
    - Opinion on the technical provisions;

- Opinion on underwriting;
  - Opinion on reinsurance;
  - Description of the activities of the Actuarial Function over the year.
- (Internal) Quarterly memo to management providing analysis of the Solvency II balance sheet, and support for sign-off (and supporting the ORSA stipulation for continuous compliance with the requirements for technical provisions);
- (Internal) Annual report to the Board on the actuarial assumptions;
- (Internal) Contributions to risk management notably the ORSA, including inputs to the choice of stresses and scenarios, and documented quality control over the projections themselves; and
- (External) Actuarial opinion on the ORSA.

Note that the prefix “Internal” / “External” refers to whether the documentary outputs correspond directly to external requirements or are internal ways to support the external requirements. For example, the assumptions report is not required separately by external requirements, but, given that the assumptions are clearly a key element of the technical provisions, there needs to be suitable supporting documentation.



The Actuarial Function consists of the Actuarial Analysis team (as outlined in the above chart - this reflects a snapshot of the team as at 31 December 2019 excluding contractors supporting projects). The Actuarial Production team produces valuation results which are subsequently passed to the Actuarial Analysis team for analysis and review before final sign off by the Head of Actuarial Function. Beyond its Solvency II duties as Actuarial Function, the Actuarial Analysis team also contributes to a range of financial reporting and management activities.

B.7 Outsourcing

B.7.1 Outsourcing policy

The Undertaking outsources a range of activities in the countries it is active in, particularly in the areas of policy administration, IT, and treasury services, in order to benefit from expertise and efficiencies not practically available internally. Each outsourcing arrangement has a functional owner in the senior team who is responsible for the management and first line oversight of the arrangement. The Procurement function co-ordinates all activities across functions.

All outsourcing is subject to the requirements of the Outsourcing Policy, which ensures that all outsourcing arrangements are subject to appropriate due diligence, approval, written agreements and ongoing monitoring, and that the risks associated with entering outsourcing arrangements are effectively managed. The Outsourcing Policy applies to all outsourcing agreements and covers the requirements for both external outsourcing and Intra-group outsourcing.

B.7.2 Details of outsourcing (including critical or important outsourcing)

The Undertaking operates on a partially outsourced model, which means that certain services (including certain critical or important activities of the actuarial, compliance, risk management, IT services and internal audit functions) are provided by the following MetLife group service companies:

- MetLife Europe Services Limited for UK jurisdiction
- MetLife Services EEIG and MetLife Innovation Centre Limited for Ireland jurisdiction

It is worth noting that during 2018, the Undertaking announced that certain finance and actuarial activities would transfer from Ireland to an existing Centre of Excellence in India and new Centres of Excellence in Poland and Malaysia in 2019. These centres form part of MetLife Services EEIG.

In addition, the Undertaking benefits from group services such as investment services from MetLife companies based in the UK and USA, and IT services from MetLife companies based in the USA.

In addition, the Undertaking externally outsources the following critical or important functions / activities:

Critical or important outsourced function / activity	Jurisdiction
Complaint handling	Multiple jurisdictions (Ireland, France, Netherlands, Norway, UK, Poland, Germany, Portugal, Italy and France)
Storage of policyholder data and policy servicing	Multiple jurisdictions (Ireland, France, Netherlands, Norway, UK, Spain, Cyprus, Poland, Germany, Portugal, Romania, Italy and France)
Claim handling	Multiple jurisdictions (Ireland, France, Netherlands, Norway, UK, Spain, Poland, Germany, Portugal, Slovakia, Romania, Italy and France)
Storage of data	Multiple jurisdictions (All Undertaking branches)
Inbound services (Inbound mails and Document management)	Multiple jurisdictions (France, Spain, Portugal and Italy)

B.8 Any other information

The information provided in the sections above provide a comprehensive and complete description of the Undertaking’s system of governance and its continuing adequacy for the Undertaking.

C Risk profile

C.1 Underwriting risk

C.1.1 Material exposures

The Undertaking is exposed to underwriting risks in its businesses, including mortality risk, longevity risk, morbidity risk, policyholder-behaviour risk, and expense risk. These risks are identified and assessed as part of the product development process, in which appropriate underwriting conditions are defined for all underwriting risks associated with the insurance policies over their whole life cycle.

Exposures to underwriting risks increased over the reporting period in line with business volumes and reduction in interest rates (which increases the present value of future claims). Going forward, exposure to underwriting risks is expected to increase further as the Undertaking continues to focus on sales of protection business.

C.1.2 Material risk concentrations

Through its operations, the Undertaking seeks to underwrite a highly diversified and balanced portfolio of underwriting risks. In certain business lines, material geographical risk concentrations can arise. These are monitored and managed as appropriate with catastrophe reinsurance.

C.1.3 Material risk mitigation practices

Underwriting risks are primarily mitigated through diversification and single-exposure limits for different components such as mortality and invalidity. Risks in excess of such limits can be accepted but must be reinsured. Catastrophe reinsurance is used to limit the total loss that can be incurred as the result of single events, and to manage risk concentrations as mentioned above.

C.1.4 Material risk sensitivities

As required by the calculations to determine the SCR using the SF, the Undertaking determines the impact of increases in expected loss rates, and pandemic events. The impacts are set out in the following table and explained further below. The following table shows the sensitivity in the Undertaking's capital requirements if a 1 in 200 year event (as measured by the SF) happened for each risk category.

	31-Dec-19
	€'m
Mortality risk	**160**
Longevity risk	**34**
Disability risk	**82**
Lapse risk	**340**
Expense risk	**176**
Catastrophe risk	**123**

Mortality risk (including catastrophe) predominantly arises on Group Life business in the UK and individual term life business in France. Additional exposures to mortality arises in the credit life and individual life businesses across the branches.

Exposure to longevity risk arises predominantly in the UK wealth management and excess interest benefit (EIB) businesses.

Exposure to disability risk arises in the credit life, group income protection (primarily UK) and accident and health businesses. Note that the SCR for disability risk has increased during the period due to reclassifications and methodology changes.

Lapse risk affects the business in different ways depending on the future expected profitability: the Undertaking is generally exposed to the risk of higher lapses (long term trend or mass lapse) on more profitable business and lower lapses on less profitable business. In particular a significant proportion of the in-force business offers guarantees (VA and EIB) that are currently valuable and generate exposures to lower lapses on such business.

Exposure to expense risk relates to an increase in the level of and inflation on future maintenance expenses in relation to the existing business. This affects all business broadly according to the size of each portfolio.

Underwriting risk exposures are mitigated as described above.

C.2 Market risk

C.2.1 Material exposures

The Undertaking is exposed to market risks, including interest rates due to timing differences of asset and liability cash flows and basis differences between valuation rates, different currencies and equity markets, either indirectly through revenues that depend on the value of investments covering unit-linked policies or directly through positions held to facilitate policyholder transactions or guarantees provided to policyholders. These risks are identified and assessed as part of the Undertaking's ALM process, in which all balance sheet values are mapped to their relevant market drivers. In line with the Prudent Person Principle, the Undertaking invests in assets whose risks can be properly identified, measured, managed, controlled, reported and appropriately taken into account as part of the ORSA process.

The exposures to market risks have remained relatively stable over the course of the reporting period. However, some of the components of the market risk SCR have moved over the year, reflecting financial market movements, the transfer of certain business lines to Laguna Life d.a.c. and the nature of the standard formula shocks themselves.

C.2.2 Material risk concentrations

Market risks are concentrated to the interest rates and investment markets of the Undertaking's major functional currencies, including Euro, Pound Sterling and the Czech Koruna.

C.2.3 Material risk mitigation practices

Market risks are primarily mitigated through aligning assets and liabilities within agreed tolerances, in particular in terms of currencies and timing of cash flows. The risks relating to investment guarantees on the VA business are reinsured. Equity exposures from the book of unit-linked policies are managed through product design and selection of suitable investment funds.

C.2.4 Material risk sensitivities

As required by the calculations to determine the SCR using the SF, the Undertaking determines the impact of changes in interest rates, equity levels and currency values (against the Euro) which are set out in the following table and explained further below. The Undertaking is not exposed to any material property risk. The following table shows the sensitivity in the Undertaking's capital requirements if a 1 in 200 year event (as measured by the SF) happened for each risk category.

	31-Dec-19 €'m
Interest rate risk	**41**
Equity risk	**133**
Currency risk	**99**

Interest-rate risk is the risk of loss arising from changes in the level of real or nominal interest rate prices or market implied interest rate volatility levels. The Undertaking is in particular exposed to a drop in interest rates at the long end, as some of the liability cashflows extend beyond the maturity of the asset portfolio.

Equity risk arises from changes in equity prices (including equity index prices), or market implied equity market volatility levels. As the Undertaking's exposure to equity options and guarantees is reinsured, the Undertaking's retained exposure to equity risk relates to the loss of fee income on the VA and unit-linked business resulting from a fall in unit fund prices following a severe downturn in equity markets.

Currency risk is the risk of loss arising from changes in foreign exchange rates or market implied foreign exchange volatility levels. As the Undertaking is a multi-currency business, foreign exchange exposures depend on the performance of liabilities in different currencies and the assets covering them. The key exposures to the Undertaking are the extent to which own funds are exposed to exchange rate movements against the Euro, and the potential loss of fee income on the UK Wealth Management business resulting from a fall in unit fund prices (due to movements in exchange rates).

Market risk exposures are mitigated as described above.

C.3 Credit risk

C.3.1 Material exposures

The Undertaking is exposed to credit risks (i.e. the risk of a value decrease of assets or increase of liabilities due to the default of third parties, or the increase of the probability of such a default and/or the associated loss). Exposure to credit risk comes primarily from the investment portfolio and from a number of counterparties related to risk mitigation.

These risks are identified and assessed as part of the ALM and reinsurance processes, in which the creditworthiness of the obligers is monitored.

The exposures to investment credit risk has remained stable over the reporting period.

C.3.2 Loan portfolio

The Undertaking invests in mortgage loans which are principally collateralised by commercial real estate properties. The credit risk exposure in commercial real estate loans stems from various factors, including the supply and demand of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility and interest rate fluctuations. The exposure is limited by the Investment guidelines.

In addition, on a limited number of legacy products, loans can be extended to policyholders as long as they are fully covered by the cash value of the policy.

C.3.3 Material risk concentrations

The Undertaking maintains a highly diversified, well rated investment portfolio and routinely monitors and limits credit exposures at counterparty and aggregate level. Concentrations can arise where the Undertaking's requirements of quality, duration, currency etc. limit the choice of obligors, in particular the Undertaking has a relatively large exposure to government bonds in the Czech Republic, Romania and

Hungary for currency matching reasons. These holdings are within risk appetite limits and expected to reduce over time as the excess interest benefit business in those countries runs off.

There is a material reinsurance counterparty exposure to MetLife Bermuda, primarily in relation to the reinsurance of the guarantees on the VA business. This counterparty risk is mitigated by a robust collateral arrangement with the reinsurer, which is monitored on an ongoing basis.

C.3.4 Material risk mitigation practices

Credit risks are primarily mitigated through asset allocation, diversification and single-exposure limits. For counterparty exposures, the Undertaking may require the placement of collateral.

Credit risk, including concentration risk as outlined in the above section, is mitigated through credit rating, funds withheld arrangement and the placement of collateral.

Although MetLife Bermuda does not have a rating, an indicative Insurer Financial Strength Rating of MA1 was assigned by MetLife's Global Risk Management Credit team. The most material exposure to MetLife Bermuda is for the VA book of business and, in the event of a default, the Undertaking's Exposure at Default would be the gross liability for the VA guarantees, less the value of the hedging portfolio held on the Undertaking's balance sheet in funds withheld; which is expected to be highly correlated to the VA guarantees. Finally, the Undertaking holds very substantial collateral from MetLife Bermuda, from which the Undertaking can recover unmet obligations, and reduces any loss given default further. Overall in light of these protections, the counterparty credit risk is considered to be appropriately mitigated.

Exposure to changes in credit spreads is mitigated by investing in a diversified and high-quality investment portfolio.

C.3.5 Material risk sensitivities

As required by the calculations to determine the SCR using the SF, the Undertaking determines the impact of changes in credit spreads and a potential extreme loss of counterparty exposures which are set out in the following table and explained further below. The following table shows the sensitivity in the Undertaking's capital requirements if a 1 in 200 year event happened for each risk category.

	31-Dec-19 **€'m**
Spread risk	**161**
Counterparty default risk	**68**

The investment portfolio is exposed to credit spread movements, whilst counterparty default risk exposures arise primarily from reinsurance arrangements and third party receivables. All credit risk exposures are mitigated as described above.

C.4 Liquidity risk

C.4.1 Material exposures

The Undertaking is exposed to liquidity risks where it is obliged to settle liabilities at short notice and assets cannot be liquidated at all or only with very significant haircuts. Given the long-term nature of its business, there are only very few areas in which liquidity risk can arise. These risks are identified and assessed as part of the ALM process. The exposures to liquidity risks have been stable over the course of the reporting period.

The Undertaking's investments are typically highly liquid. In its assessment of liquidity, the Undertaking can also take into account the cash inflows and outflows arising from expected profits included in future premiums (EPIFP) on it's insurance business, but in practice such support is not required. The total amount of the EPIFP as calculated in accordance with Article 260(2-4) of the Delegated Acts was €749m as at 31 December 2019.

C.4.2 Material risk concentrations

In line with Investment Guidelines, the Undertaking maintains a highly diversified portfolio and limits the exposure to individual obligors. Concentrations can arise where the Undertaking's liquidity needs are triggered by individual events. Liquidity stress testing is carried out to ensure that sufficient liquidity would be available in such events.

C.4.3 Material risk mitigation practices

Liquidity risks are primarily mitigated through asset allocation, diversification and single-exposure limits, and by avoiding entering obligations to provide liquidity to counterparties.

C.4.4 Material risk sensitivities

The Undertaking performs regular stress tests of its liquidity position in adverse events, including significant and abrupt changes in financial markets and policyholder behaviour. These stress tests consider the timing of obligations and the ability to liquidate assets over different time horizons, as well as the impact of such liquidations on realised values. The results of the liquidity stress tests over the reporting period showed that the Undertaking had sufficient liquidity even in extreme events.

C.5 Operational risk

C.5.1 Material exposures

The Undertaking is exposed to operational risk consistent with other financial institutions, including the impact of changes in the regulatory and legal environments, the dependency on multiple internal and external operators (for investment activities as an example) and complex modelling for financial reporting and solvency reporting. Operational risks are identified and assessed with regards to their frequency and potential impact as part of the risk management process, in which risks and controls are documented, by risk owners and validated by the Risk Management Function. As the Undertaking continues to evolve operationally, it aims to maintain a stable operational risk environment over the plan horizon.

C.5.2 Material risk concentrations

The Undertaking prefers to concentrate activities in focused and tightly-controlled operations and ensures that operations have independent review, alternative back-up sites, and business continuity plans.

C.5.3 Material risk mitigation practices

Operational risks are primarily mitigated through functional controls, which are integral elements of the Undertaking's Risk Framework, independently validated by Risk, Compliance (where applicable) and Internal Audit functions.

C.5.4 Material risk sensitivities

Each operational risk is rated regarding frequency and potential impact on an inherent basis (i.e. before effective control) and on a residual basis (i.e. taking into account effective controls) to create a current risk heat map. Control remediation action plans are put in place as and when required.

C.6 Other material risks

Since 31 December 2019, the COVID-19 virus has caused a pandemic, and governments and businesses have taken measures such as travel bans, quarantines, and social distancing to combat the spread of the virus. These have disrupted business activity, as well as causing economic slowdown and significant volatility in financial markets. The Undertaking activated its business continuity plan with the majority of staff working from home, where possible. The Undertaking cannot determine or estimate the extent to which these events have affected the Undertaking's operations, business, financial results, or financial condition. In general under Solvency II, EU insurance companies are required to hold sufficient eligible own funds on an on-going basis to cover their Solvency Capital Requirement. The risk-based Solvency Capital Requirement enables insurance undertakings to absorb significant losses and give confidence to policyholders and beneficiaries that payments will be made as they fall due. Based on the results of the 31 December 2019 Solvency II valuation and of the 2019 Own Risk Solvency Assessment, and notwithstanding the emergence of COVID-19 (as a non-adjusting post balance sheet event), there is no expectation of non-compliance with the Minimum Capital Requirement or SCR over the planning horizon.

In addition to the risks covered above, the Undertaking may in the future also be exposed to emerging risks. The Undertaking currently considers disruptive technology (including transformative technology for insurance distribution (InsurTech) and cybersecurity issues) as a key emerging risk. Evolving regulatory changes on data protection and business conduct, that can transform the insurance industry, are also closely monitored. The Undertaking's operating model is dependent on the stability of the EU single market. The Brexit situation (including the emerging risk of potential for changes in the solvency regime or other divergence in legislation in the future) and political risks in general, are monitored on an on-going basis.

In particular, Brexit may have implications for the Undertaking's business in the UK and its legal structure. At this time, since the UK left the EU on 31 January 2020, the UK branch of the Undertaking is continuing to operate on a freedom of establishment basis and will continue to do so until the end of the transition period (during which the UK and the EU will negotiate the structure of their future relationship), which is expected to be 31 December 2020. At the end of the transition period the UK branch of the Undertaking will operate under the Temporary Permission Regime (TPR) for three years during which the business will work with the UK and Irish regulators to determine the most appropriate legal and operating structure going forward.

C.7 Any other information

The material elements of the Undertaking's risk profile are all covered above. The Undertaking reviews its risk exposures regularly and considers potential actions to align exposure to risk appetite.

MetLife

D Valuation for solvency purposes

D.1 Assets

Basis of valuation

The valuation of assets for Solvency II has been determined in line with the Solvency II Directive 2009/138/EC and related guidance.

Unless expressly stated in the notes below, the Undertaking has valued its assets at fair value. In order to establish the fair value of assets, the following guiding principle has been applied:

- Assets are valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

The determination of fair value of financial assets, which comprise substantially all of the assets of the Undertaking, is set out below.

Fair value of financial assets with active market

When available, the fair value of financial assets is based on quoted prices in active markets that are readily and regularly obtainable. These are the most liquid of the Undertaking's financial assets and valuation of these assets does not involve management's judgement.

Fair value of financial assets with no active market

When developing fair values, where quoted prices are not available, the Undertaking uses one of three broad valuation techniques or a combination thereof: (i) the market approach, (ii) the income approach, and (iii) the cost approach.

The significant inputs to these valuation techniques are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, inputs that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data, are used. These unobservable inputs are based in large part on management's judgement or estimation, and cannot be supported by reference to the market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such financial assets and are considered appropriate given the circumstances. Actual results may differ materially from these estimates.

Such estimates are reviewed on an ongoing basis, and any difference recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

For deposits within one year of the balance sheet date, the Undertaking believes that the fair value is represented by the amounts realisable, on account of their short term nature.

The following table shows the assets of the Undertaking as reported in the Balance Sheet QRT SE.02.01.16 under Solvency II, and comprises figures produced under both Solvency II and in the Undertaking's financial statements. The financial statements have been prepared in accordance with IFRS.

Assets of the Undertaking as at 31 December 2019

Assets	Solvency II value	Reclassification differences	Valuation differences	IFRS value
	€'m	€'m	€'m	€'m
Deferred acquisition costs	—	—	707	707
Intangible assets	—	—	13	13
Deferred tax assets	5	—	(2)	3
Property, plant and equipment held for own use	55	—	(16)	39
Property (other than for own use)	1	—	(1)	—
Participations and related undertakings	2	—	(1)	1
Government Bonds	1,449	(22)	—	1,427
Corporate Bonds	1,308	(21)	—	1,287
Collective Investments Undertakings	24	(1)	—	23
Derivative Assets	127	—	—	127
Deposits other than cash equivalents	1	—	—	1
Assets held for index-linked and unit-linked funds	5,783	(76)	—	5,707
Loans on policies	17	(1)	—	16
Other loans and mortgages	208	(1)	(10)	197
Reinsurance recoverables	253	(32)	104	325
Insurance and intermediaries receivables	94	—		94
Reinsurance receivables	37	31	1	69
Receivables (trade, not insurance)	96	63	124	283
Cash and cash equivalents	551	55	—	606
Total Assets	10,011	(5)	919	10,925

The Solvency II liabilities are compared to the IFRS liabilities in section D.3. The valuation differences between the Solvency II and IFRS excess of assets over liabilities is set out in section E.1.2.

The items on Solvency II and IFRS balance sheets may be disclosed in different categories. The 'reclassification' column above includes such amounts where there is a different classification between Solvency II and IFRS. There is no net bottom line reclassification difference between the assets in this section and the liabilities in section D.3.

D.1.1 Deferred acquisition costs

Under Solvency II, deferred acquisition costs (DAC) do not represent a recognisable asset. Cash outflows on acquisition are expensed when incurred.

Under IFRS, such costs are deferred to the extent that they are expected to be recoverable. Direct response marketing costs relating to the acquisition of life and personal accident business are deferred to the extent that they are expected to be recoverable. Other acquisition costs incurred during the financial year that are directly attributable to the successful acquisition of new business, are deferred to the extent that they are expected to be recoverable. All other costs are recognised as an expense when incurred. Accordingly, the two amounts differ on account of the different accounting policies applied.

A portion of the DAC asset is allocated to an Unearned Commission Asset (UCA) to reflect clawback arrangements in place for associated commission payments. As commission is earned, it is moved to DAC. The UCA is disclosed in other assets in IFRS but is not recognised under Solvency II.

Prepaid commission, relating to prepaid renewal commission on the UK Individual Protection business, is also disclosed in other assets in IFRS but is not recognised under Solvency II.

D.1.2 Intangible assets

Intangible assets include those payments made to third party distributors for exclusive distribution rights obtained by the Undertaking.

Under Solvency II, intangible assets are not recognised unless the Undertaking is able to sell the asset for a price derived from an active market. Thus the Undertaking does not recognise intangible assets under Solvency II.

Under IFRS, intangible assets are stated at cost less accumulated depreciation. Intangible assets are recognised if the undiscounted future cash flows exceed the initial cost of the asset. Intangible assets are amortised over its useful life and amortisation methods are either proportional to expected profits or expected premiums. Accordingly, the two amounts differ on account of the different accounting policies applied.

D.1.3 Deferred tax assets

Under Solvency II, deferred tax assets are recognised on the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward. Deferred tax is only recognised where it is probable that it will be realised, i.e. that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax laws enacted or substantively enacted at the reporting date, on an undiscounted basis. When determining whether deferred tax assets can be realised, the Undertaking considers projected future taxable profits in excess of those profits arising from the reversal of existing taxable temporary differences.

Deferred tax assets are not set off against deferred tax liabilities, unless such assets and liabilities have arisen in the same tax jurisdiction, in line with local legislation and practice.

The principles under which deferred tax assets and liabilities are recognised under Solvency II are broadly similar to those under IFRS.

However, there are differences in the carrying value of underlying assets and liabilities, which give rise to temporary differences between carrying value and tax base. Accordingly, the two amounts differ on the balance sheets.

The following table sets out the composition of the deferred tax balances under Solvency II, as at the reporting date, and a comparison against the deferred tax balances under IFRS:

	Solvency II 2019 €'m	IFRS 2019 €'m
Commission fees allowable in future years	**4**	4
Other local deferred items	**(12)**	(12)
Premium reserves for claims for non-life insurance contracts	**(140)**	(130)
Losses carried forward	**2**	2
Property, plant and equipment	**6**	6
Policyholder assets/liabilities	**373**	372
Deferred acquisition costs	**—**	(144)
Investments	**(189)**	(190)
Differences between Solvency II and IFRS balance sheet	**(177)**	—
Net deferred tax balance	**(133)**	(92)

All branches are profitable under estimated local tax base. The following branches have deferred tax assets on the balance sheet relating to historical net operating losses:

	2019 €'m	**2018 €'m**
Spain	**1**	1
Bulgaria	**1**	**—**
Hungary	—	—
	2	**1**

D.1.4 Property, plant and equipment held for own use

Under Solvency II, property, plant and equipment held for own use is stated at fair value. Certain equipment items may be held at depreciated value if not materially different to the fair value.

Under IFRS, all property, plant and equipment is measured at cost less accumulated depreciation other than right-of-use assets which are stated at discounted cash flow bas. Accordingly, the two amounts differ on account of the different accounting policies applied.

Leasehold assets are presented on the balance sheet under Property, plant and equipment held for own use. A lease is defined as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under Solvency II right-of-use assets are recognised at fair value at the lease commencement date. Under IFRS the right-of-use assets are initially measured at the present value of the lease payments that are not paid at the commencement date and then depreciated on a straight-line basis.

The IFRS carrying value is considered a good representation of the fair value under Solvency II.

Accordingly, there are no differences between Solvency II and IFRS.

D.1.5 Investments (other than assets held for index-linked and unit-linked contracts)

Under Solvency II, investments are stated at fair value except for strategic participations as set out below. Financial assets and liabilities are recognised when the Undertaking becomes a party to the contractual provisions of the instrument. All financial instruments reported at fair value are measured based on an exit price.

The valuation techniques and source of pricing inputs used by the Undertaking for significant categories of investments are produced below:

D.1.5.1 Property (other than for own use)

Under Solvency II, property (other than own use) is stated at fair value. The valuation is based on market appraisals provided by a property appraiser annually.

Under IFRS, property (other than own use) is measured at cost less accumulated depreciation. Accordingly, the two amounts differ on account of the different accounting policies applied.

D.1.5.2 Holdings in related undertakings, including participations

The Undertaking has a 100% owned subsidiary in the UK, MetLife Pension Trustees Limited. This subsidiary is trustee and administrator of personal pension schemes. Under Solvency II, the adjusted equity method is applied to determine its fair value. This requires valuing such investments based on the Undertaking's share of the excess of assets over liabilities of the related undertaking, using the Solvency II valuation principles.

Under IFRS, the Undertaking's subsidiary is stated at historic cost. Accordingly, the two amounts differ on account of the different accounting policies applied.

D.1.5.3 Equities

Equities listed on a recognised exchange are valued using the quoted prices for identical instruments.

Unlisted equities are valued using observable inputs where available, including quoted prices for listed equities in active markets for similar instruments, quoted prices for listed equities in markets that are not considered active, and to a lesser extent, matrix pricing, discounted cash flow methodologies or independent non-binding broker quotations. Such instruments are principally valued using the market approach.

Under IFRS, equities are stated at fair value. Accordingly, there are no differences between Solvency II and IFRS.

D.1.5.4 Bonds

Government bonds listed on a recognised exchange are valued using the quoted prices for identical instruments.

Government bonds which are not listed, are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques using standard market observable inputs including benchmark yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar instruments, including those within the same sub-sector or with a similar maturity or credit rating.

Government bonds for which observable inputs are not available, are principally valued using the market approach. Valuations are based primarily on independent non-binding broker quotations and inputs including quoted prices for identical or similar instruments that are less liquid and based on lower levels of trading activity. Certain valuations are based on matrix pricing that utilise inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads.

Corporate bonds listed on a recognised exchange are valued using quoted prices or quoted prices for similar assets.

Corporate bonds which are not listed, are principally valued using the market and income approaches. Valuations are based primarily on quoted prices for similar listed instruments in active markets, quoted market prices for similar listed instruments in markets that are not considered active, or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable instruments. Privately-placed instruments are valued using matrix pricing methodologies using standard market observable inputs and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer, and in certain cases, delta spread adjustments to reflect specific credit-related issues.

Corporate bonds for which observable inputs are not available, are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques that utilise unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including illiquidity premium, delta spread adjustments to reflect specific credit-related issues, credit spreads, and inputs including quoted prices for similar instruments that are less liquid and based on lower levels of trading activity. Certain valuations are based on independent non-binding broker quotations.

Under IFRS, bonds are stated at fair value. Accordingly, there are no differences between Solvency II and IFRS.

D.1.5.5 Collective investments undertakings

Collective investments undertakings listed on a recognised exchange are valued using the quoted prices provided by the investment managers, that are based on their respective net asset values.

Unlisted investment funds are principally valued based on prices from the investment managers, which are based on European Venture Capital Association Guidelines, including price/earnings ratio based valuation. The prices released by investment managers of the underlying funds are reviewed and where appropriate, adjustments are made to reflect the impact of changes in market conditions between the date of the valuation and the end of the reporting period. The valuation of these investment funds is largely based on inputs that are not based on observable market data.

Under IFRS, collective investments undertakings are stated at fair value. Accordingly, there are no differences between Solvency II and IFRS.

D.1.5.6 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Certain fair values are obtained from quoted market prices in active markets. When quoted prices are not available, other valuation techniques are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, to the extent possible.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair value is derived and recorded at the instrument’s exit value.

Asset and liability derivatives are shown separately on the balance sheet.

D.1.5.7 Deposits other than cash equivalents

Deposits other than cash equivalents comprise of demand deposits. These are carried at fair value on the Solvency II balance sheet, which are based on the amounts due on demand.

Under IFRS, demand deposits are stated at carrying value which approximates to fair value. Accordingly, there is no difference between the two amounts.

D.1.6 Assets held for index-linked and unit-linked contracts

Under Solvency II, assets held for index-linked and unit-linked contracts are stated at fair value.

Index-linked and unit-linked funds comprise of the various categories of investments and other assets described herein, principally investment funds. For disclosure of the valuation methodology used for these assets, please refer to the relevant notes in this section.

Under IFRS, assets held for index-linked and unit-linked contracts are stated at fair value. Accordingly, there is no difference between the two amounts.

D.1.7 Loans and mortgages

Policy loans are valued at amortised cost under Solvency II and IFRS. This is not considered materially different to fair value.

Under Solvency II, commercial mortgage loans are stated at fair value. Certain individual mortgage loans may be held at unpaid principal value adjusted for any deferred fees, if not materially different to the fair value.

Under IFRS, mortgage loans held-for-investment are stated at unpaid principal balance, adjusted for any deferred fees. Accordingly, there are differences in the valuations of loans and mortgages on the two balance sheets.

Other loans also comprise intercompany loans with fixed or determinable payments. Under Solvency II, these are stated at fair value. Under IFRS, these are measured at amortised cost using the effective interest method, less any impairment. This is not considered materially different to fair value. Accordingly, there are no differences between Solvency II and IFRS.

D.1.8 Reinsurance recoverables

Under Solvency II, reinsurance recoverables are valued using the cash-flow projection model similar to that used to calculate the best estimate of liabilities.

The reinsurance recoverables are adjusted for expected defaults using internal assumptions. Further information on the best estimate of liabilities, its valuation methodology, basis and assumptions used can be found in section D.2.

Under IFRS reinsurance recoverables are valued using the same methods used to calculate technical provisions. Accordingly, there are differences between the value of reinsurance recoverables on the two balance sheets.

D.1.9 Insurance and intermediaries receivables

This relates to the amounts due from policyholders, insurance intermediaries and other insurers linked to inward reinsurance business.

Under Solvency II, these are stated at fair value.

Under IFRS, receivables and other assets are recorded at cost less any irrecoverable amounts and are an approximation of the fair value of these assets. Accordingly, there are no differences between Solvency II and IFRS.

D.1.10 Reinsurance receivables

Reinsurance receivables relate to claims and commissions settled but not yet paid by reinsurers.

Under Solvency II, these are stated at fair value.

Under IFRS, receivables and other assets are recorded at cost less any irrecoverable amounts and are an approximation of the fair value of these assets. Accordingly, there are no differences between Solvency II and IFRS.

D.1.11 Receivables (trade, not insurance)

Under Solvency II, these are stated at fair value.

Under IFRS, trade receivables are recorded at cost less any irrecoverable amounts and are an approximation of the fair value of these assets. Accordingly, there are no differences between Solvency II and IFRS in relation to trade receivables.

See section D.1.1 for details of UCA which is disclosed in other assets in IFRS but is not recognised under Solvency II.

D.1.12 Cash and cash equivalents

Cash and cash equivalents are carried at fair value on the Solvency II balance sheet, which is based on the amounts due on demand.

Under IFRS, cash and cash equivalents are stated at carrying value which approximates to fair value. Accordingly, there is no difference between the two amounts.

Bank overdrafts are disclosed in debts owed to credit institutions in IFRS and Solvency II.

MetLife

D.1.13 Any other information on assets

Estimation uncertainty

The key source of estimation uncertainty arises in deferred tax assets (section D.1.3) and derivatives (section D.1.5.6).

Asset levelling

The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 4 on the degree to which the fair value is observable.

- Level 1: quoted prices in active markets for identical assets;
- Level 2: quoted prices in active markets for similar assets;
- Level 3: inputs other than quoted prices in active markets for identical or similar assets that are observable for the asset directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 4: inputs not based on observable market data.

Asset Category	**Level 1**	**Level 2**	**Level 3**	**Level 4**	**Total Solvency II**
	2019	**2019**	**2019**	**2019**	**2019**
	€'m	**€'m**	**€'m**	**€'m**	**€'m**
Assets held for index-linked and unit-linked funds (excluding outstanding trades)	**5,624**	**139**	**1**	**6**	**5,770**
Cash and cash equivalents	**551**	**—**	**—**	**—**	**551**
Corporate Bonds	**—**	**1,256**	**40**	**12**	**1,308**
Deposits other than cash equivalents	**—**	**—**	**—**	**1**	**1**
Derivatives	**3**	**1**	**123**	**—**	**127**
Government Bonds	**160**	**1,289**	**—**	**—**	**1,449**
Investment funds	**23**	**—**	**—**	**1**	**24**
Loans on policies	**—**	**—**	**—**	**17**	**17**
Other loans & mortgages	**—**	**—**	**—**	**208**	**208**
Participations	**—**	**—**	**—**	**2**	**2**
Property (other than for own use)	**—**	**—**	**—**	**1**	**1**
Property, plant & equipment held for own use	**—**	**—**	**—**	**55**	**55**
Grand Total	**6,361**	**2,685**	**164**	**303**	**9,513**

All other information has been disclosed in the preceding sections.

D.2 Technical provisions

The technical provisions correspond to the current amount the Undertaking would have to pay if they were to transfer their insurance obligations immediately to another Undertaking. The value of technical provisions is equal to the sum of a best estimate liability and a risk margin. The methodology employed in the calculation of the best estimate liability is covered in section D.2.3 and the risk margin is covered in section D.2.7.

The insurance obligations have been segmented into homogeneous risk groups (HRGs) when calculating the technical provisions. The approach to segmentation is covered in section D.2.1.

The best estimate liability is calculated gross, without deduction of the amounts recoverable from reinsurance contracts. Such recoverable amounts are calculated separately and are covered in section D.2.4.

D.2.1 Segmentation

Under Solvency II, undertakings should properly segment the business into the lines of business specified in the guidelines. The primary segmentation distinguishes between life and non-life insurance obligations. The distinction does not coincide with the legal definition, but rather with how the contract is pursued on a similar technical basis.

Life business is segmented into seventeen lines of business. The non-life insurance obligations are further segmented into twelve lines of business. In respect of the Undertaking, the following are the main lines of business:

- Other life insurance;
- Insurance with profit participation;
- Index-linked and unit-linked life insurance;
- Similar to Life Techniques (SLT) Health insurance;
- Non-SLT Health insurance; and
- Other non-life insurance.

MetLife

D.2.2 Technical provisions split by line of business

Technical provisions split by gross and net of reinsurance

Illustrated below is breakdown of gross and net technical provisions by line of business:

	Gross of Reinsurance	**Reinsurance Relief**	**Net of Reinsurance**	Gross of Reinsurance	Reinsurance Relief	Net of Reinsurance
	2019	**2019**	**2019**	2018	2018	2018
Line of business	**€'m**	**€'m**	**€'m**	€'m	€'m	€'m
Insurance with profit participation	**1,774**	**—**	**1,774**	1,731	1	1,732
Index-linked and unit-linked insurance	**5,465**	**(36)**	**5,429**	5,595	(323)	5,272
Other life insurance	**465**	**(184)**	**281**	665	(362)	303
Accepted reinsurance	**2**	**—**	**2**	1	—	1
Health insurance (direct business)	**163**	**(30)**	**133**	140	(16)	124
Total Life	**7,869**	**(250)**	**7,619**	8,132	(700)	7,432
Medical expense insurance	**6**	**(2)**	**4**	6	(8)	(2)
Income protection insurance	**5**	**(1)**	**4**	(3)	(1)	(4)
Workers' compensation insurance	**—**	**—**	**—**	—	—	—
Total Non-Life	**11**	**(3)**	**8**	3	(9)	(6)
Total Technical Provisions	**7,880**	**(253)**	**7,627**	8,135	(709)	7,426

Gross technical provisions split by Best Estimate Liability and Risk Margin

The table below presents the breakdown of gross technical provisions by lines of business into Best Estimate Liability (BEL) and risk margin (methodology is covered in sections D.2.3 and D.2.7 respectively).

Line of business	BEL 2019	Risk Margin 2019	Gross Technical Provision under Solvency II 2019	BEL 2018	Risk Margin 2018	Gross Technical Provision under Solvency II 2018
	€'m	€'m	€'m	€'m	€'m	€'m
Insurance with profit participation	1,735	39	1,774	1,689	42	1,731
Index-linked and unit-linked insurance	5,392	73	5,465	5,525	70	5,595
Other life insurance	304	161	465	532	133	665
Accepted reinsurance	2	—	2	1	—	1
Health insurance (direct business)	141	22	163	119	21	140
Gross Total Life	7,574	295	7,869	7,866	266	8,132
Medical expense insurance	4	2	6	3	3	6
Income protection insurance	(23)	28	5	(21)	18	(3)
Workers' compensation insurance	—	—	—	—	—	—
Gross Total Non-Life	(19)	30	11	(18)	21	3
Total Gross Technical Provisions	7,555	325	7,880	7,848	287	8,135

Gross technical provisions decreased by €255m from €8,135m in 2018 to €7,880m in 2019. Net technical provisions increased by €201m from €7,426m in 2018 to €7,627m in 2019. The change in net technical provisions is driven principally by the following:

- Assumption Changes: (€13m): demographic and expense (excluding expense inflation) assumption changes during 2019 had a smaller impact on the technical provisions
- New business, experience & market movements: €214m: Impact due to "organic" changes in relation to new business, actual experience and market movements (e.g. interest rates, foreign exchange rates), and roll-forward of the technical provisions on the in-force business (release of cash flows and risk margin, unwind of discount rate). Much of this change relates to the net impact of the UK unit-linked portfolio, with this block of business now in run off combined with slight increase of the GBP exchange rates, declining interest rates, across both UK VAH and EIB portfolios

MetLife

D.2.3 Best estimate

D.2.3.1 Methodology for the calculation of the best estimate

For all lines of business, the best estimate corresponds to the probability weighted average of future cash-flows taking account of the time value of money.

D.2.3.2 Cash-flow projections

The cash-flow projections reflect the expected realistic future demographic, legal, medical, technological, social and economic developments over the lifetime of the insurance and reinsurance obligations.

D.2.3.3 Recognition and derecognition of insurance and reinsurance contracts for solvency purposes

The Undertaking observes the process of recognition and derecognition of its insurance obligations in line with the technical specifications, which states:

The calculation of the best estimate only includes future cash-flows associated with recognised obligations within the boundary of the contract. No future business is taken into account for the calculation of technical provisions.

An insurance obligation is initially recognised by insurance undertakings at whichever is the earlier of the date the Undertaking becomes a party to the contract that gives rise to the obligation or the date the insurance cover begins.

A contract is derecognised as an existing contract only when the obligation specified in the contract is extinguished, discharged, cancelled or expires.

D.2.3.4 Time horizon

For all of the calculations of best estimate, a projection period of 50 years has been assumed. This adequately accounts for all material cash-flows in the portfolio. For the VA portfolio the liability projection software projects to the term plus 1 year for each individual model point.

D.2.3.5 Gross cash-flows

The cash-flow projection used in the calculation of the best estimate takes account of all the cash in-and out-flows required to settle the insurance obligations over the time horizon.

D.2.3.6 Gross cash in-flows

The best estimate includes items such as future premiums, charges and other policyholder payments. Premiums which are due for payment by the valuation date are shown as a premium receivable on the balance sheet.

D.2.3.7 Gross cash out-flows

The cash out-flows are calculated and include future benefits payable to the policyholders or beneficiaries, expenses that will be incurred in servicing insurance obligations, commissions, unit-linked benefits and tax payments.

D.2.3.8 Life insurance obligations

Cash-flow projections used in the calculation are made separately for each policy, except where grouping of model point files is used. Material grouping is used in the following branches:

- Italy
- Romania
- Czech Republic
- France
- Slovakia

It should be noted that there are no significant differences in the nature and complexity of the risks underlying the policies that belong to the same grouping. The grouping of policies does not misrepresent the risk underlying the policies and does not misstate the expenses.

No explicit surrender value floor has been assumed for the market consistent value of liabilities for a contract.

D.2.3.9 Non-life insurance obligations

The non-life insurance business is small in relation to the life business.

D.2.3.10 Valuation of future discretionary benefits

The calculation of the best estimate takes into account future discretionary benefits which are expected to be made. The value of future discretionary benefits is calculated separately.

The material future discretionary benefits which are expected to be made by the Undertaking are in relation to the excess interest benefit payments on European participating business. This benefit is attached to a number of different blocks of endowment, pure endowment and whole of life business.

The excess interest benefit is a benefit uplift which is generally calculated as the excess of the declared yield over the guaranteed rate. The declared yield is based on the investment return of specific pools of assets.

D.2.4 Reinsurance recoverables

The calculation of amounts recoverable from reinsurance contracts follow the same principles and methodology as presented above for the calculation of other parts of the technical provisions.

Where the timing of recoveries and direct payments markedly diverge this has been taken into account in the projection of cash-flows. Where the timing is sufficiently similar to that for direct payments the timing of direct payments has been used.

The amounts recoverable have been calculated consistently with the boundaries of the insurance contracts to which they relate.

The expenses incurred in relation to the management and administration of reinsurance contracts are allowed for in the calculation of the best estimate.

The amounts recoverable from reinsurance contracts are adjusted to take account of expected losses due to default of the counterparty. This adjustment is calculated separately and is based on an assessment of the probability of default of the counterparty and the average loss-given-default.

D.2.5 Discounting

Illiquidity premium

This is no longer relevant under Solvency II.

D.2.6 Calculation of technical provisions as a whole

The calculation of technical provisions as a whole is not applicable to the Undertaking.

D.2.7 Risk margin

The risk margin is a fair value adjustment that captures the cost of holding the unhedgeable part of the SCR over the lifetime of the policies in force. It is added to the BEL which together make the technical provisions. Market risks are deemed hedgeable and are therefore excluded from this calculation. Determination of the risk margin therefore entails a projection of the unhedgeable part of the SCR over the run-off of the in-force business.

For the purposes of calculating the risk margin, the SCR refers to non-hedgeable risks only (the implicit assumption being that a third party purchasing company will hedge or mitigate all avoidable risks).

The following risks are considered key and cover over 80% of the risk margin: Mortality, Morbidity, Lapse, Expenses and Catastrophe.

D.2.8 Approximation of technical provisions

Technical provisions - un-modelled business

Due to modelling or data limitations on certain lines of business, certain components of the BEL are allowed for via un-modelled adjustments (UA) or modelled adjustments (MA). The basis for the UA or MA will vary from item to item.

Technical provisions - Paid-Up option

The Undertaking does not currently model the option to make policies paid up. There is no modelling of the “paid-up” decrement on the grounds of proportionality. It is complex to model and, in any case, is assumed to be broadly equivalent financially to the surrender of the contract.

D.2.9 Level of uncertainty associated with technical provisions

Levels of uncertainty associated with technical provisions

In the calculation of technical provisions, it is necessary to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a periodic basis.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, are discussed below.

Key sources of estimation uncertainty

1. Unit-linked contracts

Unit-linked account values
Liabilities for insurance and investment contracts include unit reserves at market value and unallocated premiums. The unit reserves are equal to the sum across unit funds of the numbers of policyholder units multiplied by the unit price (at bid price). Unallocated premiums are premiums that have been issued but not yet allocated to units. The value of the unit reserves are known and contain no uncertainty.

Best estimate liability
The best estimate liability represents the unit reserves plus the present value of future benefits, in excess of the unit reserves, to be paid to the policyholders or on behalf of the policyholders and related expenses less the present value of future charges deducted from the unit-linked account.

Key assumptions used in calculating the best estimate liability include:

- Expected future economic conditions (including risk-free interest rates, inflation rates and reinvestment rates);
- Maintenance expenses and associated inflation;
- Mortality / morbidity rates based on selected published actuarial mortality tables; and
- Lapse rates based on expected surrender experience.

2. Non unit-linked contracts

The liabilities represent the present value of future benefits to be paid to the policyholders or on behalf of the policyholders and related expenses less the present value of future premiums. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that could impact the valuation of the best estimate liability, are discussed below.

Key assumptions used in calculating the best estimate liability include:

- Expected future economic conditions (including risk-free interest rates, inflation rates and reinvestment rates);
- Maintenance expenses and associated inflation;
- Mortality / morbidity rates based on selected published actuarial mortality tables; and
- Lapse rates based on expected surrender experience

Such assumptions are captured in more detail in sections D.2.3 and D.2.15.

Expert judgement

Expert judgement is necessary in the calculation of the best estimate liability for a number of reasons including the following:

- Selection of data to use, and adjustment to reflect current or future conditions, correcting errors and deciding on the treatment of outliers or extreme events;
- Selection of realistic assumptions, allowing appropriately for the environment in which the Undertaking operates;
- Selection of the valuation technique considering appropriate alternative methodologies.

D.2.10 Matching adjustment

This is not applicable to the Undertaking.

MetLife

D.2.11 Volatility adjustment

This is not applicable to the Undertaking.

D.2.12 Transitional risk-free interest rate-term structure

This is not applicable to the Undertaking.

D.2.13 Transitional deduction

This is not applicable to the Undertaking.

D.2.14 Differences between Solvency II valuation and IFRS

The table and the associated explanations below provide key differences between technical provisions under Solvency II and those presented in the Undertaking's financial statements:

Analysis of Differences	Other life insurance 2019 €'m	Insurance with profit participation 2019 €'m	Index-linked and unit-linked life insurance 2019 €'m	SLT Health insurance 2019 €'m	Non-SLT Health insurance 2019 €'m	Total 2019 €'m
Gross Technical Provisions under IFRS	667	1,602	5,542	485	9	8,305
Assumption and Methodology Differences	(435)	130	(150)	(473)	(34)	(962)
RBNS Reclassification Differences	74	2	1	130	5	212
Items in Solvency II not in IFRS (Risk Margin)	160	39	73	22	31	325
Gross Technical Provisions under Solvency II	**466**	**1,773**	**5,466**	**164**	**11**	**7,880**

There are many significant differences between the technical provisions in the financial statements under IFRS and the technical provisions under Solvency II.

Assumption and Methodology Differences

Solvency II and IFRS have different rules for classifying/grouping insurance contracts, and these rules affect the valuation of the liabilities.

Solvency II capitalises all future profits, subject to contract boundaries, whereas IFRS generally does not. IFRS valuation of non-linked business adopts a net premium valuation methodology on regular premium business. For unit-linked type contracts, reserves typically equal the account values with no allowance for future profits. Exceptions exist for contracts with guarantees.

Solvency II assumptions are all best estimate whereas IFRS may apply Provisions for Adverse Deviations (PADs) to the assumptions used to value the reserves, according to classification rules.

Items in Solvency II but not in IFRS

Solvency II determines a risk margin based on the concept of the cost of capital (for risks that are not hedgeable), whereas this concept does not generally apply to IFRS (this might be considered as analogous to the PAD under IFRS).

Reclassification

Reported but not settled (RBNS) balances are disclosed in technical provisions in Solvency II but in payables in IFRS.

D.2.15 Information on actuarial methodologies and assumptions

Principal assumptions used in the determination of technical provisions

Solvency II requires assumptions to be based on best estimate. The assumptions are revised on a regular basis to adjust for recent experience and changes to market factors.

The principal assumptions used in the determination of technical provisions are ranked from the highest to the lowest as follows: lapses, expenses, mortality, morbidity. The primary lines of business contributing to these assumptions relate to the UK and France.

General Assumption Notes

1. Demographic Assumptions

Mortality and morbidity assumptions are generally based on published tables updated to allow for the results of the experience studies. The published tables are generally country specific, and may be product specific. In some cases the table will be provided by a reinsurer.

Lapse/surrender/persistency assumptions tend to be Undertaking specific but may be influenced by market data.

Whilst results on long term risk or annuity business may be relatively sensitive to demographic experience (mortality / morbidity), results tend to be more sensitive to policyholder behaviour due to the much higher absolute level and volatility of rates (e.g. lapse rates typically in the range 2% to 15%).

2. Expense Assumptions

Expense assumptions are based on the results of the expense studies. They are entirely Undertaking specific, not only in the manner that they reflect the plan expense base of the Undertaking, but also in the way that the Undertaking allocates expenses between acquisition and maintenance and by line of business.

3. Economic Assumptions

Noting that Solvency II prescribes future capital market economic assumptions to be “risk neutral”, with risk free interest rates published by EIOPA, economic assumptions are effectively limited to expense inflation.

There are also asset volatility assumptions used ESGs. These too are constrained by the risk neutral framework, subject to certain discretionary calibration choices beyond the scope of the present document.

Further details on the principal assumptions are below:

D.2.15.1 Mortality

Mortality rates are set at a country and product level. Base mortality rates are taken from country specific standard industry tables, which vary by age and sex. Depending on the product, experience multipliers and selection factors may also be applied to bring the assumptions in line with our own experience.

Where standard tables are not available in a certain country, alternatives have been used which best match the experience (e.g. Greece tables used as the base for Cyprus assumptions).

For certain products, separate morality rates are used for accidental death and death caused by disease and sickness.

D.2.15.2 Morbidity

Morbidity incidence rates are set at a country, product and coverage level. The following split of coverages is used in the models:

- Child Protection Agreement
- Waiver of Premium
- Permanent Disability
- Temporary Disability
- Critical Illness
- Hospitalization

Base morbidity rates are taken from country specific standard industry tables which vary by age and sex. Depending on the product, experience multipliers and selection factors may also be applied to bring the assumptions in line with our own experience.

Where coverage specific standard tables are not available one of two approaches has been used to set the assumptions. The first approach is to look for similar standard tables in other countries. The second approach is to develop bespoke tables based on specific experience.

For products with undefined benefit amounts (e.g. hospital cash), average claim amounts are used in the projection.

D.2.15.3 Persistency

Lapses

Lapse rates are set for each country within the Undertaking and are defined at a product, premium type (regular or single), distribution channel and policy year level.

Lapses for investment rider, child protection agreement and waiver of premium products depend on underlying products.

D.2.15.4 Expenses

D.2.15.4a. Expense assumption

Expenses are split into initial and renewal expenses. Expenses can be modelled as fixed, as a percentage of premium, as a percentage of sum assured or as a percentage of mathematical reserves. Expenses can vary by country, currency, product, premium type and distribution channel.

D.2.15.4b. Expense inflation assumption

Maintenance and overhead expenses are adjusted based on inflation assumptions.

D.2.15.4c. Commission assumption

Commissions are defined for each country within the Undertaking and are split into initial and renewal commissions. Standard commission is calculated as a percentage of premium. Depending on the product, bonus commission and override commission may be included. Commission rates depend on product, premium payable year, policy year and distribution channel. All standard commission rates are calculated as a percentage of premium.

Commission is not generally an assumption subject to discretionary judgement, rather it is a well-defined parameter of the relevant product.

D.2.15.5 Premium Indexation

For certain products, indexation is applied as a percentage increase in premiums over each projection year.

D.2.15.6 Benefit Escalation

For certain products, escalation is applied as a percentage increase in benefits over each projection year.

D.2.15.7 Interest Rate

D.2.15.7a. Interest rate assumption

The yield curves are generated in line with the prescribed methodology. The risk-free interest rate is primarily derived from the rates at which two parties are prepared to swap fixed and floating interest rate obligations. In the absence of financial swap markets, or where information on such transactions is not sufficiently reliable, the risk-free interest rate is based on the government bond rates of the country.

The risk-free interest rates are:

- Calculated for different time periods, reflecting that the liabilities of insurance and reinsurance undertakings stretch years and decades into the future.
- Calculated in respect of the most important currencies for the EU insurance market.
- Adjusted to reflect that a portion of the interest rate in a swap transaction (or a government bond) will reflect the risk of default of the counterparty and hence without adjustment would not be risk free.
- Based on data available from financial markets. For those periods in the more distant future for which data are not available, the rate is extrapolated from the point at which data is available to a macroeconomic long-term equilibrium rate.

D.2.15.7b. Credited rate/Excess interest benefit (EIB)

Certain products contain an EIB feature where policyholder benefits may receive an uplift each year depending on the performance of a portfolio of assets allocated to that business.

The future projected yield on these assets is calculated using risk neutral market consistent rates.

D.2.15.7c. Reversionary and terminal bonuses

This is not applicable to the Undertaking.

D.2.15.8 Fund Growth - Unit Linked

The assumed growth rate of unit-linked funds is consistent with the relevant risk-free interest rate term structure.

D.2.15.9 Discount Rate/Illiquidity Premium

This is consistent with section D.2.15.7. No illiquidity premiums are allowed for in any country.

D.3 Other liabilities

Liabilities of the Undertaking as at 31 December 2019

Liabilities	Solvency II value	Reclassification differences	Valuation differences	IFRS value
	€'m	€'m	€'m	€'m
Technical provisions - Non-life	11		(9)	2
Technical provisions - Life	7,869	(213)	647	8,303
Provisions other than technical provisions	16		—	16
Deposits from reinsurers	101			101
Deferred tax liabilities	138	—	(43)	95
Derivatives	61	—		61
Debts owed to credit institutions	6			6
Insurance and intermediaries payable	202	201	3	406
Reinsurance payables	53		—	53
Payables (trade, not insurance)	202	7	—	209
Financial liabilities	22			22
Total Liabilities	**8,681**	**(5)**	**598**	**9,274**
Excess of assets over liabilities	**1,330**	**—**	**321**	**1,651**

The Solvency II assets are compared to the IFRS Liabilities in section D.1. The valuation differences between the Solvency and IFRS excess of assets over liabilities is set out in section E.1.2.

D.3.1 Provisions other than technical provisions

Provisions are recognised when the Undertaking has a present obligation (legal or constructive) as a result of a past event, it is probable that the Undertaking will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Under Solvency II and IFRS, the amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Accordingly, there are no differences between Solvency II and IFRS.

D.3.2 Deposits from reinsurers

Deposits from reinsurers refers to cash collateral provided by a reinsurer to cover insurance liabilities and funds withheld arrangements with reinsurers.

Under Solvency II, deposits from reinsurers are stated at fair value on the Solvency II balance sheet

Under IFRS, deposits from reinsurers are recorded at cost and are an approximation of the fair value of these liabilities. Accordingly, there are no differences between Solvency II and IFRS.

D.3.3 Deferred tax liabilities

For further details, please refer to section D.1.3.

D.3.4 Derivatives

Under Solvency II, derivative liabilities are measured at fair value. The valuation methodology for derivatives is set out in D.1.5.6.

There are no differences between the valuation under Solvency II and under IFRS.

D.3.5 Other financial liabilities

Other financial liabilities comprise of insurance and intermediaries payables, reinsurance payables, and payables (trade, not insurance).

Under Solvency II, these are stated at fair value.

Under IFRS, trade and other payables comprise short-term payables which are recorded at cost and are an approximation of the fair value of these liabilities. Accordingly, there are no differences between Solvency II and IFRS, other than those attributable to timing.

D.3.5.1 Leasing

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under Solvency II a lease liability should be initially measured at the present value of the lease payments that are not paid at the commencement date and then subsequently amortised using the effective interest method.

There are no differences between the valuation under Solvency II and under IFRS.

D.3.5.2 Employee benefits

A portion of pension costs are allocated from MetLife Services European Economic Interest Group (MetLife Services EEIG), MetLife Europe Services Limited (MESL) and MetLife Slovakia s.r.o (MetLife Services Slovakia) and are not directly paid for by the Undertaking. These allocations are recognised as an expense when incurred and any related accruals are included in intercompany payables. MetLife Services EEIG and MESL make payments at agreed rates of the employee's gross salary for each individual's pension fund, the assets of which are vested in independent trustees for the benefit of the employees and their dependents.

The Undertaking makes other payment directly towards pension plans for employees remunerated at branch level. Contributions towards these plans are recognised as an expense in the income statement as incurred. The Undertaking does not operate a defined benefit pension plan.

D.3.6 Risk management

Information on risks relating to underwriting and reserving, asset-liability management, investment risk management and liquidity risk management is set out in section C.

D.3.7 Level of uncertainty associated with other liabilities

Due to the short term nature of the other liabilities obligations, the timing of outflows of economic benefits is known with reasonable certainty.

D.4 Alternative methods for valuation

Information in relation to assets that are not valued using quoted prices is set out in Section D.1.5.4.

D.5 Any other information

All information has been disclosed in the preceding sections.

E Capital management

E.1 Own funds

E.1.1 Capital Management Policy

The strategic objectives of capital management for the Undertaking are:

- Regulatory compliance: to ensure compliance with the Undertaking's regulatory capital requirements;
- Efficient allocation: to manage and allocate capital efficiently to achieve sustainable returns and facilitate growth objectives; and
- Financial strength: to ensure access to capital markets on competitive terms, so that the Undertaking's overall cost of capital is minimised.

Taken together, these strategic goals strengthen the Undertaking's ability to withstand losses from adverse business and market conditions, enhance its financial flexibility and serve the interests of stakeholders.

Roles and Responsibilities

- The Board has ultimate responsibility for ensuring adequacy of capital for the Undertaking.
- The CEO is responsible for guiding strategy and overall corporate risk appetite and ensuring that the right people are overseeing each function involved in capital management.
- The CFO is responsible for overseeing capital reporting and financial functions, capital allocation, and to cascade the CEO's strategy, including risk appetite, to all relevant financial divisions.
- The CRO ensures the composition and level of the Undertaking's capitalisation supports the Undertaking's Risk Strategy and Appetite. The CRO is responsible for the systems and structures in place to manage and monitor risks.
- The Finance Function has management responsibility for understanding capital consequences of investment strategies and decisions and coordination with relevant Treasury and Finance personnel to ensure that the capital considerations of investment decisions are properly vetted.
- Both the Risk Management Function and Finance Function ensure that adequate reporting is in place and capital requirement policies are followed correctly.

Capital Management Framework

The Board is ultimately responsible for the sourcing, deployment and adequacy of capital (i.e. assets held other than those designated to meet policyholder and other Undertaking liabilities) and places significant reliance on the advice of the CFO and CRO who bear specific professional duties in this regard.

The Undertaking's capital is monitored through the capital management process and within the Undertaking's stated risk appetite limits. Any breaches of these limits is escalated in accordance with and as defined by any relevant regulatory or internal policies.

The Undertaking's risk appetite recognises the regulatory minimum standard, as it applies to technical provisions, own funds and capital under Solvency II, and sets the target ongoing solvency level in order to enable the Undertaking to withstand the financial implications of adverse experience.

Risk appetite

The Undertaking has developed key risk appetite statements which apply on an ongoing basis. The Risk Management Function reviews the Undertaking's actual risk exposure against the overall stated risk appetite on a regular basis, at least quarterly.

The Risk Appetite and Strategy identifies the agreed target solvency level and range for the Undertaking. The appropriateness of the risk appetite is evaluated as part of the Undertaking's ORSA process each year and is subject to change over time.

Where deviations from the defined risk appetite measures occur, the Risk Management Function provides the Board with its opinion of the intensity of the deviation, along with a report on actions taken to address the deviation. Following this, the Board determines the materiality of deviations from the defined Risk Appetite measures, and whether such deviations are to be communicated to the regulator in accordance with CBI requirements.

Capital Planning and Dividend Policy

The Finance Function develops and maintains the medium term capital plan considering the business and risk strategies.

The capital planning process takes into account the following:

- The most recent business plan;
- Material new business;
- Any known management actions that are expected to materially affect the capital position;
- The planned dividend payments and any scheduled capital increases; and
- The outcome of the most recent Solvency II calculations and ORSA results.

Proposed dividends are considered by the Board on a case by case basis taking into account the output of the ORSA, including the expected capital position over a 12 month time horizon and the risks to that capital position, but in any case would not result in the Undertaking going below its overall target solvency level.

Capital and Liquidity Management

The Finance Function has the responsibility of managing the excess of assets over liabilities, per established guidelines. Investment of such capital is subject to the portfolio objective of meeting operating cash flow needs and generating a modest return enhancement above risk-free levels by taking moderate duration exposure and limited credit risk. Investments will generally be selected to minimise currency exposure relative to the relevant base currency.

Investment Guidelines are in place that govern the investment options for all assets owned by the Undertaking.

E.1.2 Reconciliation of equity under IFRS to excess of assets over liabilities under Solvency II

The Undertaking's excess of assets over liabilities (own funds) under Solvency II is different to the shareholders' equity in the financial statements prepared under IFRS. The table summarises the differences at 31 December 2019:

	Section	31-Dec-19 €'m	31-Dec-19 €'m
Assets under IFRS valuation	D.1	**10,925**	
Liabilities under IFRS valuation	D.3	**(9,274)**	
Equity per the IFRS financial statements			**1,651**
· Valuation differences on technical provisions (net)	D.2	**535**	
· Write off of deferred acquisition costs	D.1.1	**(707)**	
· Write off of intangible assets	D.1.2	**(13)**	
· Unearned commission asset and prepaid commission	D.1.1	**(116)**	
· Net deferred tax	D.1.3	**(41)**	
· Adjustment to loans and mortgages	D.1.7	**10**	
· Economic value adjustment to properties	D.1.4	**17**	
· Other adjustments		**(6)**	
			(321)
Assets under Solvency II valuation	D.1	**10,011**	
Liabilities under Solvency II valuation	D.3	**(8,681)**	
Excess of assets over liabilities under Solvency II			**1,330**

Valuation differences occur due to different basis used for Solvency II reporting compared with IFRS. See the sections referenced above for details of the valuation differences.

E.1.3 Composition and quality of own funds

The items reported in the own funds are split into three categories depending on different factors such as quality, liquidity and timeline to availability when liabilities arise.

Tier one own funds include ordinary share capital, non-cumulative preference shares and relevant subordinated liabilities. Tier two own funds include cumulative preference shares and subordinated liabilities under a shorter duration. Tier three own funds include own funds which do not satisfy the Tier one or Tier two requirements.

Composition and quality of own funds

All of the Undertaking's own funds are categorised as Tier one (ordinary share capital and share premium related to ordinary share capital) for Solvency II purposes, with the exception of net deferred tax assets of €5m (2018: €4m), which are categorised as Tier three.

E.1.4 Capital instruments in issue

Instrument	Ordinary share capital
Tier	Tier One
Permanence	Yes
Subordination	Last upon winding up
Redemption incentives	None
Amount in issue	4,379,124
Mandatory service costs	None
Absence of encumbrance	Yes

E.1.5 Movement in own funds

	31-Dec-19	31-Dec-18	Movement
	€'m	€'m	€'m
Basic own funds			
Tier One	**1,325**	1,199	126
Tier Two	**—**	—	—
Tier Three	**5**	4	1
Total basic own funds	**1,330**	1,203	127

The Undertaking has no ancillary own funds.

Own funds increased by €127m from €1,203m to €1,330m. Primary drivers of increase are business growth and unrealized gains on non UL assets, partially offset by impact of falling interest rates.

E.1.6 Eligible amount of own funds to cover SCR and MCR

	31-Dec-19	31-Dec-18	Movement
	€'m	€'m	€'m
Total own funds	**1,330**	1,203	127
Less:			
Restrictions	**—**	—	—
Deductions	**—**	—	—
Total eligible own funds for SCR	**1,330**	1,203	127
SCR	**772**	702	70
Solvency Ratio	**172%**	171%	1%
Total eligible own funds for MCR	**1,325**	1,199	126
MCR	**347**	316	31

The Undertaking has no restrictions on eligible own funds.

Loss absorbency

The Undertaking's Tier One own funds are immediately available to absorb losses. They absorb losses if there is any non-compliance with the SCR.

E.1.7 Reconciliation reserve - key elements

Reserve item	Amount 31-Dec-19 €'m
Excess of assets over liabilities	**1,330**
Own shares (included as assets on the balance sheet)	**—**
Forseeable dividends, distributions and charges	**—**
Other basic own funds items	**(10)**
Adjustment for restricted own fund items of Matching Adjustment Portfolios (MAPs) and Ring Fenced Funds (RFFs)	**—**
Reconciliation reserve before deduction for participations	**1,320**

E.1.8 Transitional arrangements

The Undertaking has not reported transitional arrangements.

E.1.9 Ancillary own funds

The Undertaking does not have ancillary own funds.

E.1.10 Restrictions and deductions from own funds

The Undertaking has no restrictions or deductions from own funds.

E.1.11 Own funds - Ring Fenced Funds (RFFs)

The Undertaking does not have RFFs.

E.1.12 Own funds - Planning and management

The Undertaking's capital projection does not include any repayment of its capital items over the current and projected planning horizon or any plan to raise additional own funds.

E.1.13 Own funds - Forecast

The Undertaking projects its capital requirements over the three year planning horizon used within the ORSA process.

E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

E.2.1 Approach to SCR and MCR

Calibration of stresses

For the purpose of this section, the Undertaking has adopted the SF approach. This method uses stresses for each of the individual risks as calibrated by EIOPA. EIOPA also provides the standard correlation matrices for the purpose of aggregation.

Undertaking Specific Parameters (USPs) have not been used by the Undertaking.

Use of Matching Adjustments

This is not applicable to the Undertaking.

E.2.2 Overview of SCR SF calculation

This section details the capital requirements for the Undertaking.

The assessment of the SCR using the SF approach is based on a modular approach consisting of a core of life; non-life; market; health and counterparty default risks with associated sub-modules. These are aggregated in the SF using correlation matrices, both at the sub-module and the main module level. An intangible asset module is then added (uncorrelated) to give the Basic Solvency Capital Requirement (BSCR). The operational risk component and adjustments for the risk absorbing effect of future profit sharing and deferred taxes are then allowed for, to give the overall SCR.

Hence, the SCR is calculated as follows:

$SCR = BSCR - Adj + SCR_{op}$

Where

- SCR = The Overall Standard Formula Capital Charge;
- BSCR = Basic Solvency Capital Requirement;
- Adj = Adjustment for Risk Absorbing Effect of Future Profit Sharing and Deferred Taxes; and
- SCR_{op} = The Capital Charge for Operational Risk.

Here, the “delta-Net Asset Value” (ΔNAV) approach is used for capturing the impact of the underlying risk module. Note that the expression ΔNAV has a sign convention whereby positive values signify a loss.

In order to calculate ΔNAV, the base scenario as well as the stressed assets and liabilities need to be calculated. The cashflows for each of these scenarios are then discounted to determine the corresponding present value of assets and liabilities. The difference between the base and the stressed assets and liabilities is the ΔNAV.

The ΔNAV is based on the Solvency II balance sheet that excludes the risk margin component of the technical provisions (i.e. uses only the best estimate liability component of the technical provisions). Furthermore when calculating ΔNAV the following are allowed for:

- Risk Mitigation techniques
- Adverse changes in the option take-up behaviour of policyholders.
- For collective investment funds, a look through approach has been used to assess the risk applying to the underlying investment vehicle. Where a collective investment fund is not sufficiently transparent to allow for a reasonable best effort allocation, reference has been made to the investment mandate.

The Undertaking has calculated the non-life risk SCR module for its existing business and its expected new business over the next year. Premium risk under the non-life insurance and non-SLT health insurance business are based on expected premiums for the next twelve months. The stress scenarios for underwriting risks in life insurance and SLT health insurance are instantaneous and do not allow for future new business.

E.2.3 SCR and MCR results

SCR

The following table includes the SCR components:

	31-Dec-19	31-Dec-18
	€'m	€'m
SCR market risk	**349**	352
SCR health risk	**99**	100
SCR counterparty default risk	**68**	49
SCR life underwriting risk	**519**	459
Aggregation (diversification effect)	**(278)**	(259)
Basic SCR	**757**	701
Operational risk SCR	**64**	61
Adjustment for the loss absorbing capacity of future discretionary benefits	**(2)**	(2)
Adjustment for the loss absorbing capacity of deferred taxation (LACDT)	**(47)**	(58)
Diversified SCR, excluding capital add-on	**772**	702
Capital add-on	**—**	—
SCR	**772**	702

The figures above correspond to the sensitivities shown for each risk category in Section C, with additional allowance for diversification as per the Solvency II SF.

SCR Movement in €'m

	2019	
Item	**Amount €'m**	
Opening balance		**702**
Changes due to:		
Scheduled management actions		
CPD risk reduced due to CARP business transferring	**(3)**	
Model or process updates	**6**	
Methodology	**(4)**	
Other modelling updates	**(6)**	
Assumption updates	**(4)**	
Business & capital market movements	**81**	
		772

The SCR increased by €70m from €702m in 2018 to €772m in 2019. The key drivers of this change were the following:

- Business & Capital Market Movements: €82m: Impact due to organic changes in relation to new business, actual experience and market movements (e.g. interest rates, foreign exchange rates). For 2019 the increase was mainly due to interest rate reductions amplifying the stress impacts and an Equity risk increase due to:
  - rising equity markets over the year,
  - an increase in the equity exposure in the Managed Volatility Funds and Horizon Growth Asset in the UK,
  - a decrease in the Symmetric adjustment provided by EIOPA.
- Scheduled Management Actions: (€3m): Impact due to Project CARP and the related transfer of business to Monument Re.
- Model or process updates: (€9m): Impact due to assumption updates, methodology changes and changes to the adjustments.

MCR

	31-Dec-19	31-Dec-18
	€'m	€'m
MCR	**347**	316

The upper MCR cap (45%) bites for MetLife Europe and this has been the case since YE 2018. The movement in the MCR is being driven by the movement in the SCR and the resulting impact on the MCR Cap.

Capital add-ons

The Undertaking is not currently subject to any capital add-on based on instructions from the supervisor.

E.2.4 Treatment of participating business

The Undertaking does not have any lines of business with material discretionary benefits.

The EIB business does provide "participating" benefits linked to investment returns where such returns exceed the level guaranteed at issue, however these excess benefits are not subject to material discretion. The EIB portfolios are not treated as RFFs on the grounds that the technical provisions cover the entire expected future cost of benefits. Full account of changes in credited rates for EIB business is allowed for in the market stresses.

E.2.5 Risk mitigation techniques and future management actions

Treatment of risk mitigation techniques

Risk mitigation techniques for the Undertaking relate principally to reinsurance evaluated within the technical provisions, in the SCR stresses, and in particular also in the Counterparty Default Risk module of the SCR, with due allowance for counterparty credit rating and loss-given-default.

Treatment of future management actions

The Undertaking has approved the following future management actions:

- An expense reduction of 20% is allowed for under the 40% Mass Lapse SCR stress. The rationale being that were 40% of policyholders to lapse, the Undertaking would be able to reduce expenses by 20%. This action affects the SCR.

- Over 2017, a second and distinct action was approved by the Board in relation to the management of future overhead expenses on the significant UK unit-linked business following the Undertaking's decision to close this to new business. The point of the action is to recognize that the overhead costs do not run off as quickly as the policies run off, hence to identify how management expects to reduce such overheads over the lifetime of the portfolio. This action affects the technical provisions with second order consequences for the SCR.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

This is not applicable to the Undertaking.

E.4 Differences between the SF and any internal model used

This is not applicable to the Undertaking.

E.5 Non-compliance with the MCR and non-compliance with the SCR

The Undertaking has had own funds in excess of both the SCR and MCR requirements over the reporting period.

E.6 Any other information

All information has been disclosed in the preceding sections.

Glossary of terms

Undertaking	MetLife Europe d.a.c.
Board	The Board of Directors of the Undertaking
Business Unit	The Undertaking's branches and any business conducted under Freedom to Provide Services
Solvency II Directive	European Commission Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance
ALM	Asset Liability Management
BCP	Business Continuity Plan
BEC	Branch Executive Committee
BEL	Best Estimate Liability
BRC	Board Risk Committee
BSCR	Basic Solvency Capital Requirement
CBI	Central Bank of Ireland (the Irish Regulatory Authority)
CEO	Chief Executive Officer
CF	Controlled Function
CFO	Chief Finance Officer
CPPI	Constant Proportion Portfolio Insurance
CRM	Compliance Risk Management
CRO	Chief Risk Officer
DAC	Deferred Acquisition Costs
d.a.c.	Designated Activity Company
DR	Disaster Recovery
EEA	European Economic Area
EIB	Excess Interest Benefit
EIOPA	European Insurance and Occupational Pensions Authority (the European Regulatory Authority)
EMC	Executive Management Committee
EPIFP	Expected Profit included in Future Premiums
ERC	Executive Risk Committee
ERSA	Enterprise Risk Self Assessment
ESG	Economic Scenario Generator
EU	European Union
FOS	Freedom of Service
GAAP	Generally Accepted Accounting Principles
GIP	Group Income Protection
HO	Head Office
HR	Human Resources
HRG	Homogeneous Risk Group
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IT	Information Technology
LACDT	Loss Absorbing Capacity of Deferred Tax
LTI	Long Term Incentive
MA	Modelled Adjustments
MAP	Matching Adjustment Portfolio
MCR	Minimum Capital Requirement

NAV	Net Asset Value
NST	National Specific Template
ORSA	Own Risk and Solvency Assessment
PAD	Provision for Adverse Deviations
PCF	Pre-Approval Controlled Function
PMC	Product Management Committee
QRT	Quantitative Reporting Template
RACC	Risk, Audit and Compliance Committee
RBNS	Reported But Not Settled
RFF	Ring Fenced Fund
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SF	Solvency II Standard Formula
SFCR	Solvency and Financial Condition Report
SLT	Similar to Life Techniques
TCF	Treating Customers Fairly
UA	Un-modelled Adjustments
UCA	Unearned Commission Asset
UK	United Kingdom
USA	United States of America
USPs	Undertaking Specific Parameters
VA	Variable Annuity
WCE	Western and Central Europe

Table of Contents

MetLife Europe d.a.c. Public Disclosure QRTs

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Rep Unit : [None]
Currency : EUR

MetLife Europe d.a.c.

S.02.01.02

Balance sheet

Public Disclosure

		Solvency II	Reclassification adjustment
		C0010	EC0021
Assets			
Goodwill	R0010		
Deferred acquisition costs	R0020		
Intangible assets	R0030	0	-
Deferred tax assets	R0040	5,341,849	-
Pension benefit surplus	R0050	-	-
Property, plant and equipment held for own use	R0060	54,765,769	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	2,913,409,291	-
Property (other than for own use)	R0080	988,545	-
Holdings in related undertakings, including participations	R0090	1,975,062	-
Equities	R0100	33,543	-
Equities - listed	R0110	-	-
Equities - unlisted	R0120	33,543	-
Bonds	R0130	2,757,491,502	-
Government Bonds	R0140	1,449,444,771	-
Corporate Bonds	R0150	1,308,046,731	-
Structured Notes	R0160	-	-
Collateralised Securities	R0170	-	-
Collective Investments Undertakings	R0180	24,145,844	-
Derivatives	R0190	127,348,542	-
Deposits other than cash equivalents	R0200	1,426,252	-
Other investments	R0210	0	-
Assets held for index-linked and unit-linked contracts	R0220	5,783,053,273	-
Loans and mortgages	R0230	224,701,848	-
Loans on policies	R0240	17,122,862	-
Loans and mortgages to individuals	R0250	12,425	-
Other loans and mortgages	R0260	207,566,560	-
Reinsurance recoverables	R0270	252,814,549	-
Non-life and health similar to non-life	R0280	3,835,240	
Non-Life excluding Health	R0290	-	
Health similar to Non-Life	R0300	3,835,240	
Life and health similar to life, excluding health, index-linked and unit-linked	R0310	213,303,400	
Health similar to Life	R0320	29,924,252	
Life excluding Health and index-linked and unit-linked	R0330	183,379,147	
Life index-linked and unit-linked	R0340	35,675,910	
Deposits to cedants	R0350	-	-
Insurance and intermediaries receivables	R0360	94,396,757	-
Reinsurance receivables	R0370	36,786,030	-
Receivables (trade, not insurance)	R0380	95,301,636	-
Own Shares	R0390	-	-
Amounts due in respect of own funds or initial fund called up but not paid in	R0400	-	-
Cash and cash equivalents	R0410	550,707,205	-
Any other assets, not elsewhere shown	R0420	-	-
Total Assets	R0500	10,011,278,206	-

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Rep Unit : [None]
Currency : EUR

MetLife Europe d.a.c.

MetLife

S.02.01.02

Balance sheet

Public Disclosure

		Solvency II	Reclassification adjustment
		C0010	EC0021
Liabilities			
Technical Provisions - Non-life	R0510	11,395,422	-
Technical Provisions - Non-Life (excluding Health)	R0520	-	
TP calculated as a whole	R0530	-	
Best Estimate	R0540	-	
Risk Margin	R0550	-	
Technical Provisions - Health (similar to Non-Life)	R0560	11,395,422	
TP calculated as a whole	R0570	-	
Best Estimate	R0580	-19,689,562	
Risk Margin	R0590	31,084,983	
Technical provisions - Life (excluding index-linked and unit-linked)	R0600	2,404,147,831	-
Technical Provisions - Health (similar to Life)	R0610	163,268,511	
TP calculated as a whole	R0620	-	
Best Estimate	R0630	141,164,086	
Risk Margin	R0640	22,104,424	
Technical Provisions - Life (excl Health, index linked and unit-linked)	R0650	2,240,879,321	
TP calculated as a whole	R0660	-	
Best Estimate	R0670	2,040,651,364	
Risk Margin	R0680	200,227,957	
Technical provisions - index-linked and unit-linked	R0690	5,464,893,206	-
TP calculated as a whole	R0700	-	
Best Estimate	R0710	5,392,260,910	
Risk Margin	R0720	72,632,297	
Other Technical Provisions	R0730		
Contingent liabilities	R0740	-	-
Provisions other than technical provisions	R0750	15,525,383	-
Pension benefit obligations	R0760	-	-
Deposits from reinsurers	R0770	101,154,188	-
Deferred tax liabilities	R0780	137,505,786	-
Derivatives	R0790	60,380,078	-
Debts owed to credit institutions	R0800	5,948,447	-
Debts owed to credit institutions resident domestically	ER0801	175	-
Debts owed to credit institutions resident in the euro area	ER0802	2,873,771	-
Debts owed to credit institutions resident in rest of world	ER0803	3,074,501	-
Financial liabilities other than debts owed to credit institutions	R0810	22,235,206	-
Debts owed to non-credit institutions	ER0811	22,235,206	-
Debts owed to non-credit institutions resident domestically	ER0812	-	-
Debts owed to non-credit institutions resident in the euro area	ER0813	17,512,206	-
Debts owed to non-credit institutions resident in rest of world	ER0814	4,723,000	-
Other financial liabilities (debt securities issued)	ER0815	-	-
Insurance and intermediaries payable	R0820	202,452,691	-
Reinsurance payables	R0830	52,937,949	-
Payables (trade, not insurance)	R0840	202,489,269	-
Subordinated liabilities	R0850	-	-
Subordinated liabilities not in BOF	R0860	-	-
Subordinated liabilities in BOF	R0870	-	-
Any other liabilities not elsewhere shown	R0880	-	-
Total Liabilities	R0900	8,681,065,456	-
Excess of assets over liabilities	R1000	1,330,212,751	

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.05.01.02

Premiums, claims and expenses by Line of Business

Public Disclosure

		Line of Business for Non-Life obligations										
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Premiums written	Gross											
Premiums, claims and expenses by Line of Business	Input											
Premiums written												
Gross - Direct business	R0110	36,095,506	43,438,428	655,836	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0120	323,365	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0130											
Reinsurer's share	R0140	1,817,427	3,181,418	618,172	0	0	0	0	0	0	0	0
Net	R0200	34,601,444	40,257,010	37,665	0	0	0	0	0	0	0	0
Premiums earned												
Gross - Direct business	R0210	32,481,958	43,429,615	631,653	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0220	323,365	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0230											
Reinsurer's share	R0240	1,920,905	3,181,418	598,093	0	0	0	0	0	0	0	0
Net	R0300	30,884,417	40,248,197	33,560	0	0	0	0	0	0	0	0
Claims incurred												
Gross - Direct business	R0310	17,878,842	19,804,175	-53,298	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0320	117,432	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0330											
Reinsurer's share	R0340	2,019,233	992,483	-2,282	0	0	0	0	0	0	0	0
Net	R0400	15,977,042	18,811,692	-51,016	0	0	0	0	0	0	0	0
Changes in other technical provisions												
Gross - Direct business	R0410	0	-1,674,207	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430											
Reinsurer's share	R0440	0	-43,231	0	0	0	0	0	0	0	0	0
Net	R0500	0	-1,630,976	0	0	0	0	0	0	0	0	0

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.05.01.02

Premiums, claims and expenses by Line of Business

Public Disclosure

		Line of Business for Non-Life obligations	Line of Business for accepted non-proportional reinsurance				Non-Life insurance
		Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Non-Life insurance
		C0120	C0130	C0140	C0150	C0160	C0200
Premiums written	Gross						
Premiums, claims and expenses by Line of Business	Input						
Premiums written							
Gross - Direct business	R0110	0					80,189,770
Gross - Proportional reinsurance accepted	R0120	0					323,365
Gross - Non-proportional reinsurance accepted	R0130		0	0	0	0	0
Reinsurer's share	R0140	0	0	0	0	0	5,617,016
Net	R0200	0	0	0	0	0	74,896,119
Premiums earned							
Gross - Direct business	R0210	0					76,543,225
Gross - Proportional reinsurance accepted	R0220	0					323,365
Gross - Non-proportional reinsurance accepted	R0230		0	0	0	0	0
Reinsurer's share	R0240	0	0	0	0	0	5,700,416
Net	R0300	0	0	0	0	0	71,166,175
Claims incurred							
Gross - Direct business	R0310	-1					37,629,719
Gross - Proportional reinsurance accepted	R0320	0					117,432
Gross - Non-proportional reinsurance accepted	R0330		0	0	0	0	0
Reinsurer's share	R0340	0	0	0	0	0	3,009,433
Net	R0400	-1	0	0	0	0	34,737,717
Changes in other technical provisions							
Gross - Direct business	R0410	0					-1,674,207
Gross - Proportional reinsurance accepted	R0420	0					0
Gross - Non-proportional reinsurance accepted	R0430		0	0	0	0	0
Reinsurer's share	R0440	0	0	0	0	0	-43,231
Net	R0500	0	0	0	0	0	-1,630,976

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.05.01.02

Premiums, claims and expenses by Line of Business

Public Disclosure

		Line of Business for Non-Life obligations										
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Expenses incurred	R0550	7,323,724	17,396,292	182,325	0	0	0	0	0	0	0	0
Other expenses	R1200											
Total expenses	R1300											

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.05.01.02

Premiums, claims and expenses by Line of Business

Public Disclosure

		Line of Business for Non-Life obligations	Line of Business for accepted non-proportional reinsurance				Non-Life insurance
		Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Non-Life insurance
		C0120	C0130	C0140	C0150	C0160	C0200
Expenses incurred	R0550	1	0	0	0	0	24,902,342
Other expenses	R1200						0
Total expenses	R1300						24,902,342

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.05.01.02

Premiums, claims and expenses by Line of Business

Public Disclosure

		Line of Business for Life obligations						Line of Business for Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-Life insurance contracts related to health	Annuities stemming from non-life insurance contracts other than health	Health reinsurance	Accepted reinsurance	Life insurance
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	252,105,142	102,954,561	157,095,291	666,015,464	0	0	2,922,099	21,823,711	1,202,916,268
Reinsurer's share	R1420	24,953,960	1,588,501	47,828,518	172,998,711	0	0	0	0	247,369,690
Net	R1500	227,151,182	101,366,059	109,266,773	493,016,753	0	0	2,922,099	21,823,711	955,546,577
Premiums earned										
Gross	R1510	251,816,773	102,791,777	157,095,291	633,049,507	0	0	2,922,099	21,823,711	1,169,499,157
Reinsurer's share	R1520	24,994,221	1,602,524	47,828,518	170,447,754	0	0	0	0	244,873,017
Net	R1600	226,822,551	101,189,254	109,266,773	462,601,753	0	0	2,922,099	21,823,711	924,626,141
Claims incurred										
Gross	R1610	93,063,911	187,413,649	791,994,279	268,066,387	0	0	-198,746	1,596,973	1,341,936,454
Reinsurer's share	R1620	13,415,275	444,007	-3,144,415	70,242,131	0	0	0	0	80,956,998
Net	R1700	79,648,636	186,969,642	795,138,694	197,824,256	0	0	-198,746	1,596,973	1,260,979,456
Changes in other technical provisions										
Gross	R1710	-2,746,239	35,783,629	-643,272,597	117,310,015	0	0	0	0	-492,925,192
Reinsurer's share	R1720	107,155	26,099,057	0	137,384,136	0	0	0	0	163,590,348
Net	R1800	-2,853,394	9,684,571	-643,272,597	-20,074,121	0	0	0	0	-656,515,540

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.05.01.02

Premiums, claims and expenses by Line of Business

Public Disclosure

		Line of Business for Life obligations						Line of Business for Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-Life insurance contracts related to health	Annuities stemming from non-life insurance contracts other than health	Health reinsurance	Accepted reinsurance	Life insurance
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Expenses incurred	R1900	116,585,478	2,832,636	150,717,446	250,804,047	0	0	1,168,115	7,791,434	529,899,156
Other expenses	R2500									5,490,325
Total expenses	R2600									535,389,481

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.05.02.02

Premiums, claims and expenses by country

Public Disclosure

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0070
	R0010	IE	SK	CY	CZ	IT	
		C0080	C0090	C0100	C0110	C0120	C0140
Premiums written							
Gross - Direct business	R0110	-0.14	25,358,052.04	24,093,974.84	17,273,270.72	11,282,990.23	78,008,287.69
Gross - Proportional reinsurance accepted	R0120	0.28	0.00	323,364.70	0.00	0.00	323,364.98
Gross - Non-proportional reinsurance accepted	R0130	0.00	0.00	0.00	0.00	0.00	0.00
Reinsurer's share	R0140	0.00	659,514.43	50,121.86	2,547,360.86	1,778,590.35	5,035,587.50
Net	R0200	0.14	24,698,537.61	24,367,217.68	14,725,909.86	9,504,399.88	73,296,065.17
Premiums earned							
Gross - Direct business	R0210	0.00	25,358,052.22	23,937,048.63	17,264,457.56	11,258,257.30	77,817,815.71
Gross - Proportional reinsurance accepted	R0220	0.00	0.00	323,364.70	0.00	0.00	323,364.70
Gross - Non-proportional reinsurance accepted	R0230	0.00	0.00	0.00	0.00	0.00	0.00
Reinsurer's share	R0240	0.00	659,514.43	145,598.18	2,547,360.86	1,758,338.06	5,110,811.53
Net	R0300	0.00	24,698,537.79	24,114,815.15	14,717,096.70	9,499,919.24	73,030,368.88
Claims incurred							
Gross - Direct business	R0310	0.00	5,120,489.87	17,061,309.42	14,183,974.73	874,046.26	37,239,820.28
Gross - Proportional reinsurance accepted	R0320	0.00	0.00	117,431.80	0.00	0.00	117,431.80
Gross - Non-proportional reinsurance accepted	R0330	0.00	0.00	0.00	0.00	0.00	0.00
Reinsurer's share	R0340	0.00	172,966.89	1,334,854.40	819,557.54	503,391.21	2,830,770.04
Net	R0400	0.00	4,947,522.98	15,843,886.82	13,364,417.19	370,655.05	34,526,482.04
Changes in other technical provisions							
Gross - Direct business	R0410	0.00	0.00	0.00	-1,691,312.93	0.00	-1,691,312.93
Gross - Proportional reinsurance accepted	R0420	0.00	0.00	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0430	0.00	0.00	0.00	0.00	0.00	0.00
Reinsurer's share	R0440	0.00	-3,669.73	0.00	-39,561.36	0.00	-43,231.09
Net	R0500	0.00	3,669.73	0.00	-1,651,751.57	0.00	-1,648,081.84
Expenses incurred	R0550	0.00	10,397,740.25	2,799,350.78	6,639,161.16	4,845,334.15	24,681,586.34
Other expenses	R1200						0.00
Total expenses	R1300	0.00	10,397,740.25	2,799,350.78	6,639,161.16	4,845,334.15	24,681,586.34

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.05.02.02

Premiums, claims and expenses by country

Public Disclosure

		Home country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400	IE	GB	IT	FR	ES	SK	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
	R1410							
Gross		-487,579.88	282,992,717.18	219,707,294.96	185,414,520.98	112,887,586.48	85,811,567.83	886,326,107.55
Reinsurer's share	R1420	3,199,505.65	102,827,740.53	98,002,460.05	15,773,322.99	15,736,896.32	1,071,861.86	236,611,787.40
Net	R1500	-3,687,085.53	180,164,976.65	121,704,834.91	169,641,197.99	97,150,690.16	84,739,705.97	649,714,320.15
Premiums earned								
Gross	R1510	-130,263.77	277,831,285.69	193,779,504.25	185,418,233.67	112,430,783.71	86,236,407.80	855,565,951.35
Reinsurer's share	R1520	3,198,604.42	104,112,444.55	94,712,434.92	15,777,657.26	15,100,718.63	1,071,861.86	233,973,721.64
Net	R1600	-3,328,868.19	173,718,841.14	99,067,069.33	169,640,576.41	97,330,065.08	85,164,545.94	621,592,229.71
Claims incurred								
Gross	R1610	22,689,193.18	843,374,454.64	62,073,181.60	59,858,237.11	39,255,900.18	98,578,613.14	1,125,829,579.85
Reinsurer's share	R1620	-2,431,014.44	44,072,529.16	32,908,874.51	4,393,249.72	1,158,438.19	127,168.63	80,229,245.77
Net	R1700	25,120,207.62	799,301,925.48	29,164,307.09	55,464,987.39	38,097,461.99	98,451,444.51	1,045,600,334.08
Changes in other technical provisions								
Gross	R1710	-43,376,135.76	-352,497,916.87	-8,418,189.56	-7,397,756.13	-424,841.57	866,973.65	-411,247,866.24
Reinsurer's share	R1720	688,387.47	165,529,570.25	5,956.97	370,465.31	-3,119,389.86	2,052.78	163,477,042.92
Net	R1800	-44,064,523.23	-518,027,487.12	-8,424,146.53	-7,768,221.44	2,694,548.29	864,920.87	-574,724,909.16
Expenses incurred	R1900	109,719,105.14	99,289,067.03	61,319,901.03	78,328,415.91	57,824,042.27	26,597,823.25	433,078,354.63
Other expenses	R2500							5,181,587.80
Total expenses	R2600							438,259,942.43

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Rep Unit : [None]
Currency : EUR

MetLife Europe d.a.c.

S.12.01.02

Life and Health SLT Technical Provisions

Public Disclosure

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts other than health	Accepted life reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options and guarantees		Contracts without options and guarantees	Contracts with options and guarantees			
Life and Health SLT Technical Provisions		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical Provisions calculated as a whole	R0010	-	-			-			-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020	-	-			-			-	-	-
Technical provisions calculated as a sum of BE and RM											
Gross Best Estimate	R0030	1,735,015,721		301,477,197	5,090,783,712		45,927,046	257,797,940	-	1,910,658	7,432,912,273
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0080	-352,240		-	35,675,910		3,776,532	179,954,855	-	-	219,055,057
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	1,735,367,961		301,477,197	5,055,107,803		42,150,514	77,843,084	-	1,910,658	7,213,857,217
Risk Margin	R0100	39,113,940	72,632,297			161,114,015			-	2	272,860,254
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110	-	-			-			-	-	-
Best Estimate	R0120	-		-	-		-	-	-	-	-
Risk Margin	R0130	-	-			-			-	-	-
Technical Provisions - total	R0200	1,774,129,661	5,464,893,206			464,839,000			-	1,910,660	7,705,772,527

		Health insurance total			Annuities stemming from non-Life insurance contracts related to health	Health reinsurance	Total Health (similar to Life)
			Contracts without options and guarantees	Contracts with options and guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical Provisions calculated as a whole	R0010	-			-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020	-			-	-	-
Technical provisions calculated as a sum of BE and RM							
Gross Best Estimate	R0030		6,459,504	131,428,277	-	3,276,305	141,164,086
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0080		2,252,771	27,671,482	-	-	29,924,252
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090		4,206,734	103,756,795	-	3,276,305	111,239,834
Risk Margin	R0100	22,104,422			-	2	22,104,424
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110	-			-	-	-
Best Estimate	R0120		-	-	-	-	-

Scenario	: Actual
Year	: 2019
Period	: Annual
Rep Type	: ECB
Rep Unit	: [None]
Currency	: EUR

MetLife Europe d.a.c.

S.12.01.02

Life and Health SLT Technical Provisions

Public Disclosure

Risk Margin	R0130	-		-	-	-
Technical Provisions - total	R0200	159,992,203		-	3,276,307	163,268,511

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Rep Unit : [None]
Currency : EUR

MetLife Europe d.a.c.

S.17.01.02

Non-Life Technical Provisions

Public Disclosure

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
Technical Provisions calculated as a whole	R0010	0	0	0	0	0	0
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0050	0	0	0	0	0	0
Technical Provisions calculated as a sum of BE and RM							
Best Estimate							
Premium Provisions							
Gross - Total	R0060	-294,163	-33,800,919	-560,656	0	0	0
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0140	837,269	138,028	-207,568	0	0	0
Net best estimate of premium provisions	R0150	-1,131,432	-33,938,947	-353,088	0	0	0
Claims Provisions							
Gross - Total	R0160	4,023,204	10,553,221	389,751	0	0	0
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0240	1,843,615	925,501	298,395	0	0	0
Net best estimate of claim provisions	R0250	2,179,588	9,627,721	91,356	0	0	0
Total Best Estimate - Gross	R0260	3,729,041	-23,247,697	-170,905	0	0	0
Total Best Estimate - Net	R0270	1,048,156	-24,311,226	-261,732	0	0	0
Risk Margin	R0280	2,566,879	28,515,463	2,641	0	0	0

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Rep Unit : [None]
Currency : EUR

MetLife Europe d.a.c.

S.17.01.02

Non-Life Technical Provisions

Public Disclosure

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
Technical Provisions calculated as a whole	R0010	0	0	0	0	0	0
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0050	0	0	0	0	0	0
Technical Provisions calculated as a sum of BE and RM							
Best Estimate							
Premium Provisions							
Gross - Total	R0060	0	0	0	0	0	0
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0140	0	0	0	0	0	0
Net best estimate of premium provisions	R0150	0	0	0	0	0	0
Claims Provisions							
Gross - Total	R0160	0	0	0	0	0	0
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0240	0	0	0	0	0	0
Net best estimate of claim provisions	R0250	0	0	0	0	0	0
Total Best Estimate - Gross	R0260	0	0	0	0	0	0
Total Best Estimate - Net	R0270	0	0	0	0	0	0
Risk Margin	R0280	0	0	0	0	0	0

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Rep Unit : [None]
Currency : EUR

MetLife Europe d.a.c.

S.17.01.02

Non-Life Technical Provisions

Public Disclosure

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Non-Life insurance
		C0140	C0150	C0160	C0170	C0180
Technical Provisions calculated as a whole	R0010	0	0	0	0	0
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0050	0	0	0	0	0
Technical Provisions calculated as a sum of BE and RM						
Best Estimate						
Premium Provisions						
Gross - Total	R0060	0	0	0	0	-34,655,738
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0140	0	0	0	0	767,729
Net best estimate of premium provisions	R0150	0	0	0	0	-35,423,467
Claims Provisions						
Gross - Total	R0160	0	0	0	0	14,966,176
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0240	0	0	0	0	3,067,511
Net best estimate of claim provisions	R0250	0	0	0	0	11,898,665
Total Best Estimate - Gross	R0260	0	0	0	0	-19,689,562
Total Best Estimate - Net	R0270	0	0	0	0	-23,524,802
Risk Margin	R0280	0	0	0	0	31,084,983

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Rep Unit : [None]
Currency : EUR

MetLife Europe d.a.c.

S.17.01.02

Non-Life Technical Provisions

Public Disclosure

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	0	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0	0
Risk Margin	R0310	0	0	0	0	0	0
Technical Provisions - total							
Technical Provisions - total	R0320	6,295,920	5,267,766	-168,264	0	0	0
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0330	2,680,885	1,063,529	90,827	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re	R0340	3,615,035	4,204,238	-259,091	0	0	0

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Rep Unit : [None]
Currency : EUR

MetLife Europe d.a.c.

S.17.01.02

Non-Life Technical Provisions

Public Disclosure

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	0	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0	0
Risk Margin	R0310	0	0	0	0	0	0
Technical Provisions - total							
Technical Provisions - total	R0320	0	0	0	0	0	0
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0330	0	0	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re	R0340	0	0	0	0	0	0

Currency : EUR

MetLife Europe d.a.c.

S.17.01.02

Non-Life Technical Provisions

Public Disclosure

		Accepted non-proportional reinsurance				Non-Life insurance
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0
Risk Margin	R0310	0	0	0	0	0
Technical Provisions - total						
Technical Provisions - total	R0320	0	0	0	0	11,395,422
Total recoverables from reinsurance/SPV and Finite Re after adjustment	R0330	0	0	0	0	3,835,240
Technical provisions minus recoverables from reinsurance/SPV and Finite Re	R0340	0	0	0	0	7,560,181

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : EIOPA
Currency : EUR

MetLife Europe d.a.c.

S.19.01.21

Non-life Insurance Claims Information
Public Disclsoure

Accident year / Underwriting year	Z0010	Accident year

Gross Claims Paid (non-cumulative)

Development year

		0	1	2	3	4	5	6	7	8	9	10 & +	In Current Year	Sum of years
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											7,975	7,975	7,975
N - 9	R0160	8,400,098	6,655,741	1,360,152	513,463	97,147	24,345	34,387	13,274	67	41,393		41,393	17,140,067
N - 8	R0170	9,934,033	7,431,305	1,344,320	404,343	159,205	27,274	17,652	9,426	33,733			33,733	19,361,291
N - 7	R0180	9,418,198	6,313,653	1,235,709	444,302	340,135	20,166	25,438	2,818				2,818	17,800,420
N - 6	R0190	10,145,929	6,010,324	1,295,114	400,319	141,291	14,995	3,710					3,710	18,011,682
N - 5	R0200	12,352,182	6,039,072	1,370,383	349,606	162,092	39,368						39,368	20,312,704
N - 4	R0210	14,923,325	7,818,336	1,592,703	521,974	202,979							202,979	25,059,317
N - 3	R0220	16,089,956	7,814,901	1,786,714	608,142								608,142	26,299,713
N - 2	R0230	16,387,648	9,111,523	2,198,980									2,198,980	27,698,150
N - 1	R0240	17,727,686	11,788,185										11,788,185	29,515,871
N	R0250	22,051,931											22,051,931	22,051,931
Total	R0260												36,979,213	223,259,121

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : EIOPA
Currency : EUR

MetLife Europe d.a.c.

S.19.01.21

Non-life Insurance Claims Information
Public Disclsoure

Accident year / Underwriting year	Z0010	Accident year

Gross Undiscounted Best Estimate Claims Provisions

Development year

		0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											47,933	47,933
N - 9	R0160	1,869,116	199,181	310,648	405,392	553	553	2,391	293,326	991	8,891		8,891
N - 8	R0170	2,804,973	746,042	36,700	607	607	24,431	280,869	21,045	14,432			14,432
N - 7	R0180	1,183,470	835,287	64,534	47,263	105,469	349,261	63,345	55,422				55,422
N - 6	R0190	1,847,061	1,077,413	63,204	110,020	319,874	36,217	29,141					29,141
N - 5	R0200	1,902,589	1,282,118	314,638	399,647	162,845	90,434						90,434
N - 4	R0210	1,975,283	1,831,348	519,364	281,319	124,056							124,056
N - 3	R0220	5,948,240	1,651,158	1,067,651	547,155								547,155
N - 2	R0230	7,353,512	3,128,259	904,472									904,472
N - 1	R0240	9,400,958	2,990,957										2,990,957
N	R0250	10,153,280											10,153,280
Total	R0260												14,966,175

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.23.01.01

Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic Own Funds						
Ordinary share capital (gross of own shares)	R0010	4,379,124	4,379,124		-	
Share premium related to ordinary share capital	R0030	0	0		-	
Initial funds, members' contributions	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium related to preference shares	R0110	-		-	-	-
Reconciliation reserve before deduction for participations	R0130	1,320,491,778	1,320,491,778			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	5,341,848				5,341,848
Other items approved by supervisory authority as basic own funds - Group	R0180	-	-	-	-	-
Own funds not represented by the reconciliation reserve	R0220	-				
Deductions not included in the reconciliation reserve						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after adjustments	R0290	1,330,212,751	1,324,870,902	-	-	5,341,848
Ancillary Own Funds						
Unpaid and uncalled ordinary share capital	R0300	-			-	
Unpaid and uncalled initial funds	R0310	-			-	
Unpaid and uncalled preference share capital	R0320	-			-	-
Commitment to subscribe and pay for subordinated liabilities	R0330	-			-	-
Letters of credit and guarantees under Article 96(2)	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2)	R0350	-			-	-
Supplementary members calls under Article 96(3)	R0360	-			-	
Supplementary members calls other than under Article 96(3)	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.23.01.01

Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,330,212,751	1,324,870,902	-	-	5,341,848
Total available own funds to meet the MCR	R0510	1,324,870,902	1,324,870,902	-	-	
Total eligible own funds to meet the SCR	R0540	1,330,212,751	1,324,870,902	-	-	5,341,848
Total eligible own funds to meet the MCR	R0550	1,324,870,902	1,324,870,902	-	-	
Solvency Capital Requirement	R0580	771,886,026				
Minimum Capital Requirement	R0600	347,348,712				
Ratio of Eligible own funds to SCR	R0620	172.33%				
Ratio of Eligible own funds to MCR	R0640	381.42%				

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.23.01.01

Own Funds

		Total
		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	1,330,212,751
Own shares (held directly and indirectly)	R0710	-
Forseeable dividends, distributions and charges	R0720	-
Other basic own funds items	R0730	9,720,972
Adjustment for restricted own fund items of MAPs and RFFs	R0740	-
Reconciliation reserve before deduction for participations	R0760	1,320,491,778
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	721,843,477
Expected profits included in future premiums (EPIFP) - Non-Life business	R0780	27,340,264
Total Expected profits included in future premiums (EPIFP)	R0790	749,183,742

: Actual
: 2019
: Annual
: ECB
: [None]
:

MetLife Europe d.a.c.

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Public Disclosure

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	349,071,829	NONE
Counterparty default risk	R0020	67,659,071	
Life underwriting risk	R0030	519,441,705	NONE
Health underwriting risk	R0040	98,956,772	NONE
Non-life underwriting risk	R0050	29,841	NONE
Diversification	R0060	-278,580,603	
Intangible asset risk	R0070	-	
Basic Solvency Capital Requirement	R0100	756,578,614	

		USP
		C0090
Life underwriting risk	R0030	NONE
Health underwriting risk	R0040	NONE
Non-life underwriting risk	R0050	NONE

		Value
Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	63,963,283
Loss-absorbing capacity of technical provisions	R0140	-1,939,477
Loss absorbing capacity of deferred taxes	R0150	-46,716,394
Capital requirement in accordance with Art 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	771,886,026
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	771,886,026
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Notional Solvency Capital Requirements for remaining part	R0410	-
Notional Solvency Capital Requirement for ring fenced funds	R0420	-
Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.28.02.01
Minimum Capital Requirement
Public Disclosure

		MCR Components	
		Non-Life activities	Life activities
		MCR (NL, NL) Result	MCR (NL, L) Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	5,126,344	-

		Background Information			
		Non-Life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	1,048,156	34,728,178	-	-
Income Protection insurance and proportional reinsurance	R0030	-	40,396,730	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	33,560	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-	-	-
Other motor insurance and proportional reinsurance	R0060	-	-	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	-	-	-	-
General liability insurance and proportional reinsurance	R0090	-	-	-	-
Credit and Suretyship insurance and proportional reinsurance	R0100	-	-	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-	-	-
Assistance and proportional reinsurance	R0120	-	101,380	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-	-	-
Non-proportional Health reinsurance	R0140	-	-	-	-
Non-proportional casualty reinsurance	R0150	-	-	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-	-	-
Non-proportional property reinsurance	R0170	-	-	-	-

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : ECB
Currency : EUR

MetLife Europe d.a.c.

S.28.02.01
Minimum Capital Requirement
Public Disclosure

		Non-Life activities	Life activities
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	-	402,055,542

		Non-Life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	-		1,692,371,299	
Obligations with profit participation - future discretionary benefits	R0220	-		42,996,742	
Index-linked and unit-linked insurance obligations	R0230	-		5,356,585,390	
Other life (re)insurance and health (re)insurance obligations	R0240	-		233,144,090	
Total capital at risk for all life (re)insurance obligations	R0250		-		427,545,015,303

Overall MCR calculation		C0130
Linear MCR	R0300	407,181,886
SCR	R0310	771,886,026
MCR cap	R0320	347,348,712
MCR floor	R0330	192,971,507
Combined MCR	R0340	347,348,712
Absolute floor of the MCR	R0350	6,200,000
Minimum Capital Requirement	R0400	347,348,712

Notional non-life and life MCR calculation		Non-Life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	5,126,344	402,055,542
Notional SCR excluding add-on	R0510	9,717,901	762,168,125
Notional MCR cap	R0520	4,373,056	342,975,656
Notional MCR floor	R0530	2,429,475	190,542,031
Notional Combined MCR	R0540	4,373,056	342,975,656
Absolute floor of the notional MCR	R0550	2,500,000	3,700,000
Notional MCR	R0560	4,373,056	342,975,656