

Monument Re Limited

Consolidated Financial Statements

**For the period from 27th October 2016 (date of incorporation) to
31st December 2017**

Date: 30th April 2018





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Strategic Report

Introduction

Monument Re Limited (“Monument Re” or “the Company”) is a Bermuda based reinsurance company established to provide solutions for asset intensive portfolios through reinsurance or acquisition. In executing this dual insurance and reinsurance strategy, the Company looks to assume asset based risks within our risk appetite, and efficiently operate these businesses or portfolios. The focus includes two principal areas, namely:

- Acquisition of linked savings and protection portfolios based mainly out of the key distribution centres, namely, Ireland and the Benelux regions (Belgium, Netherlands and Luxembourg); and
- Reinsurance of long-dated asset intensive liabilities, such as annuity business and guaranteed savings contracts.

Monument Re is a Class E reinsurer and holding company of other insurance entities and is subject to Group Supervision under the Bermuda Monetary Authority through Solvency II Equivalence attained on a permanent basis from the European Insurance and Occupational Pensions Authority.

In its first year of operation, the Company completed the acquisition of two Irish insurance subsidiaries of Barclays Bank PLC, which have been rebranded as Monument Insurance Designated Activity Company (“MIDAC”), a non-life assurance company and Monument Assurance Designated Activity Company (“MADAC”), a life insurance company. These entities were established to underwrite Payment Protection Insurance (“PPI”) and short-term income protection to Barclay’s customers in the UK and are now closed to new business. This transaction completed on the 1st March 2017.

On the 29th August 2017, Monument Re completed the acquisition of Laguna Life Designated Activity Company (“Laguna”), an Irish insurance entity of Enstar Group Limited. This entity comprises a closed book of term life protection risks within the UK and Spain.

Trading as Monument Insurance in Ireland, these entities provide a sound platform for Monument Re, together with its subsidiaries (the “Group”) to write further transactions in Ireland and from the European Union on a cross-border basis.

Monument Re has also signed two further transactions, one of which remains subject to regulatory approval. On 18th September 2017, the Company signed the agreement to acquire of ABN AMRO Life Capital Belgium N.V. (“AALCB”), a Belgian Life insurance company and on the 29th January 2018, signed the acquisition of Aspecta Assurance International Luxembourg S.A. (“Aspecta”), a life insurance undertaking based in Luxembourg with branches in Germany, Italy and Spain. Both of these transactions support our strategy to build a Benelux platform. On the 28th March 2018, Monument Re completed the acquisition of AALCB following receipt of regulatory approval by the National Bank of Belgium and subsequently renamed AALCB as Monument Assurance Belgium N.V. (“MAB”). Aspecta remains subject to regulatory approval

At 31st December 2017, profitability generated by the transactions along with capital injected from the pool of committed capital, resulted in a healthy Economic Balance Sheet Capital Coverage Ratio of 350%.



Chairman's Report

We are pleased to present the first annual report of Monument Re. In its first year of operation, the company has taken strides forward in executing our dual insurance and reinsurance strategy. The principal drivers supporting the strategy remain very strong. In particular, the continued low interest rate environment has maintained margin pressure on life insurers which, coupled with the increased regulatory requirements, has led to a number of life insurers and their shareholders evaluating strategic options to deploy their capital more efficiently across the developed European markets.

As a result, the pipeline in 2017 was healthy, with notable transactions signed in Ireland, Luxembourg and Belgium, and is set to continue going forward as these drivers persist.

Monument Re's business model is highly flexible and, with the additional benefit of a cohesive and dedicated management team, the company has delivered on key transactions in 2017 that provide both strategic and financial value. The company is in a healthy position financially, operationally and resource-wise and remains set to continue on its current growth trajectory.

On behalf of all members of the board, I would like to thank the management team and all staff in Bermuda and Ireland for their dedicated efforts in 2017. We look forward to continued success ahead.

Jonathan Yates



Chief Executive Officer's Report

We are pleased to present the first annual report of Monument Re which has had a successful first year of trading. In 2017, we were able to deliver a number of transactions and establish ourselves as a highly credible party, offering agility, commerciality and transaction certainty.

Through 2017, the Company evaluated and selectively participated in transaction processes ultimately leading to the signing of four foundational deals. In Ireland, the acquisition, separation and integration of the Barclay's captives and Laguna were successfully completed on time and to budget and now operates as "Monument Insurance". Monument Insurance gives us a solid platform operationally and resource-wise for further consolidation in Ireland and on a cross-border basis. In the Benelux region, where we are establishing a firm foothold, our principal focus remains on linked portfolios in Luxembourg and savings and protections books in Belgium.

The financial performance of the Company has been good with underwriting profit before tax of GBP 9.9 million driven mainly by the positive underwriting performance on the PPI book in Ireland. Our Capital Coverage Ratio under the Economic Balance Sheet framework of the Bermuda Monetary Authority is a very healthy 350% reflecting overall profitability and the capital contributions made by shareholders to date out of the committed capital pool. Overall, the Company enjoys a sound financial footing and benefits from the affirmed support of its shareholders in continuing to grow the business.

I would like to thank our shareholders for their positive backing, the Monument team for their commitment and teamwork as we grow the business and our clients and customers for their continued support.

Manfred Maske



Key Performance Indicators

Directors monitor the progress of the Group by reference to the following Key Performance Indicators. Note that as this is the first year of operations no comparative information is presented:

	Period Ended 31st December 2017 £'000
Gross written premium	31,279
Claims incurred, net of reinsurance	6,564
Profit on ordinary activities before tax	12,346
Enhanced Capital Requirement	16,569
Economic Balance Sheet Own Funds	58,061
Bermuda Enhanced Economic Balance Sheet Solvency Coverage Ratio	350%



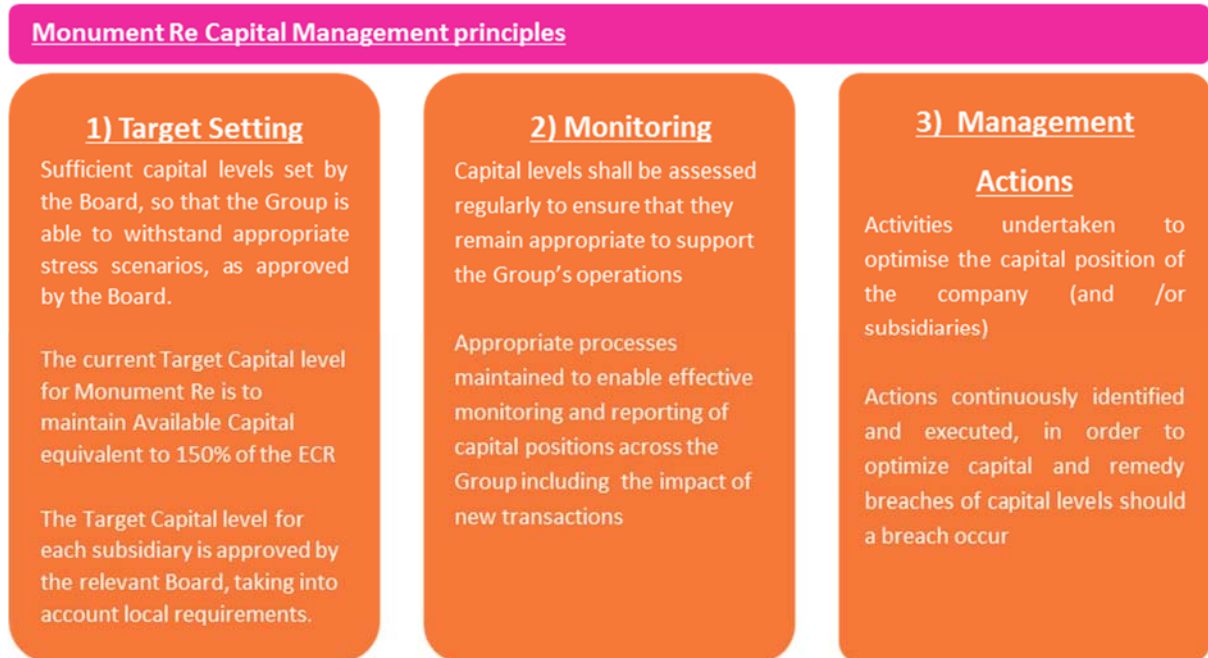
Capital Management

Capital management and allocation is a key driver of the Group’s success.

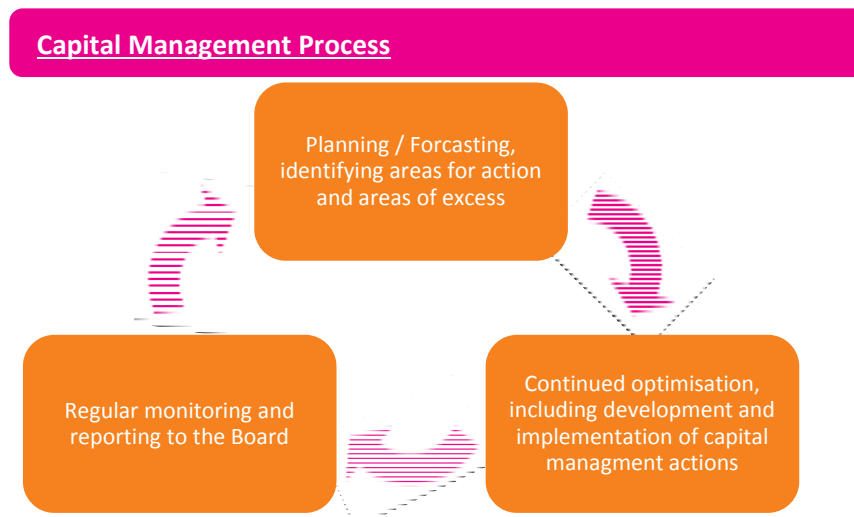
The primary objective of the Group is to ensure compliance with externally imposed capital requirements and to maintain appropriate capital ratios in order to protect the security of its stakeholders, including cedants and policyholders, while maintaining shareholder value.

As a Bermuda reinsurer, the Group’s primary capital benchmark is to maintain sufficient Available Capital to meet, at all times, the Enhanced Solvency Capital Requirements (“ECR”) adhering to the Economic Balance Sheet (“EBS”) Framework.

The principles of capital management at Monument Re are:



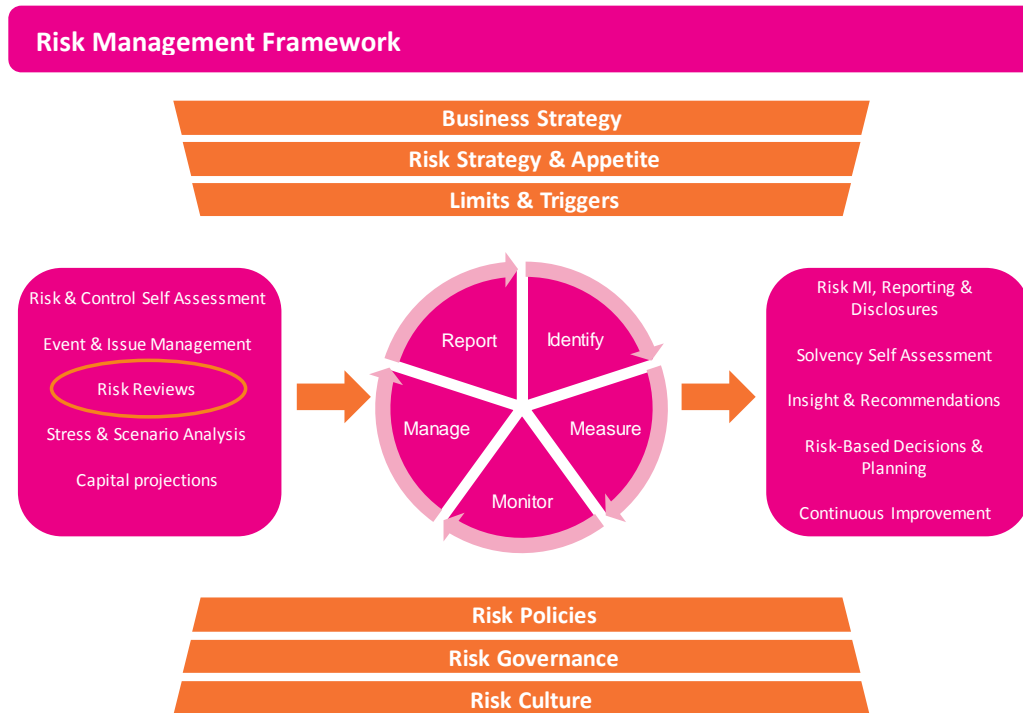
The process followed for Capital Management is as follows:





Risk Management

Robust risk management is core to the Group’s activities. In accordance with international best practices, the Board of Directors has formalised a risk management framework to support sound risk-based decision-making, and to meet the requirements of Solvency II and the Solvency II equivalent Bermudian solvency regime. This framework is depicted below:



The framework is founded on a sound risk culture, an effective system of governance including committee structures and clear accountabilities, and a suite of supporting risk policies.

Monument Re is aligned to the “Three Lines of Defence” model for Enterprise Risk Management, which is widely adopted across the financial services industry, and allows for appropriate segregation of risk ownership, oversight and assurance responsibilities. In particular:

- 1st line of defence: individuals and committees with direct responsibility for the management, control and reporting of risk;
- 2nd line of defence: individual and committees with responsibility for the design, coordination, oversight of the effectiveness and integrity of Monument Re’s risk management and internal control framework; and
- 3rd line of defence: individuals and committees providing independent assurance and challenge in respect of the effectiveness and integrity of the risk management framework.

Responsibility for risk management ultimately lies with the Board. The Board has established a Risk Committee to assist the Board by providing leadership, direction and oversight with regard to Monument Re’s risk appetite and tolerance and risk management framework, including risk policies, processes and controls.



Risk Management Cont'd

The risk strategy of the Group is aligned to the business strategy. Risk appetite statements express the Board's appetite across all categories of risk facing the business. Quantitative risk limits are set for key risks and triggers act as early warning indicators, thus supporting proactive risk management. Exposures relative to limits and triggers are regularly monitored and reported to the Board.

Principal Risks and Uncertainties

Risk	Description	Mitigating actions and controls
Market Risk	The risk that movements in markets (e.g. exchange rates, interest rates and inflation rates) cause a financial loss to the Group.	Market Risk Policy imposing close matching of assets to insurance liabilities, by currency, interest rate and inflation sensitivity.
Insurance Risk	The risk that unexpected fluctuations in the timing, frequency or severity of insured events, or timing and amount of claim settlements and expenses, cause a financial loss or other adverse impact to the Group.	Regular monitoring of actual versus expected claims and expenses. Regular review of actuarial assumptions. Management of persistency through high quality customer service. Selective use of reinsurance.
Credit Risk	The risk that one party to a financial instrument will fail to discharge an obligation resulting in a financial loss or other adverse impact to the Group.	Investment Policy imposing credit ratings limits for investment counterparties and concentration limits to avoid overexposure to any investment counterparty.
Strategic Risk	The risk that the Group will fail to identify and react appropriately to opportunities and/or threats arising from changes in the market, some of which may emerge over a number of years.	Strategic Risk Policy imposing requirements for strategic risk management. Board members and executive committee members with broad experience and deep industry knowledge. Rigorous due diligence process led by internal experts with support from external specialists as required. Tried-and-tested integration approach and experienced, skilled integration team. Emerging risk analysis and reporting.



Risk Management Cont'd

Risk	Description	Mitigating actions and controls
Operational Risk	The risk that inadequate or failed internal processes, personnel or systems or external events (impacting operations) cause a financial loss or other adverse impact to the Group.	Regular Risk and Control Self Assessment process. Event and issue management process, root cause analysis and learning from adverse experience. Oversight exercised by Internal Audit, Risk and Compliance functions.
Liquidity Risk	The risk that insufficient liquidity resources are available to meet obligations as they fall due.	Policy imposing close matching of asset and liability cash flows and prudent restrictions on investment in illiquid assets. Regular analysis of liquidity requirements on a forward-looking basis along with stress and scenario testing.
Group Risk	The risk that the Group fails to identify and react appropriately to opportunities and/or threats arising from other parts of the Group as well as those resulting from its own activities. This includes reputational risk, contagion risk, risk accumulations and concentration of risks arising from activities across the Group and intra-Group transactions.	Group Risk Policy imposing requirements for group risk management. Significant commonality of Board composition across the Group and its subsidiaries. Close scrutiny of intra-group transactions including external specialist input where appropriate. Stress and scenario testing of adverse scenarios across the Group. Reputational Risk policy and escalation process.

Further information relating to risk management is outlined in Note 1 to the Financial Statements.



Corporate Governance

Directors and Officers

Directors

- **Jonathan Yates, Non-Executive Director and Chairman of the Board**

Jonathan is a Fellow of the Institute of Actuaries with over thirty years' experience in the life insurance industry. He was previously CEO of Windsor Life Assurance Company Limited and, subsequently, Guardian Assurance Company Limited and a Director of various companies within the respective groups, including Ark Life Assurance Company Limited in Ireland. Jonathan was also previously Group Finance Director of Phoenix Group Holdings plc; a UK listed company as well as a Director of various group companies, including the life insurance companies within the group and Ignis Asset Management. He has previously held non-Executive Directorships of Paternoster Insurance Company Limited, in the UK, and The Empire Life Insurance Company, in Canada. Jonathan is currently a non-Executive Director with the Viridium Group in Germany, including the various life insurance companies within the group. He is also Chairman of Monument Assurance DAC and Monument Insurance DAC and Chairman of Laguna.

- **Clive Rowe, Non-Executive Director and Chairman of the Investment Committee**

Clive is a General Partner and Managing Member of Oskie Capital Management, a New York based investment fund focused on companies going through significant transformations. He founded the firm in 2010 and is a Portfolio Manager responsible for investments in media, telecom, energy and health care including managed care organisations (health insurers). Prior to founding Oskie Capital, Clive was a partner at SLS Capital, a New York based long short equity fund which he co-founded in 1999. Prior to his career in the investment business, Clive worked at Monitor Company, a strategy consultancy where he co-led the restructuring group.

Clive is currently a Board Member of E-L Financial, a Toronto based holding company with a portfolio of investments. E-L owns a Canadian life insurer Empire Life (regulated by OSFI) and he serves on its Board and as Chairman of its Investment Committee. He is also on the Board of Algoma Central Corporation, a publicly traded shipping company and there he is Chairman of the Corporate Governance Committee. In the past, Clive served on the Board of Dominion of Canada, a property and casualty insurer prior to its sale to Travellers in 2013. Clive also served as Chairman of the Board of Roadone Logistics; a Boston based trucking company, from 2012 to June 2015.

- **Paul Bohus, Non-Executive Director and Chairman of the Audit & Compliance Committee**

Paul is a Senior Vice President of Corporate Development at Enstar. He has significant experience in the (re)insurance industry, particularly in mergers and acquisitions. Paul has been with Enstar since 2014 and is responsible for executing and overseeing all stages of the acquisition process including strategy, alternative capital, due diligence, valuation, financial impact analysis and integration. Prior to joining Enstar, Paul spent over ten (10) years in public accounting, focusing on the reinsurance industry. Paul is a Certified Public Accountant (Ohio, USA).



Directors and Officers Cont'd

- **Michael Winkler, Non-Executive Director and Chairman of the Risk Committee**

Michael is a member of the Swiss Actuarial Association. He is the Managing Director of RefinSol GmbH, of which he is also the founder and Executive Director, providing consulting services for international reinsurance companies.

Michael has also served as CEO of WRM Reinsurance AG, a specialised carrier for bespoke reinsurance transactions for life insurance companies in the area of Financial Solutions.

Michael brings over thirty years of experience to Monument Re, having covered multiple roles in the Life reinsurance industry since 1980.

- **Manfred Maske, Executive Director and Group Chief Executive Officer**

Manfred is a Fellow of the Institute of Actuaries with eighteen years of experience in the life industry across a number of territories. He was previously CEO and Director of Legal and General Reinsurance in Bermuda and CEO and Director of Legal & General Gulf in the Middle East. He has worked previously in a range of management and technical roles within Legal & General in the UK, culminating in the role of International Actuary, where he sat on the Boards of start-ups and either as member or chair of the Investment Committee. Prior to this, Manfred held actuarial roles with PricewaterhouseCoopers in the UK, Old Mutual and Momentum Life in South Africa. He is also on the Board of Directors of Monument Re, Monument Assurance DAC, Monument Insurance DAC, Monument Insurance Services Limited and Laguna Life DAC.

Appointed Actuary

- Richard de Haan
PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017
USA

Company Secretary and Registered Office

- Conyers Corporate Service (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Auditors

- PricewaterhouseCoopers Ltd.,
Chartered Professional Accountants
Washington House
16 Church Street
Hamilton, HM12
Bermuda



Directors and Officers Cont'd

Officers

- **Alex Brogden, Group Chief Financial Officer**

Alex is a Fellow of the Institute of Actuaries with thirteen years of experience in the life industry. His previous role was Senior Corporate Actuary at the Phoenix Group, where his role included pricing and capital structuring of acquisitions and reinsurance, managing the Group's defined benefit pension schemes and developing significant capital management actions. He was previously Pricing Actuary at Admin Re (part of the Swiss Re Group), pricing closed fund transactions, including the c.GBP750m acquisition of Barclays Life. Prior to that, Alex was a life insurance consultant at Willis Towers Watson and worked on a number of client projects, across the UK, Europe, US and Asia. He is also on the Board of Directors of Monument Assurance DAC, Monument Insurance DAC, Monument Insurance Services Limited and Laguna Life DAC.

- **Roger Thompson, Group Chief Investment Officer**

Roger is a Chartered Accountant and Chartered Financial Analyst with over twenty years of experience in treasury and investments. His previous role was Chief Investment Officer at Enstar Group Limited, where his role included oversight of external investment managers, modelling of investment returns for potential acquisition targets, designing and executing optimal investment strategies for newly acquired companies. Roger was previously an Executive Vice President, Chief Investment Officer at AXIS Capital Holdings Limited and had involvement in IPO and various capital raising projects, including debt, equity, preferred shares and LOC credit facilities.

- **Neil Burt, Group Chief Actuary**

Neil is a Fellow of the Institute of Actuaries with fifteen years of experience in the life industry and a First Class Honours degree in Mathematics. Neil was previously the Approved Actuary and Head of Actuarial Reporting for Legal & General Re, responsible for reporting the actuarial liabilities of the Company. As Approved Actuary, he was responsible for providing an opinion on the sufficiency of the long-term reserves of the Company and supporting the regulatory requirements to the Bermuda Monetary Authority.

Prior to Legal & General Re, Neil transferred from within the Legal & General Group in the UK where he worked within the Legal & General Retirement Finance team. In the UK, Neil supported the development of the Solvency II reporting, strategic planning and the international expansion of the Retirement division. Prior to Legal & General, Neil was an actuarial manager at Deloitte working on a number of Solvency II and M&A projects.



Directors and Officers Cont'd

- **David Leach, Group Chief Risk Officer**

David is a Fellow of the Institute of Actuaries (FIA) and hold a First Class Honours degree in Economics (BSc) from the University of Warwick. David has twenty years' experience in life insurance. He was previously Deputy Chief Risk Officer for ReAssure Life Limited and Risk Management Head of Investment Oversight for ReAssure Group, a division of Swiss Re. Prior to that, David held the role of Senior Risk Actuary for Guardian Financial Services. He has also worked in actuarial consulting roles at EY, Deloitte and Watson Wyatt (now Willis Towers Watson) and as Pricing Actuary at Munich Re. His consulting work focused on mergers and acquisitions in Europe and Asia, actuarial audit, risk management and Solvency II. David has written a number of articles on risk and actuarial topics, and chaired the Stress and Scenario Testing working party of the Institute and Faculty of Actuaries.

- **Anthony Philip. Group Chief General Counsel**

Anthony has twenty-four years' experience serving as a Barrister and Attorney in the financial services industry in Bermuda. His last role was CEO of American International Company Ltd. ("AIG Bermuda"). Prior to that, he was Senior Vice President & General Counsel of AIG Bermuda. Anthony has served as a Senior Legal Adviser with Flagstone Reinsurance Limited, West End Capital Management (Bermuda) Limited (a fund management company) and Appleby, Spurling and Kempe Barristers and Attorneys. He was also the Manager of the Companies, Partnerships and Permits Division at the Bermuda Monetary Authority ("BMA").



Corporate Governance Structure

The Board of Directors play a critical role in the successful operation of Monument Re, being ultimately responsible for sound and prudent governance and oversight of the Company. The Board's duties, membership, frequency of meetings and quorum is defined in the Board charter. The mix of skills and experience of Board members ensures that there is an appropriate level of experience, knowledge and expertise that is commensurate with the nature, scale and complexity of Monument Re's business. Membership of the Board and its committees will be reviewed at least every three years, or more frequently upon a material change in business activities or risk profile, in compliance with the BMA's Group Supervision Rules.

Monument Re's Board of Directors includes four non-Executive Directors and one Executive Director whose duties include:

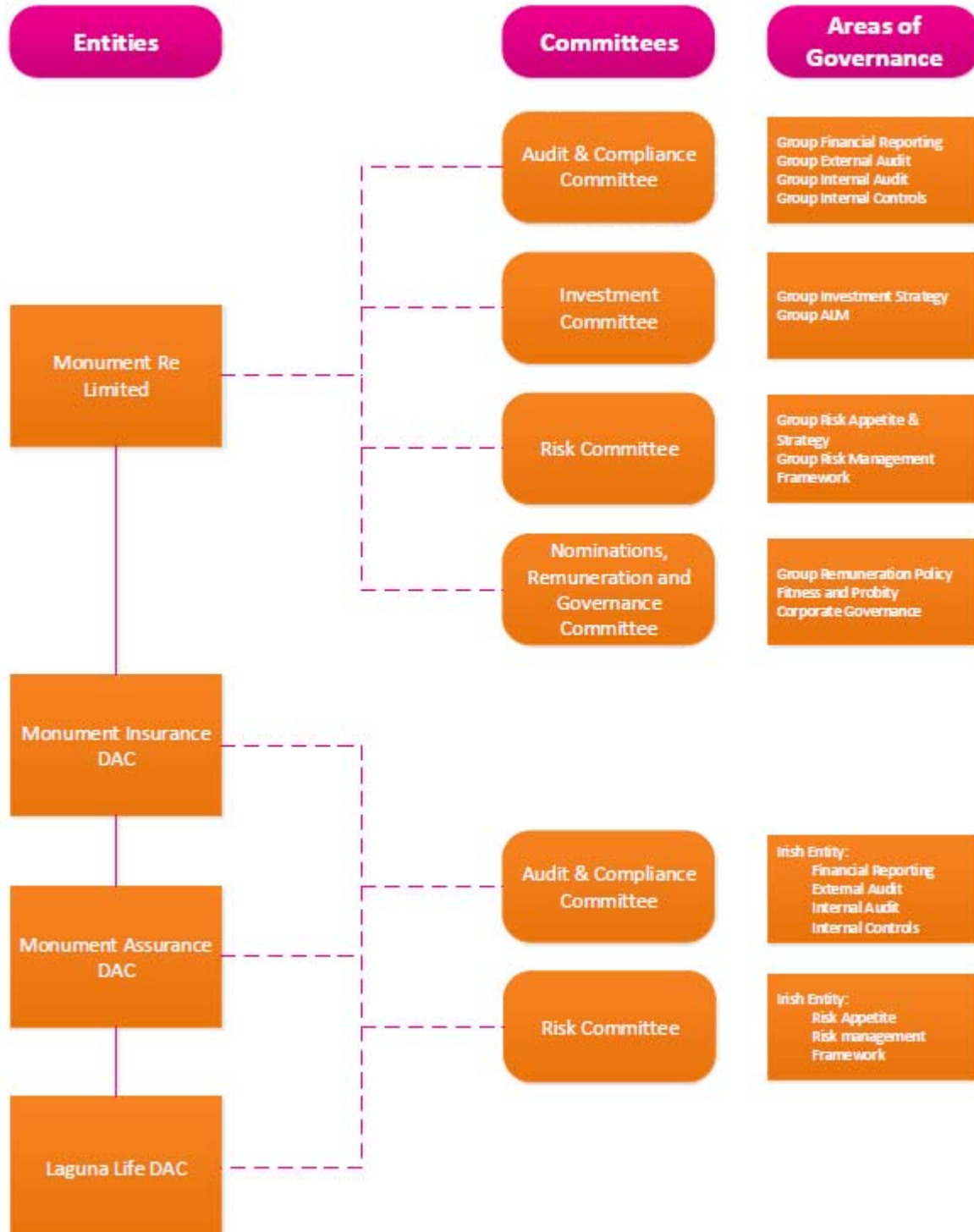
- Maintain an adequate understanding of the Company's total business and operations to be able to test and challenge the decisions of other Directors and Senior Management;
- Devote sufficient time to enable the proper discharging of the Director's governing function duties and attend all Board meetings where possible;
- Through Board meetings and activities, assist with determining the long and short-term strategy of the Company;
- When requested by the Board, represent the Company in its dealings with third parties;
- At all times comply with the legal, fiduciary and common law duties as a Director, as well as applicable regulation, including the requirements of the BMA and ensure that any conflicts of interest are properly resolved; and
- Liaise with external auditors as to their findings. Monument Re's appointed external auditor is PwC Bermuda.

In line with international best practices, the Board has delegated its authority either directly or indirectly to a number of committees, which meet in Bermuda, each with their own terms of reference.



Corporate Governance Structure cont'd

The key Board committees at Monument Re are depicted below:





Corporate Governance Structure cont'd

Committee	Key Attendees	Key Responsibilities
Audit and Compliance	<ul style="list-style-type: none"> ▪ Paul Bohus (Chairman); ▪ Michael Winkler; and ▪ Clive Rowe. 	<p>Ensures the integrity of financial statements and the financial reporting process;</p> <p>Oversees, challenges and reviews both the internal and external audit functions; and</p> <p>Review and monitor the adequacy and effectiveness of the Company's compliance function, and risk and compliance training programs.</p>
Risk	<ul style="list-style-type: none"> ▪ Michael Winkler (Chairman); ▪ Paul Bohus; ▪ Jonathan Yates; and ▪ Manfred Maske. 	<p>Provides leadership, direction and oversight to Monument Re's risk appetite and tolerance, and risk management framework;</p> <p>Review and recommend for Board approval all risk policies; and</p> <p>Oversee the effectiveness of the internal control system.</p>
Investment	<ul style="list-style-type: none"> ▪ Clive Rowe (Chairman); ▪ Jonathan Yates; ▪ Michael Winkler; and ▪ Manfred Maske. 	<p>Responsible for overseeing the development of the investment strategy and the making, holding and disposal of investments;</p> <p>To monitor compliance of investment portfolios with the policies, guidelines and risk limits; and</p> <p>To review and approve periodically investment benchmarks and KPI's for investment portfolios and investment function.</p>
Nominations, Remunerations and Governance	<ul style="list-style-type: none"> ▪ Jonathan Yates (Chairman); ▪ Clive Rowe; and ▪ Paul Bohus. 	<p>Assist with the determination of the overall remuneration policy for the Group;</p> <p>Review membership of the Board and Committees to ensure fitness and probity; and</p> <p>Assist the Board in ensuring it retains an appropriate balance of skills to support Monument Re's strategic objectives.</p>



Directors Report

Principal Activities

Monument Re is a Bermuda based Class E life reinsurer. Within risk appetite Monument Re seeks opportunities to assume European life (re)insurance companies, and efficiently operate these businesses and/or portfolios. The key activities relate to two principal areas, namely:

- Acquisition of linked savings and protection portfolios; and
- Reinsurance of annuity business and other long-dated liabilities with asset intensive guarantees.

Additionally Monument Re is the parent company and designated insurer of Monument Insurance Group (the “Group”), which is made of Monument Re and its subsidiaries and as such is subject to Group supervision by the BMA.

Accounting Records

The measures taken by the Directors to secure compliance with the Company’s obligations to keep adequate accounting records are the use of appropriate systems, procedures and controls, and the employment of competent persons. The accounting records are kept at Victoria Place, 1st Floor, 31 Victoria Street, Hamilton, HM10, Bermuda.

Accounting Period-End

These consolidated financial statements are prepared from date of incorporation on 27th October 2016 to 31st December 2017. This is the first period of results therefore no previous periods are presented.

Auditors

The auditors, PricewaterhouseCoopers Ltd., have indicated their willingness to engage in office and a resolution concerning their appointment was confirmed at the Annual General Meeting held on 14th March 2018.

Results and Dividends

Results for the period are set on pages 25 to 27 and show a profit before tax of GBP 12.3 million on ordinary activities during the period. No dividends were paid to the shareholder during the period.

Business Review

Monument Re completed the acquisition of the Irish insurance subsidiaries of Barclays Bank PLC , on the 1st March 2017. These subsidiaries have since been rebranded as Monument Insurance Designated Activity Company (“MIDAC”), a non-life assurance company and Monument Assurance Designated Activity Company (“MADAC”), a life insurance company. These entities are both authorised in Ireland and regulated by the Central Bank of Ireland (“CBI”). Their business is the provision of payment protection insurance (“PPI”) and short-term income protection to Barclays customers in the UK on a freedom-of-services basis. The portfolio is closed to new business and provided the ideal entry vehicle in Ireland for the Group. Terms and conditions appropriate to the business were agreed with the seller.

On 29th August 2017, the Company completed the acquisition of Laguna Life Designated Activity Company (“Laguna”) from the Enstar Group, a leading global insurance run-off consolidator and also a



Directors Report Cont'd

minority shareholder of Monument Re. Laguna comprises a closed book of term life protection risks within the UK and Spain and voluntarily ceased to underwrite new business in 2007 and 2009 respectively. Laguna is authorised in Ireland and regulated by the CBI.

Combined, these transactions have led to a Bargain Purchase Gain of GBP 14.4 million recognised in the period.

Directors

The names of the persons who were Directors during the period ended 31st December 2017 are set out below:

Director	Date Appointed	Date Resigned
Clive Rowe	1 st March 2017	
Jonathan Yates	31 st October 2016	
Manfred Maske	4 th May 2017	
Michael Winkler	1 st March 2017	
Paul Bohus	4 th May 2017	
Elizabeth DaSilva	31 st October 2016	12 th January 2017
David Rocke	31 st October 2016	4 th May 2017
Caspar Antonius Berendsen	1 st March 2017	21 st December 2017

Events after the Period End

On 18th September 2017, Monument Re signed the agreement to acquire ABN AMRO Life Capital Belgium N.V. ("AALCB"), a Belgian Life insurance company in run-off, within a Luxembourg domiciled life consolidator fund (Benelux Life Run-off SCS or "BLR SCS") whereby Monument Re is the sole investor. BLR SCS was established by Acatia Capital as the first run-off platform for life insurance companies and life insurance portfolios based in Belgium, with AALCB being its first acquisition. Monument Re took full ownership over BLR SCS and its wholly owned subsidiary, Benelux Life Run-off Group S.A., as at 31st December 2017. On 28th March 2018, Monument Re completed the acquisition of AALCB following receipt of regulatory approval by the National Bank of Belgium and subsequently renamed AALCB as Monument Assurance Belgium N.V. ("MAB"). MAB is structured directly under BLR SCS.

Monument Re has also acquired full ownership, subject to regulatory approval, of Aspecta Assurance International Luxembourg S.A. ("Aspecta") and signed this transaction on the 29th January 2018. Aspecta is a life insurance undertaking based in Luxembourg with branches in Germany, Italy and Spain, which was incorporated in 2000 as a 100% subsidiary of Talanx Group. Aspecta ceased writing new business at the end of 2010.



Directors Report Cont'd

On 16th April 2018, the Group also signed the agreement to acquire the FIRST A portfolio from ETHIAS S.A. This involves a portfolio transfer to Laguna and is subject to regulatory approval. The First A portfolio is a run-off portfolio of flexible premium retail life insurance contracts.

Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations.

Disclosure of Information to Auditors

The Directors in office at the date of this report have each confirmed that as far as he/she is aware, there is no relevant audit information of which the Company's statutory auditors are unaware and he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of all the relevant audit information and to establish that the Company's statutory auditors are aware of that information.

On behalf of the Board

Director
30th April 2018

Director
30th April 2018



Financials

Statement of Directors' Responsibilities

The Directors submit their report together with the audited consolidated financial statements for the period ended 31st December 2017.

Statement of Directors' Responsibilities

Bermuda law requires the Directors to prepare consolidated financial statements for each financial period that give a true and fair view of Monument Re, together with its subsidiaries' (the "Group"), assets, liabilities and financial position at the end of the financial period and the profit or loss of the Group for the financial period. Under that law, the Directors have prepared the consolidated financial statements in accordance with Generally Accepted Accounting Practice in UK & Ireland (accounting standards issued by the Financial Reporting Council of the UK, and promulgated by the Institute of Chartered Accountants in Ireland and Irish law), including Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the UK and the Republic of Ireland, ("FRS 102"), and Financial Reporting Standard 103, Insurance Contracts ("FRS 103").

Additionally in accordance with the Insurance Accounts Regulations 1980 ("Regulations") issued by the BMA, the Group has to prepare Statutory Financial Statements ("SFS").

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- Correctly record and explain the transactions of the Group;
- Enable, at any time, the assets, liabilities, financial position and profit or loss of the Group to be determined with reasonable accuracy; and
- Enable the Directors to ensure that the consolidated financial statements comply with FRS 102 and FRS 103 and enable those consolidated financial statements to be audited.

Under Bermuda law, the Directors shall not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the Group's assets, liabilities and financial position as at the end of the financial period and the profit or loss of the Group for the financial period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the consolidated financial statements have been prepared in accordance with applicable accounting standard and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the Notes to the Financial Statements;
- Notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; and
- Prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business;



Statement of Directors' Responsibilities cont'd

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent auditor's report

To the Board of Directors and Shareholder of Monument Re Limited.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Monument Re Limited (the Company) and its subsidiaries (together 'the Group') as at December 31, 2017, and their consolidated financial performance and their consolidated cash flows for the period then ended in accordance with UK GAAP, including FRS 102 and FRS 103, The Financial Reporting Standard applicable in the UK and Republic of Ireland (generally accepted accounting principles).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2017;
- the consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.



Other information

Management is responsible for the other information. The other information comprises the Strategic Report and Corporate Governance Sections included on pages 3 to 20 (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with UK GAAP, including FRS 102 and FRS 103, The Financial Reporting Standard applicable in the UK and Republic of Ireland (generally accepted accounting principles), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants
Hamilton, Bermuda
April 30, 2018



Monument Re Limited Consolidated Financial Statements

Consolidated Statement of Comprehensive Income
 Long Term Business Technical Account
 For the period from 27th October 2016 and ended 31st December 2017

	<i>Notes</i>	Period Ended 31st December 2017 £'000
Earned premiums, net of reinsurance		
Gross premiums written	3	9,022
Outward reinsurance premiums		(275)
		8,747
Investment Income		
Investment income	4	50
Unrealized (losses) on investments	4	(40)
		10
Claims incurred, net of reinsurance		
Claims Paid		
- gross amount	12	607
- reinsurers' share	12	(43)
Net claims paid		564
Change in technical provisions, net of reinsurance		
- gross amount	12	445
- reinsurers' share	12	(28)
Change in the net provision for claims		417
		981
Operating expenses		
Administrative expenses	5/6	1,348
Commissions and profit participation	6	4,408
Investment expenses and charges		
Investment management expenses	4	16
Balance on the long term business technical account		2,003



Monument Re Limited Consolidated Financial Statements cont'd

Consolidated Statement of Comprehensive Income
General Business Technical Account
For the period from 27th October 2016 and ended 31st December 2017

		Period Ended 31st December 2017 £'000
	<i>Notes</i>	
Earned premiums		
Gross premiums written	3	22,257
		<u>22,257</u>
Investment Income		
Investment income	4	32
Other technical income		276
		<u>308</u>
Claims incurred		
Claims Paid		
- gross amount	12	7,587
Net claims paid		<u>7,587</u>
Change in the provision for claims		
- gross amount	12	(2,004)
Change in the net provision for claims		<u>(2,004)</u>
Claims incurred		<u>5,583</u>
Operating expenses		
Administrative expenses	5/6	1,590
Commissions and profit participation	6	10,129
Investment expenses and charges		
Investment management expenses	4	21
Balance on the general business technical account		<u><u>5,242</u></u>



Monument Re Limited Consolidated Financial Statements cont'd

Consolidated Statement of Comprehensive Income
Non-Technical Account
For the period from 27th October 2016 and ended 31st December 2017

	<i>Notes</i>	Period Ended 31st December 2017 £'000
Balance on the Long-term business technical account		2,003
Balance on the General business technical account		5,242
Shareholders' pre-tax profit from technical accounts		<u>7,245</u>
Investment Income	4	47
Investment expenses and charges	4	(92)
Negative goodwill	2	14,381
Foreign exchange (losses)		(199)
Administrative expenses	6	(9,036)
Profit on ordinary activities for the financial period before tax		<u>12,346</u>
Tax on profit on ordinary activities	7	617
Profit on ordinary activities for the financial period after tax		<u>11,729</u>
Other comprehensive income for the financial year, net of tax		(733)
Total comprehensive income for the financial year after tax		<u><u>10,996</u></u>

The accounting policies and estimation techniques on pages 31 to 39 and Notes on pages 31 to 60 form an integral part of these financial statements.

All of the amounts above relate to continuing activities.



Monument Re Limited Consolidated Financial Statements cont'd

Consolidated Statement of Financial Position

As at 31st December 2017

	<i>Notes</i>	Period Ended 31st December 2017 £'000
Assets		
Investments		
Financial investments		
- Debt securities and other fixed-income securities	9	6,455
		6,455
Reinsurers' share of technical provisions		
Long-term business provision	12	84
		84
Debtors		
Debtors arising out of direct insurance operations	10	1,901
Debtors arising out of reinsurance operations	10	62
Other debtors including tax	10	22
- owed by group companies	10	245
		2,230
Other assets		
Cash and cash equivalents (restricted £0)	9	68,683
		68,683
Prepayments and accrued income		
Accrued interest	10	75
Deferred Expenses	10	291
Other prepayments and accrued income	10	277
		643
Total assets		78,095



Monument Re Limited Consolidated Financial Statements cont'd

Consolidated Statement of Financial Position – Continued

As at 31st December 2017

	<i>Notes</i>	Period Ended 31st December 2017 £'000
Liabilities, Capital and Reserves		
Capital and reserves		
Share capital	11	47,566
Profit and loss account		11,729
Foreign Currency Translation Reserve		(733)
		58,562
Technical provisions		
Claims outstanding	12	8,703
Long-term business provision	12	1,545
		10,248
Creditors arising out of direct insurance operations	13	5,776
Creditors arising out of reinsurance operations		171
Other liabilities including tax	14	184
		6,131
Accruals & deferred income	14	3,154
Total liabilities		78,095

The accounting policies and estimation techniques on pages 31 to 39 and Notes on pages 31 to 60 form an integral part of these financial statements.

On behalf of the Board

Director

30th April 2018

Director

30th April 2018



Monument Re Limited Consolidated Financial Statements cont'd

Consolidated Statement of Changes in Equity

For the period from 27th October 2016 and ended 31st December 2017

	Called -up Share Capital	Profit and Loss Reserve	Foreign Currency Translation Reserve	Total
	£'000	£'000	£'000	£'000
Balance at October 27th 2016	-	-	-	-
Profit on ordinary activities for the financial period after tax	-	11,729	-	11,729
Other comprehensive income for the financial period, net of tax	-	-	(733)	(733)
Total comprehensive income for the financial period, net of tax	-	11,729	(733)	10,996
Issuance of Shares	47,566	-	-	47,566
Total transactions with owners, recognised directly in equity	47,566	-	-	47,566
Balance at 31st December 2017	47,566	11,729	(733)	58,562



Monument Re Limited Consolidated Financial Statements cont'd

Consolidated Statement of Cash Flows

For the period from 27th October 2016 and ended 31st December 2017

	<i>Notes</i>	Period Ended 31st December 2017 £'000
Net Cash used in operating activities	15	(739)
Interest Received		359
Taxation (Paid)		(990)
Net Cash (used) in operating activities		(1,370)
Cash flow from investing activities		
Acquisition of subsidiary (net of cash acquired)		(2,884)
Proceeds from the sale of investments		26,004
Net cash generated by investing activities		23,120
Cash flow from financing activities		
Cash proceeds from shares issued		47,566
Net cash generated by financing activities		47,566
Net increase (decrease) in cash and cash equivalents		69,316
Cash and Cash Equivalents at the beginning of the period		-
Effect of Exchange Rate on cash and cash equivalents		(633)
Cash and Cash Equivalents at the end of the period		68,683



Statement of Accounting Policies

General Information

Monument Re Limited (“Monument Re” or the “Company”) is a long-term class E reinsurer under Bermuda’s Insurance Act of 1978. Together with its subsidiaries (the “Group”) the principal activities of the Group are to acquire or reinsure closed blocks of savings and protections business and annuity risks. The Company is a private company incorporated in Bermuda with its principal place of business being Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda.

At the period-end the Company’s immediate parent company is Monument Finco Limited (“Finco”), a Cayman based company, which is owned by Monument Midco Limited (“MIDCO”), which is owned by the ultimate parent, Monument Insurance Group Limited (“MIGL”), both of which are Bermuda domiciled.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”), and “Financial Reporting Standard 103 - Insurance Contracts” (“FRS 103”).

Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the consolidated financial statements are set out below. Note, as this is the first period over which financial statements have been prepared, the period is greater than a year and has no comparatives. Despite this not being the first December 31st period end over which the Company has been incorporated this is the first in which the Company has had operations and therefore these consolidated financial statements cover the period beginning the date of incorporation, 27th October 2016, and ending 31st December 2017. As such these are the first set of financial statements to comply with FRS 102 and FRS 103.

Basis of Presentation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets and liabilities at fair value through profit and loss. The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Critical Accounting Judgements and Estimation Uncertainty below.

a. Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the consolidated financial statements have been compiled on a going concern basis, and prepared on the historical cost basis except for certain financial instruments and insurance liabilities which are measured at fair value.



Statement of Accounting Policies Cont'd

b. Basis of Consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings. Refer to Note 8 for the structure of the Group.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Any subsidiary undertakings or associates sold or acquired during the period are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business Combination and Goodwill

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Where the fair value of the Group's interest in the assets, liabilities and contingent liabilities acquired exceeds the fair value of the purchase consideration and directly attributable costs, a gain on acquisition/negative goodwill arises. The gain up to the value of the monetary assets and liabilities over which it has been attributed is recognized in the income statement of the period in which the Company is expected to benefit. Any material non-monetary residual balance is recognized on the balance sheet and released to profit and loss over the period in which said assets are recovered.

Basis of Accounting for Insurance Business

a. Long Term Business

▪ *Premiums*

Premiums are accounted for when due for payment, irrespective of whether they relate in whole or in part to a later accounting period, together with regular periodic premiums received on contracts entered into in previous years.

▪ *Claims*

Claims are accounted for when notified. Claims payable include related external claims handling costs.



Statement of Accounting Policies Cont'd

▪ *Long-Term Business Provision*

The Company has determined UK GAAP liabilities to be equivalent to Bermudian Technical Provisions (“TP”) which is the sum of Best Estimate Liabilities (“BEL”) and a Risk Margin (“RM”), as determined under the Economic Balance Sheet regime.

The BEL is based on an assessment of cash flows required to satisfy insurance obligations. Best estimate corresponds to a probability weighted average of future cash flows with an allowance, where applicable, for contract boundaries. The BEL is determined by discounting the best estimate cash flows at the risk-free curves provided by the Bermuda Monetary Authority. The currency of the curve is represented by the currency of the policyholder liabilities.

The cash flow projections used in the calculation of the best estimate take account of all future cash in- and out-flows required to settle the insurance obligations attributable to the lifetime of the policy, subject to contract boundaries. The cash flows are defined to continue up to the point at which:

- The insurer is no longer required to provide coverage;
- The insurer has the right or the practical ability to reassess the risk of the particular policyholder and, as a result, can set a price that fully reflects that risk; and
- The insurer has the right or the practical ability to reassess the risk of the portfolio that contains the contract and, as a result, can set a price that fully reflects the risk of that portfolio.

The RM reflects the cost of capital that a third party would apply were it to provide a price for the assumption of the BEL. It follows a cost of capital approach, with a prescribed 6% cost of capital charge. It covers all non-hedgeable risks, including insurance, operational and counterparty risk capital, projected over the contract period and discounted at risk-free.

We consider this to be an appropriate fair value, and consistent with how the business is run more generally.

Where reserves on policies are negative (i.e. an asset rather than a liability) the negative reserve is offset against positive reserves for policies within the same grouping.

Liability adequacy testing on its insurance liabilities is performed to ensure that the carrying amount of the liabilities is sufficient to cover current estimates of future cash flows. When performing the liability adequacy test, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. Any deficiency is immediately charged to the income statement by establishing a provision for reserves.

▪ *Reinsurance*

The Company cedes insurance premiums and risk in the normal course of business. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct insurance business being reinsured. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses, ceded unearned



Statement of Accounting Policies Cont'd

premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

b. General Business

▪ *Premiums*

Premiums are accounted for when due for payment, irrespective of whether they relate in whole or in part to a later accounting period, together with regular periodic premiums received on contracts entered into in previous years.

▪ *Claims*

Claims are accounted for when notified. Claims payable include related external claims handling costs.

▪ *General Business Provision*

For general insurance products, the same approach is adopted as used for calculating the long-term business provision.

The principal assumptions underlying the calculation of the reserve provisions are set out within Note 12.

Foreign Currency

▪ *Functional and Presentation Currency*

The Group's functional and presentation currency is Pound Sterling (GBP), denominated by the symbol "£" with the exception of Laguna Life DAC ("Laguna") whose functional currency is the Euro. Unless otherwise stated, the consolidated financial statements have been presented in thousands ('000).

▪ *Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At the end of each financial period foreign currency monetary items are translated to GBP using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are translated using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial period of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

For subsidiaries for which their local functional and presentational currency are not designated to be GBP the results and financial position of the subsidiary are translated to the presentational currency as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date;



Statement of Accounting Policies Cont'd

- Income and expenses are translated at the average rate of exchange during the period; and
- All resulting exchange differences are recognised in the other comprehensive income.

Share Capital Presented as Equity

Equity shares issued are recognised when issued and presented as share capital. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Cash and Cash Equivalents

Cash and cash equivalents includes cash-in-hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial Instruments

The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

- *Financial Assets*

Basic financial assets, including trade and other debtors, cash, short-term deposits and investments in corporate bonds, are initially recognised at transaction price (including transaction costs).

Trade and other debtors, and cash are subsequently measured at amortised cost.

At the end of each financial period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in the consolidated statement of comprehensive income.

Other financial assets are subsequently measured at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are subsequently measured at cost less impairment.

Financial assets are de-recognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.



Statement of Accounting Policies Cont'd

- *Derivatives – at fair value through profit and loss*

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. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

- *Financial Liabilities*

Basic financial liabilities, including trade and other creditors and bank loans are initially recognised at transaction price and are subsequently carried at amortised cost, using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Investment Income

Interest income is recognised using the effective interest rate method.

Dividend income is recognised when the right to receive payment is established.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Employee Benefits

The Group operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Income Tax

Income tax expense for the financial period comprises current and deferred tax. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other



Statement of Accounting Policies Cont'd

comprehensive income) or equity as the transaction or other event that resulted in the income tax expense. Current or Deferred tax assets and liabilities are not discounted.

- *Current Tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the financial period or past financial periods. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial period.

- *Deferred Tax*

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the consolidated financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial periods different from those in which they are recognised in consolidated financial statements.

Deferred tax is recognised on all timing differences at the end of each financial period with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial period end and that are expected to apply to the reversal of the timing difference.

Related Party Transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. This disclosure includes transactions with shareholders and Directors. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements made in the process of preparing the entity consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- a. Critical Judgement in Applying the Entity's Accounting Policies**

In the application of the Company's accounting policies, as described in within the Statement of Accounting Policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

- b. Critical Accounting Estimates and Assumptions**

The Directors make estimates and assumptions concerning the future of the Company in the process of preparing the Company's consolidated financial statements. The resulting accounting



Statement of Accounting Policies Cont'd

estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- *Claims Arising from Insurance Contracts*

The estimation of the ultimate liability arising from claims under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. Estimates are made as outlined in Note 12 to the expected number of claims for each of the periods in which the Company is exposed to risk. The calculation incorporates assumptions regarding average claims costs, durations and delay factors. The life assurance provision is based on assumptions in relation to mortality, persistency, expenses, inflation and the discount rate. Further information on assumptions are set out in Note 12.



Notes to the Financial Statements

1. Risk Management

a. Framework

In accordance with international best practices and BMA requirements defined in the Insurance Code of Conduct, enhanced regulatory standards on commercial (re)insurers and the Insurance Act, Monument Re has established and maintains a sound Corporate Governance Framework and Risk Management Framework.

Monument Re applies a Governance Framework aligned to the “Three Lines of Defence” model for Enterprise Risk Management. Such a model is widely adopted across the financial services industry and allows for appropriate segregation of risk ownership, oversight and assurance responsibilities. In particular:

- 1st line of defence: individuals and committees with direct responsibility for the management, control and reporting of risk;
- 2nd line of defence: individual and committees with responsibility for the design, coordination, oversight of the effectiveness and integrity of Monument Re’s Risk Management and Internal Control Framework; and
- 3rd line of defence: individuals and committees providing independent assurance and challenge in respect of the effectiveness and integrity of the Risk Management Framework.

Monument Re has also defined the high-level principles and standards that will be in place to ensure that situations which could lead to potential conflicts of interest are appropriately managed. These are formally described in Monument Re’s Conflicts of Interest Policy.

The Risk Management Framework (“RMF”) is approved annually by the Board, and is designed to:

- Enable risk-based decision-taking;
- Promote risk awareness and sound risk taking behaviour;
- Ensure clear accountabilities;
- Highlight when the Group is taking too much risk; and
- Meet the requirements of the Solvency II equivalent Bermudian capital regime.

The Board is ultimately accountable to ensure the effective implementation of the RMF. The Risk Committee is a committee of the Board and assists the Board by providing leadership, direction and oversight with regard to the RMF and other risk matters. To this end, any changes to the RMF and key risk reports are reviewed and approved by the Risk Committee. Any matters considered significant are escalated to the Board, in line with escalation procedures formalised in Monument Re’s Risk Management Policy.

The RMF, led by the Group CRO, supports the Board and its Committees in discharging their Risk Management related responsibilities as outlined above. The Risk Management Function also provides challenge to the business consistent with the three lines of defence risk governance model outlined above.



Notes to the Financial Statements cont'd

The RMF includes the following overarching components:

- Risk strategy and appetite, aligned to Monument Re's business strategy;
- Risk tolerances, limits and triggers; and
- Risk management policies and ongoing processes to identify, measure, monitor, manage and report risk.

The material risks addressed by the risk management framework include:

- Market Risk;
- Insurance Risk;
- Credit Risk;
- Strategic Risk;
- Operational including Legal and Compliance Risk;
- Liquidity Risk; and
- Group Risk Including Reputational Risk;

The RMF includes the following key risk management tools:

- Risk and Control Self-Assessment ("RCSA");
- Event and Issue Management;
- Risk Reviews;
- Stress and Scenario Testing; and
- Capital Projections.

The RMF is applied to newly acquired businesses such that there is proportionate and consistent application of a single risk framework across the Group. A period of transition, in which pre-existing policies continue to operate, is typically required prior to embedding of Group policies with respect to newly acquired businesses.

Similar to the Own Risk and Solvency Assessment process in Europe, the Bermudian solvency regime requires Monument Re to complete a Group Solvency Self Assessment and a Commercial Insurer Solvency Self Assessment on at least an annual basis. These processes include stress and scenario testing and forward looking projections of the capital position of the Group.

These processes are an integral part of the strategic planning cycle. The results of the exercise are used to review the appropriateness of Monument Re's capital planning and management actions available to mitigate the probability or impact of stress events, as well as to feed back into review of the RMF itself.

b. Capital Adequacy Risk

The nature of the Group's operations within the EU means that different regulatory capital regimes apply to subsidiaries subject to the Solvency II Framework Directive as adopted by local regulators.



Notes to the Financial Statements cont'd

This requires the Group to operate a robust capital management framework to ensure applicable regulatory requirements and stakeholder expectations are met.

The Company maintains sufficient equity shareholders' funds to meet the regulatory capital requirements of the business. The Company is licensed by the BMA as a Class E long-term insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. The BMA also acts as the Insurance Group regulatory supervisor. The BMA has integrated the EBS framework into the determination of Bermuda Solvency and Capital Requirement ("BSCR"). The European Commission has granted the BMA's regulatory regime for reinsurance, group solvency calculation and group supervision full equivalence to the European Union's Directive (2009/138/EC, or "Solvency II"). Under the Bermuda Insurance Act, the Company is required to maintain statutory capital and surplus to meet the Minimum Margin of Solvency ("MSM") which is equal to the greater of USD 8 million (GBP 6 million) or 2% of the first USD 500 million of Statutory Financial Statements ("SFS") assets plus 1.5% of SFS assets above USD 500 million (GBP 370 million), subject to a floor of 25% of the Enhanced Capital Ratio ("ECR").

Note that as an insurance group, Monument Re must ensure that the value of the insurance group's total statutory economic capital and surplus, calculated in accordance with Schedule XIV of the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, exceeds the aggregate of:

- the aggregate MSM of each qualifying member of the Group controlled by the parent company; and
- the parent company's percentage shareholding in the member multiplied by the member's MSM, where the parent company exercises significant influence over a member of the group but does not control the member.

There were no breaches of the regulatory capital requirements during the financial period.

c. Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation resulting in a financial loss or other adverse impact to the Group. The credit risk exposures of the Group as at 31st December 2017 are:

- Liquidity funds and cash deposited with banks;
- Amounts due from corporate bond issuers;
- Reinsurers' share of insurance and investment contract liabilities; and
- Amounts due from reinsurers in respect of claims already paid.

The Group manages the levels of credit risk it accepts by imposing minimum credit ratings for investment counterparties and concentration limits to avoid overexposure to any investment counterparty.

The following table provides information regarding credit risk exposure of financial assets within the Group as at 31st December 2017 by classifying them according to external credit ratings.



Notes to the Financial Statements cont'd

<i>Table 1.1 Credit risk Financial Investment</i>	AAA	AA	A	BBB	BB	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
31 st December 2017						
Financial instruments:						
Corporate Bonds	755	1,458	3,016	1,226	-	6,455
Money Market Funds	35,449	-	-	-	-	35,449
Cash on hand and at bank	-	-	33,038	70	127	33,234
Total	36,204	1,458	36,054	1,296	127	75,138

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. Management assesses the creditworthiness of all the Group's reinsurers on a periodic basis.

Certain subsidiaries within the Group are also exposed to credit risk on its insurance policies for which premiums are collected by monthly direct debit. This risk is accepted as part of the normal business practice of collecting premiums by monthly direct debits. No debtors were past due at 31st December 2017.

d. Liquidity Risk

Liquidity risk is the risk that insufficient liquidity resources are available to meet obligations as they fall due. The main liquidity risk facing the Group is the requirement to hold sufficient liquidity resources to pay policyholder claims as they fall due. This risk is mitigated by the Group's cash holdings and highly liquid investments.

At 31st December 2017, the Group did not have any derivatives exposures.



Notes to the Financial Statements cont'd

Analysis of contract liabilities maturities

Cash flows assume the application of contract boundaries. Cash flows are gross of reinsurance.

Maturities	Premiums £'000	Claims £'000	Expenses £'000	Total £'000
Less than 1 year	(4,017)	6,691	2,666	5,340
1-2 years	(1,011)	1,412	1,949	2,350
2-3 years	(867)	604	767	504
3-4 years	(739)	560	454	275
Over 5 years	(2,636)	3,007	486	857
Total	(9,270)	12,274	6,322	9,326

e. Market Risk

Market risk is the risk that movements in market variables cause a financial loss to the Group. The principal exposures of the Group are to foreign exchange rates (currency risk) and interest rates (interest rate risk).

- *Interest Rate Risk*

Movements in interest rates can impact the value of fixed interest assets and policyholder liabilities. The Group mitigates this risk by holding assets with similar sensitivity to interest rate changes to its liabilities. Limits are set around net exposures. The sensitivities below reflect only a change to the contract liabilities.

Sensitivities (£'000)	Technical Provisions Delta	Net Assets Delta	Description
Interest Rate Up	(130)	(110)	Parallel shift up 100 basis points
Interest Rate Down Risk	140	140	Parallel shift down 100 basis points

For the credit card related products, future benefits may increase as a result of interest rate changes but will be offset by corresponding increase in premiums.

- *Credit Spread Risk*

The Group is exposed to spread risk on the corporate bond portfolio held in Laguna. As at the reporting date, a 1 in 200 stress, as given by the Solvency II Standard Formula stress, reduces net assets by GBP 0.39 million.



Notes to the Financial Statements cont'd

- *Currency risk*

The Group recognise two forms of currency risk:

- Currency risk where there is a mismatch between assets and liabilities by currency ('Currency Mismatch Risk'). The Company has very low risk appetite for this risk and mitigates currency risk by matching policyholder liabilities with assets denominated in the same currency; and
- Reporting risk when translating the financial results into the reporting currency, GBP ('Currency Translation Risk'). The Group has exposure to this risk because of its strategy to acquire assets and liabilities denominated in Euro and GBP. The reporting risk arising from fluctuations in Euro and USD assets to the GBP exchange rate is an accepted risk for Monument Re.

At 31st December 2017, the Company had no exposure to Currency Mismatch Risk on the basis there were sufficient assets to cover the liabilities arising by currency. However, the Company does have exposure to Currency Translation Risk because surplus assets are invested in Euro and USD, primarily reserved for new transactions (to pay any consideration, plus expenses). This exposure is given below:

- A 10% appreciation in GBP relative to USD would reduce the Company's net assets by GBP 0.6 million (USD 0.9 million).
- A 10% appreciation in GBP relative to EUR would reduce the Company's net assets by GBP 3.4 million (EUR 4.2 million).

f. Insurance Risk

Insurance Risk is the risk that unexpected fluctuations in the timing, frequency or severity of insured events, or timing and amount of claim settlements and expenses, cause a financial loss to the Group.

The insurance technical provisions are sensitive to the key assumptions set out in Note 12. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrences of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the balance sheet date.

Consequently, the ultimate liabilities will vary, possibly materially, as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent periods' consolidated financial statements.

The Group has a large portfolio of diversified policyholders. Individual sums assured are limited by product type. As a result concentration risk is not considered to be a material risk for the Group.



Notes to the Financial Statements cont'd

Sensitivities	Technical Provisions Delta (£'000)	Technical Provisions Delta (%)	Description
Disability Risk	250	2%	35% increase in morbidity rates in year 1 followed by a 25% increase in years 2+, and a 20% decrease in recovery rates.
UK Unemployment Risk	100	1%	40% increase in claim frequencies for one year followed by a 20% increase in claim frequencies for a further year, and a 20% decrease to recovery rates.
Lapse Risk	180	1%	50% permanent decrease in lapse rates.
Mortality Risk	110	1%	15% permanent increase in mortality rates.
Expense Risk	320	3%	10% increase in expenses and additional 1% p.a. inflation.

The above stresses have been performed assuming contract boundaries apply. The impacts have been rounded to the nearest GBP 0.01 million.

g. Operational Risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events (impacting operations). This definition is intended to include all risk exposures to which the Group is exposed, other than the financial and strategy risks considered elsewhere. Operational risks include outsourcing arrangements to external providers, information security, legal, compliance, regulatory, fraud and people risks.

The main operational risks of the Group are:

- The risk of the inability to protect customer and Group data from unauthorised access, use and disclosure from, for example, a cyber-security incident;
- The risk of exposing the Group to overseas taxation through the creation of a Permanent Establishment ("PE") outside Bermuda;
- The risk of financial or reputational loss from the failure/non-performance of outsourcing/third party arrangements; and
- Regulatory and compliance risk exposure from potential changes in the regulatory and legal environment in which the company operates.

The Company has a comprehensive operational risk management framework for the timely identification, measurement, monitoring and control of operational risk.



Notes to the Financial Statements cont'd

h. Strategic Risk

Strategic risk is the risk that the Group will fail to identify and react appropriately to opportunities and/or threats arising from changes in the market, some of which may emerge over a number of years. The key strategic risks associated with the Group are that future transactions significantly underperform, or that the Group is not successful in making future acquisitions and economies of scale do not arise.

There remains uncertainty regarding the final legal and regulatory arrangements to be determined as a result of the United Kingdom's vote to exit from the European Union. The Group serves its UK customers through Irish entities and the operational impact of Brexit is expected to be limited for the Group. The Group continues to keep abreast of ongoing developments and will continue to review its action plan and take account of significant changes in the course of Brexit.

i. Group Risk

Group risk is the risk that the Group fails to identify and react appropriately to opportunities and/or threats arising from other parts of the Group as well as those arising from its own activities. This includes reputational risk, contagion risk, risk accumulations and concentration of risks arising from activities across the Group and intra-Group transactions. Risk reporting at Group level mitigates the risk of unidentified risk accumulations or concentrations. Significant commonality of Board composition mitigates the risk of lack of awareness or communication of activity in different parts of the Group. Intra-group transaction risks are mitigated by close scrutiny of intra-group transactions including external specialist input where appropriate. Conflicts would be managed in accordance with the Group's conflicts of interest policy.



Notes to the Financial Statements cont'd

2. Business Combinations

Monument Re completed the acquisition of the Irish insurance subsidiaries of Barclays Bank PLC, on the 1st March 2017. These subsidiaries have since been rebranded as Monument Insurance Designated Activity Company ("MIDAC"), a non-life assurance company and Monument Assurance Designated Activity Company ("MADAC"), a life insurance company. These entities are both authorised in Ireland and regulated by the Central Bank of Ireland ("CBI"). Their business is the provision of payment protection insurance ("PPI") and short-term income protection to Barclays customers in the UK on a freedom-of-services basis. The portfolio is closed to new business and provided the ideal entry vehicle in Ireland for the Group. Terms and conditions appropriate to the business were agreed with the seller.

On 29th August 2017, the Company completed the acquisition of Laguna Life Designated Activity Company ("Laguna") from the Enstar Group, a leading global insurance run-off consolidator and also a minority shareholder of the ultimate parent. Laguna comprises a closed book of term life protection risks within the UK and Spain and voluntarily ceased to underwrite new business in 2007 and 2009 respectively. Laguna is authorised in Ireland and regulated by the CBI.

Combined, these transactions have led to a Bargain Purchase Gain, or Negative Goodwill, of GBP 14.4 million recognised directly in the Statement of Comprehensive Income in the period. Of this GBP 8.3 million is a result of the expense synergies from combining the operations of the entities, core to the Group's strategy.



Notes to the Financial Statements cont'd

3. Gross Premiums Written

a. Gross Premiums Written

Gross premiums written consists of:

3.1 Gross premiums written	Period Ended 31st December 2017 £'000
Direct insurance	31,279
Gross Premiums Written	31,279

3.2 Net direct premiums written (net of premium refunds)	Period Ended 31st December 2017 £'000
<u>Non Participating Regular Premiums</u>	
PPI - Designated as General Business	22,257
PPI - Designated as Life	8,509
Term life	513
Net premiums written	31,279

b. Geographical Analysis Premium

3.3 Gross direct premiums written - Geographical Analysis	Period Ended 31st December 2017 £'000
United Kingdom	30,967
Spain	312
	31,279



Notes to the Financial Statements cont'd

4. Investment Income

4.1 Investment income and charges	Period Ended 31st December 2017 £'000
(a) Non-technical account	
Investment income	47
Unrealised Gain/(Losses)	-
Investment management expenses	(92)
Net investment return	(45)
(b) Technical account - Long-term business	
Investment income	50
Unrealised Gain/(Losses)	(40)
Investment management expenses	(16)
Net investment return	(6)
(b) Technical account - general business	
Investment income	32
Unrealised Gain/(Losses)	-
Investment management expenses	(21)
Net investment return	11
Total net investment return	(40)



Notes to the Financial Statements cont'd

5. Key Management Compensation

Key management includes the Directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

5. Key management compensation	Period Ended 31st December 2017 £'000
Salaries and other short-term benefits	2,479
Post-employment benefits	3
	<u>2,482</u>

6. Operating Expenses

a. Operating Expenses

6.1 Operating expenses	Period Ended 31st December 2017 £'000
Administrative expenses	11,972
Reinsurance commission and profit participation	14,537
Net operating expenses	<u>26,509</u>

b. Auditors' Remuneration

6.2 Auditors' Remuneration	Period Ended 31st December 2017 £'000
Fees payable to the Company's auditors and their associates for the audit of	
- The consolidated financial statements	135
- The audit of the Company's subsidiaries	180
- The audit of other group Companies paid by Monument Re Limited	25
Fees payable to the Company's auditors and their associates for other services:	
- Other assurance services	75
	<u>415</u>



Notes to the Financial Statements cont'd

7. Taxation

a. Tax on Profit on Ordinary Activities

7.1 Tax on profit on ordinary activities	Period Ended 31st December 2017 £'000
Current Tax:	
Corporation tax on profit for the financial year	617
Adjustment in respect of prior financial years	-
Current tax expense for the financial year	617
Deferred Tax:	
Origination & reversal of timing differences	-
Deferred tax expense for the financial year	-
Deferred tax charge for the year	617
Tax on profit on ordinary activities	617



Notes to the Financial Statements cont'd

b. Reconciliation of Tax Expense

Tax assessed for the financial period is higher than the standard rate of corporation tax in Bermuda for the financial Period Ended 31st December 2017 of 0%. The differences are explained below:

7.2 Reconciliation of tax expense	Period Ended 31st December 2017 £'000
Profit on ordinary activities before tax	12,346
Group Adjustments	
- (Income)/Expense in 0% tax jurisdiction	(8,400)
- Losses made offsetting taxable income	692
- Dividends Received by Group companies in taxable jurisdiction	57,056
- Impairment of subsidiaries of Group Companies	(35,645)
- Adjustments to local basis	135
Profit on ordinary activities before tax subject to the standard rate of tax in Republic of Ireland for the financial year ended 31 st December 2017	26,184
Profit on ordinary activities before tax multiplied by the standard rate of tax in the Republic of Ireland for the financial year ended 31 st December 2017 of 12.5%	3,273
Effect of:	
Expenses not deductible for tax purposes	4,726
Deductions allowable for tax purposes	(7,388)
Income Tax Withheld	3
FX movements	1
Adjustment in respect of prior financial years	3
Current tax charge for the year	617



Notes to the Financial Statements cont'd

c. Deferred Tax

The provision for deferred taxation provided in the financial statements is as follows:

7.3 Deferred tax	Period Ended 31st December 2017 £'000
Deferred Tax acquired on Business Combination	138
Total Deferred Tax	138

8. Investments in Group Undertakings

8.1 Investment in Group Undertakings	Period Ended 31st December 2017 £'000
At October 27, 2016	-
Acquisitions	53,740
At 31st December 2017	53,740

Set out below are the Companies' investments in subsidiary undertakings as at 31st December 2017. All the companies are incorporated in the Republic of Ireland, unless otherwise indicated. An asterisk* indicates holdings held directly by the Company. All subsidiaries are included in the consolidation.

8.2 Investments in Subsidiary undertakings	Country of Incorporation	Principal activity	Class of shares held	Percentage of nominal value and voting rights
Monument Insurance DAC	Republic of Ireland	Protection	Ordinary	100%*
Monument Assurance DAC	Republic of Ireland	Life Assurance	Ordinary	100%
Laguna Life DAC	Republic of Ireland	Life Assurance	Ordinary	100%
Monument Insurance Services Limited	Republic of Ireland	Service Company	Ordinary	100%
Benelux Life Run-off SCS	Luxembourg	Limited Partnership	Ordinary	100%*
Benelux Life Run-off Group S.A.	Luxembourg	Holding Company	Ordinary	100%



Notes to the Financial Statements cont'd

9. Investments

9.1 Other financial investments	31st December	31st December
	2017	2017
	Market value	Cost
	£'000	£'000
Held at fair value through profit and loss		
Debt Securities and other fixed income securities	6,455	6,495
Held at amortised cost		
Cash and Cash Equivalents	68,683	68,683
	<u>75,138</u>	<u>75,178</u>

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices in an active market;
- Level 2 - Recent transactions of an identical asset if there is unavailability of quoted prices; and
- Level 3 - Use of a valuation technique if there is no active market or other transactions which are a good estimate of fair value.

9.2 Fair Value Hierarchy	31st December 2017		
	Level 1	Level 2	Level 3
	£'000	£'000	£'000
Debt Securities and other fixed income securities	-	6,455	-
	-	6,455	-



Notes to the Financial Statements cont'd

10. Debtors

10.1 Debtors	31st December 2017
	£'000
(a) Debtors arising out of direct insurance operations:	
Policyholders	1,901
(b) Debtors arising out of reinsurance operations:	62
(c) Other debtors including tax:	
Other group companies	245
Tax recoverable	22
	<hr/>
	267
(d) Prepayments and accrued income	
Accrued interest	75
Deferred Expenses	291
Prepayments	173
Other Accrued Income	103
	<hr/>
	642
	<hr/>
	2,872
	<hr/> <hr/>

Funds due from policyholders relates to premiums collected for which cash is received one month in arrears by the Group.

11. Equity Share Capital

11.1 Equity Share Capital	31st December 2017
	£'000
Allotted, called up and fully paid - presented as equity	
Ordinary shares at USD \$1 each	47,566



Notes to the Financial Statements cont'd

There is a single class of equity share. There are no restrictions on the distribution of dividends and the repayment of capital. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up.

12. Technical Provisions

The Company has determined UK GAAP liabilities to be equivalent to Bermudian Technical Provisions ("TP") which is given by the sum of BEL and a RM, as determined under the EBS regime.

The BEL is based on an assessment of cash flows required to satisfy insurance obligations. Best estimate corresponds to a probability-weighted average of future cash flows with an allowance, where applicable, for contract boundaries. The BEL is determined by discounting the best estimate cash flows at the risk free curves provided by the Bermuda Monetary Authority. The currency of the curve is represented by the currency of the policyholder liabilities.

The RM reflects uncertainty inherent in the best estimate cash flows. It follows a cost of capital approach, with a prescribed 6% cost of capital charge. It includes an allowance for insurance, operational and counterparty risk capital, projected over the contract period and discounted at risk-free. The risk-free curve used is given by the reporting currency, GBP.

a. General Business Provision

12.1 Movement in provision for claims	Gross	Reinsurer's	Net
	£'000	Share £'000	£'000
Balance at 27 th October, 2016	-	-	-
Provision for claims acquired	10,707	-	10,707
Movement in Provision	(2,004)	-	(2,004)
Balance at 31st December 2017	8,703	-	8,703



Notes to the Financial Statements cont'd

b. Long Term Business Provision

12.2 Movement in Long Term Technical Provision	Reinsurer's		
	Gross £'000	Share £'000	Net £'000
Balance at 27 th October, 2016	-	-	-
Long Term Technical Provision Acquired	1,137	57	1,080
Movement in Provision	445	27	418
Impact of FX	(37)	-	(37)
Balance at 31st December 2017	1,545	84	1,461

c. Principal Assumptions

The principal assumptions of the reserve calculation are as follows:

Accident & Sickness Incidence and Recovery Rates: These assumptions drive the level of expected accident and sickness claims and are key to MIDAC. Recovery rate assumptions are most relevant for the technical provisions given the short contract boundary. The Company performs an annual investigation on the appropriateness of the assumptions;

Unemployment Incidence rates and probability of returning to work: These assumptions are key to MIDAC and they drive the level of expected claims. Recovery rate assumptions are most relevant for the technical provisions given the short contract boundary. The Company performs an annual investigation on the appropriateness of the assumptions;

Expenses: A regular investigation is performed to monitor its expense experience to determine the expenses incurred in administering and running the business across each of the entities. An allowance is made for expense inflation, considering both salary and price inflation; and

Lapses: Lapse rates impact the expected remaining duration of the in-force business. The Company performs an annual investigation on the appropriateness of these assumptions.

Entity	Lapse Rate
MIDAC/MADAC	16% to 20% per annum applies to the most material products
Laguna	Spain: Duration dependent, 10% to 22.5% per annum UK: 6% per annum



Notes to the Financial Statements cont'd

Mortality: Not material assumption. For Laguna, mortality is set with reference to the reinsurance rates. For MADAC, mortality is set with reference to the ELT15 tables.

Discount Rates: A risk-free curve, as prescribed by the BMA, is used to discount the best estimate cash flows. The risk-free curve used is given by the underlying currency of the liability cash flows in the territory in which they arise.

Year	GBP Spot Rate	EUR Spot Rate
1	0.57%	-0.41%
2	0.71%	-0.32%
3	0.82%	-0.16%
4	0.89%	-0.01%
5	0.97%	0.13%
6	1.02%	0.25%
7	1.08%	0.37%
8	1.12%	0.49%
9	1.16%	0.60%
10	1.21%	0.70%
20	1.40%	1.30%
30	1.37%	1.41%
40	1.56%	1.53%
50	1.96%	1.72%

13. Creditors Arising out of Direct Insurance Operation

13.1 Creditors	31st December 2017 £'000
Creditors arising out of direct insurance operations:	
Commission payable	3,681
Profit share payable	1,271
Amount due to policyholders	79
Insurance Premium Tax Payable	745
	5,776

Commission and profit share payable, together with amounts due to policyholders fall due within three (3) months of the period end date.



Notes to the Financial Statements cont'd

14. Accruals and Other Creditors

14.1 Accruals and Other Creditors	31st December 2017
	£'000
Corporation tax payable	37
VAT Payable	9
Deferred Tax Liability	138
Other creditors including tax	184
Accruals	3,154

Amounts payable to group companies are settled a month in arrears. No amounts were payable to other Group companies at the period end. Trade and other creditors are payable at various dates in the three months after the end of the financial period in accordance with the creditors usual and customary credit terms.

15. Reconciliation of profit before tax to net cash inflow from operating activities

15.1 Reconciliation of Profit before tax to Net Cash Inflow from Operating Activities	31st December 2017
	£'000
Profit on ordinary activities before tax	12,346
Add back: Interest received	(359)
Adjustments:	
- Realised and unrealised investment gains	52
- Non-cash movement in technical reserves	(1,596)
- Movement in Deferred Expenses	(291)
- Accrued investment income	(10)
- Negative goodwill	(14,381)
- Movements in other assets/liabilities	3,500
Net Cash from operating activities	(739)



Notes to the Financial Statements cont'd

16. Related Party Transactions

The company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group. See Note 5 for disclosure of key management compensation and Note 2 for disclosure regarding the acquisition of Laguna from a minority shareholder, Enstar Group. There are no other material related party transactions requiring disclosure.

17. Events after the Reporting Date

On 18th September 2017, Monument Re signed the agreement to acquire ABN AMRO Life Capital Belgium N.V. (“AALCB”), a Belgian Life insurance company in run-off, within a Luxembourg domiciled life consolidator fund (Benelux Life Run-off SCS or “BLR SCS”) whereby Monument Re is the sole investor. BLR SCS was established by Acatia Capital as the first run-off platform for life insurance companies and life insurance portfolios based in Belgium, with AALCB being its first acquisition. Monument Re took full ownership over BLR SCS and its wholly owned subsidiary, Benelux Life Run-off Group S.A., as at 31st December 2017. On 28th March 2018, Monument Re completed the acquisition of AALCB following receipt of regulatory approval by the National Bank of Belgium and subsequently renamed AALCB as Monument Assurance Belgium N.V. (“MAB”). MAB is structured directly under BLR SCS.

Monument Re has also acquired full ownership, subject to regulatory approval, of Aspecta Assurance International Luxembourg S.A. (“Aspecta”) and signed this transaction on the 29th January 2018. Aspecta is a life insurance undertaking based in Luxembourg with branches in Germany, Italy and Spain, which was incorporated in 2000 as a 100% subsidiary of Talanx Group. Aspecta ceased writing new business at the end of 2010.

On 16th April 2018, the Group also signed the agreement to acquire the FIRST A portfolio from ETHIAS S.A. This involves a portfolio transfer to Laguna and is subject to regulatory approval. The First A portfolio is a run-off portfolio of flexible premium retail life insurance contracts.

18. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on 19th April 2018.