

**Nordben Life and Pension Insurance Co. Limited**

**Annual report**

**For the year ended 31 December 2019**

Registered Number: 14861

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# Nordben Life and Pension Insurance Co. Limited Annual Report

## Company Information

<b>Registered office and business address</b>	Old Bank Chambers, La Grande Rue, St Martin, Guernsey, GY4 6RT
<b>Company Secretary:</b>	Warwick Helps
<b>Independent Appointed Actuary:</b>	George Pennington, Zenith Actuarial Limited, Lester House Business Centre, 21 Broad Street, Bury, England, BL9 0DA  Rosemary Commons ceased to act as Appointed Actuary on 31 December 2019.
<b>Independent Auditor:</b>	PricewaterhouseCoopers CI LLP, Royal Bank Place, PO Box 321, 1 Gategny Esplanade, St Peter Port, Guernsey, GY1 4ND
<b>Principal bankers:</b>	Barclays Bank PLC, Guernsey Branch, PO Box 41, Le Marchant House, Le Truchot, St Peter Port, Guernsey, GY1 3BE
<b>Legal Advisor:</b>	Carey Olsen (Guernsey) LLP, PO Box 98, Carey House, Les Banques, St Peter Port, Guernsey, GY1 4BZ
<b>Investment Manager:</b>	Storebrand Asset Management AS, Professor Kohts vei 9, PO Box 484, 1327 Lysaker, Norway
<b>Principal reinsurers:</b>	Hannover Rück SE , Stockholm Branch, Hantverkargatan 25, PO Box 22085, 10422 Stockholm, Sweden  Mandatum Life Insurance Company Limited, Bulevardi 56, FI-00101 Helsinki, Finland
<b>Independent Trustee:</b>	Zedra Trust Company (Guernsey) Limited, PO Box 341, Third Floor Cambridge House, Le Truchot, St Peter Port, Guernsey, GY1 3UW

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Directors' Report

The Directors present their annual report on the affairs of the Company, together with the financial statements and the Independent Auditor's report, for the year ended 31 December 2019.

Nordben Life and Pension Insurance Co. Limited ("the Company") is licensed under Section 7 of The Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry out long-term and general insurance business, including domestic business.

The Company is now wholly-owned by Monument Re Limited ("Monument Re", together with its subsidiaries "Monument Group"), a Bermuda based reinsurance company. In June 2019, Monument Re completed the acquisition of the Company from BenCo Insurance Holding B.V., following receipt of regulatory approval from the Guernsey Financial Services Commission.

Monument Insurance Group Limited, a Bermuda based company, is the Company's ultimate controlling party.

The business strategy of the Company is now two-fold:

1. To run off the existing legacy book of policies as efficiently as possible whilst still providing high quality customer service to clients; and
2. To seek opportunities to develop the Company's footprint across the Crown Dependencies through entity acquisitions and sub-scale annuity, guaranteed savings and protection portfolio transfers.

### Directors of the Company

The Directors as at 23 April 2020 are shown below:

Manfred Maske (Chairman) - CEO of Monument Re Limited (appointed on 27 June 2019)

Warwick Helps (Executive Director) - CEO of Nordben Life and Pension Insurance Co. Limited

Arne Hove (Independent Non-Executive Director) - Partner of Aksio Actuarial Intelligence

Alex Brogden - CFO of Monument Re Limited (appointed on 27 June 2019)

Aidan Holton - CEO of Laguna Life DAC (appointed on 4 July 2019)

Tom Granquist, Paul Cutter and Risto Honkanen resigned on 27 June 2019.

### Dividends

No dividend was paid in 2019 or 2018 and no dividend is currently proposed as at the date of approval of this Annual Report.

On 12 March 2019 the board of directors ("Board") approved the entry into a novation agreement to gift the value of an introducer agreement to BenCo for nil consideration. This arrangement constituted a "dividend" for the purposes of section 302 of the Companies (Guernsey) Law, 2008.

### Future developments and events after the reporting date

At the date of signing this report the ultimate economic and social consequences of the novel coronavirus (COVID-19) outbreak are uncertain. The Company's Business Continuity plan is in place and we are not seeing a material impact on operations. Please see Note 29 'Events after the reporting date' to the Financial Statements for more information on COVID-19.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Directors' Report (continued)

### Review of the business

The financial performance of the Company has been good with profit after tax of EUR 1.0M (2018: a loss of EUR 1.9M) predominantly driven by a profitable return for administration of the Company's products and a positive underlying underwriting performance.

Premium income continues to decrease as the business runs off and lapse rates remain as expected, with the exception of one particularly large linked insurance policy surrendering during the year.

The Company's Capital coverage ratio, calculated using the European Union's Solvency II approach, is a healthy 194% (2018: 191%) reflecting overall profitability and a decrease in market risk and currency risk exposure in the prescribed capital requirement.

The Expense Provision, detailed in Note 21.2, has increased to EUR 4.2M (2018: EUR 3.8M).

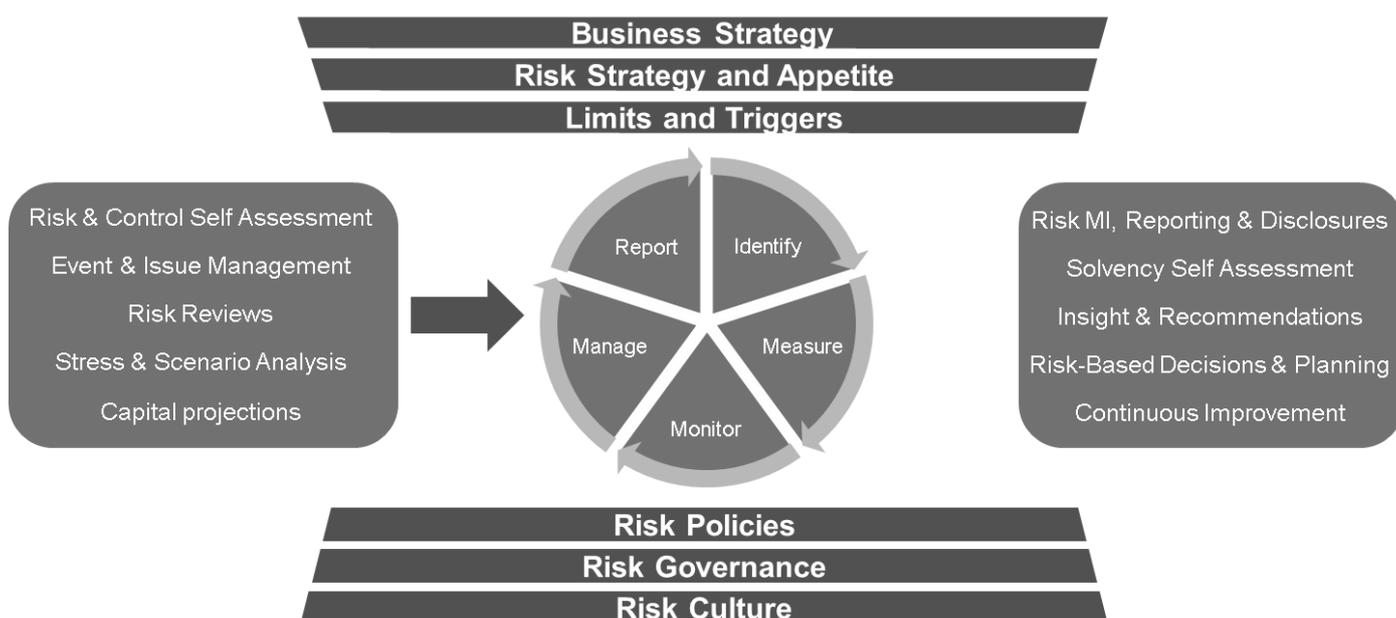
Overall, the Company enjoys a sound financial footing and benefits from the affirmed support of its new shareholder in growing the business.

The Board monitors the progress of the Company by reference to the following key performance indicators:

EUR millions	2019	2018 Restated (1)
Premiums, net of reinsurance	2	4
Claims incurred, net of reinsurance	(63)	(33)
Profit/(loss) on ordinary activities after tax	1	(2)
Expense provision	(4)	(4)
Total shareholder's funds	25	24
Prescribed capital requirement	18	15
Total available capital resources	34	29
Capital coverage ratio	194%	191%

### Risk Management

Robust risk management is core to the Company's activities. The Board has adopted the Monument Group's Risk Management Framework to support sound risk-based decision-making and this is visualised below:



The Risk Management Framework is founded on a sound risk culture, an effective system of governance

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Directors' Report (continued)

### **Risk Management (continued)**

including clear accountabilities, and a suite of policies, working instructions, regulatory procedures, operational procedures, and supplementary internal controls.

Responsibility for risk management ultimately lies with the Board. The Board provide leadership, direction, and oversight with regard to the Company's risk management framework, including risk appetite, limits, risk policies, and risk reporting. All policies are reserved for Board approval whereas the approval and on-going review of all working instructions and regulatory procedures are delegated to Senior Management. Compliance with regulation, legal, and ethical standards is a high priority for the Company. The Board considers the strategic risks that the Company faces and is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The Company's Risk Appetite Statement is aligned to the Company's business strategy, set by the Board, and implemented by Senior Management (constituting the highest level of operational management). The Risk Appetite Statement expresses the Board's appetite across all categories of risk facing the Company. Quantitative risk limits are set for key risks, along with early warning thresholds, which support proactive risk management. Exposures relative to limits and triggers are regularly monitored and reported to the Board.

### **Principal risks and uncertainties**

The key risks to which the Company is exposed are market, insurance risk (including expense risk), counterparty default risk, operational risk, and liquidity risk. Further information is provided in Notes 27 and 28 to the Financial Statements.

### **Licence conditions**

The Company is licensed by the Guernsey Financial Services Commission ("the Commission") and the following conditions have been imposed on the Company's licence:

- a) As set out under Section 12 of the Insurance Business (Bailiwick of Guernsey) Law, 2002 the Company is required to appoint a Guernsey-based trustee who shall be responsible for safeguarding the Company's assets and assets representing at least 90% of policyholder liabilities must be held in trust. The Company requires the appointed trustee to report full details of the assets held by it to the Commission on a quarterly basis. The Company's Trustee is Zedra Trust Company (Guernsey) Limited.

The condition covered an instruction issued by the Commission regarding the need for the Trustee to inform the Commission if the Company instructs a withdrawal of more than 5% of the market value of the assets held within any one period of one month.

With effect from 2013, the Company strengthened its policyholder protection arrangements by increasing the percentage of unit-linked policyholder liabilities that must be held in trust to 100%. In addition, only unit-linked funds can be applied in respect of unit-linked business and non-unit-linked funds applied in respect of non-unit-linked business. These amendments have not been imposed on the Company's licence.

- b) The writing of general insurance business is restricted to no more than 5% of the Company's annual premium income.

No new conditions were imposed on the Company's licence during the year.

### **Solvency Requirements**

The Company has adopted the EU Solvency II standard formula to calculate its prescribed capital requirements under The Insurance Business (Solvency) Rules, 2015 ("Solvency Rules") introduced by the Commission. The overall solvency approach adopted by the Company is discussed in Note 28 to the Financial Statements.

The Company is meeting the solvency requirements under the Solvency Rules.

### **Going concern basis**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual Financial Statements. Further details regarding the adoption of the going concern basis can be found in Note 1b to the Financial Statements.

# Nordben Life and Pension Insurance Co. Limited Annual Report Directors' Report (continued)

## Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

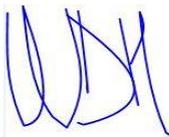
- a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- b) the Director has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law, 2008.

PricewaterhouseCoopers CI LLP, currently appointed as the Company's Auditor, have expressed their willingness to continue in office as the Company's Auditor and appropriate arrangements have been put in place for them to be deemed reappointed as the Company's Auditor in the absence of an annual general meeting.

**Approved by the Board and signed on its behalf by:**

**Signature:**



**Name:** Warwick Helps (**Director**)

**Date:** 23 April 2020

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, "UK Accounting Standards").

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002. They 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Corporate Governance

Corporate Governance refers to the manner in which the Company's business is directed and controlled. It encompasses the means by which the Board and Senior Management are held accountable and responsible for their actions and includes corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

The Company ensures that it meets the requirements of the Finance Sector Code of Corporate Governance ("Code") issued by the Commission and in particular Appendix 3: Licensed Insurers of the Code ("Appendix 3"). The Directors undertake a formal review of corporate governance practices following which they provide confirmation that they have considered the effectiveness of their corporate governance practices and are satisfied with their degree of compliance with the specific 'Principles' set out in the Code, in the context of the nature, scale and complexity of the business.

### **The Board and Senior Management Team**

The Board of Directors of the Company oversees the business of the Company. In 2019 the Board held seven Board meetings. A number of matters, which are documented in the Board's Corporate Governance Guidance Document, are specifically reserved for Board approval. Members of the Board receive documentation on the matters to be discussed ahead of each Board Meeting and the Board ensures that it has access to all relevant information.

The Senior Management Team is the highest level of operational management within the Company, which is made up of the Chief Executive Officer and Chief Financial Officer ("CEO"), the Senior Manager, Actuarial and Risk Officer and the Senior Manager, Policy Administration. The Senior Management team is led by the CEO and the individual team members take decisions for or within their areas of responsibility on the basis of the authorities set by the Board.

The CEO is the top executive within the Company, with ultimate responsibility for the Company's operations, compliance and performance. The CEO serves as the main link between Senior Management and the Board; and must comply with the guidelines and instructions issued by the Board. The CEO reports upon these instructions at Board Meetings and includes feedback on the Company's activities and financial performance.

The Board of Directors has established standards of business conduct and ethical behaviour for Directors, Senior Management and other personnel. These include policies on conflicts of interest, insider dealing, and confidential data.

The Board has approved a Remuneration Policy for Senior Management. The Board is responsible for determining appropriate levels of remuneration for CEO, and the CEO is responsible for determining appropriate levels of remuneration for the remaining members of Senior Management.

### **Board oversight**

The Board is aware that it is responsible for the integrity of the Company's financial statements and any other formal information relating to its financial performance, as well as any other statutory information required; in addition, that it has a duty to ensure that information is made available as required by applicable rules, regulations and codes and that all statutory and regulatory reporting deadlines are met.

The CEO is the appointed General Representative who is responsible for communicating with the Commission on a timely basis.

Internal controls have been designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with all applicable laws and regulations.

The Company has an internal control system which has been approved by the Board. Management liaise with the external auditor and, as well as the internal auditors, review the internal procedures. The internal control system ensures that there is effective division of duties with access to accounting systems restricted to relevant individuals involved in the preparation of the financial statements.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Corporate Governance (continued)

### **Board oversight (continued)**

The Company's Risk Appetite Statement is aligned to the Company's business strategy, set by the Board, and implemented by Senior Management (constituting the highest level of operational management). The Risk Appetite Statement expresses the Board's appetite across all categories of risk facing the Company. Quantitative risk limits are set for key risks, along with early warning thresholds, which support proactive risk management. Exposures relative to limits and triggers are regularly monitored and reported to the Board.

The Risk Appetite Statement also documents the escalation process to Senior Management, to the Board and, if applicable, to the Commission. Compliance with the risk appetite thresholds is reported quarterly at Board Meetings.

The Board has managed its responsibilities regarding compliance with all relevant legislation through an effective compliance regime with the assistance of the Board-appointed Compliance Officer and the Board-appointed Money Laundering Reporting Officer ("MLRO").

### **Appointed Actuary**

An Actuary has been appointed ("Appointed Actuary") as required under Section 40 of the Insurance Business Law. The Appointed Actuary is invited to attend each Board Meeting and is granted access to all relevant information. Actuarial reports are made available to both Senior Management and the Board.

The Company's Appointed Actuary is responsible for establishing adequate technical provisions and makes recommendations to the Board as appropriate. The Board delegates the management of reserving risk to the Appointed Actuary.

The Company is required under Section 198 of the Solvency Rules to perform an Own Risk and Solvency Assessment ("ORSA"), which is used to determine the capital required to run the Company and remain solvent over the next twelve months, with a probability of 99.5%. However, prior to 3 August 2018, and so applicable as at 31 December 2018, the Company met certain conditions in the Solvency Rules that allow the Company's ORSA to consist solely of its Own Solvency Capital Assessment ("OSCA"). The Board delegates the calculation of the OSCA to the Appointed Actuary who presents a report to the Board annually.

On 3 August 2018, the Commission updated the Solvency Rules meaning that the Company is required to perform a full ORSA from 2019. The first report will be prepared as at 31 December 2019 and must be submitted to the Commission within 6 months of that date.

# Independent Auditor's report to the members of Nordben Life and Pension Insurance Co. Limited

## Report on the audit of the financial statements

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### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Nordben Life and Pension Insurance Co. Limited (the "company") as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002.

### What we have audited

The company's financial statements comprise:

- the Statement of Financial Position as at 31 December 2019;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

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### 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 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 company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### Other information

The directors are responsible for the other information. The other information comprises all the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 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 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.

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### Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards, comprising FRS 102, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

# Independent Auditor's report to the members of Nordben Life and Pension Insurance Co. Limited (continued)

## Report on the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 company'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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

### Use of this report

This independent auditor's report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

  
PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands

24 April 2020

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Statement of Comprehensive Income

for the year ended 31 December 2019

### Technical account – long-term business

EUR thousands		2019	2018
	Notes		Restated (1)
<b>Premiums, net of reinsurance</b>			
Gross premiums written	3	2,267	4,978
Outward reinsurance premiums	3	(468)	(652)
		1,799	4,326
Investment income	3	9,405	9,706
Net realised gains/(losses) on financial assets	3	19,275	(3,354)
Net fair value gains/(losses) on assets at fair value through profit or loss	3	31,958	(6,138)
Investment expenses and charges	3	(1,131)	(1,101)
Exchange differences on retranslation	3	4,412	15,244
Other technical income, net of reinsurance	3	574	79
Investment contracts' benefits	3	(24,184)	(2,730)
		42,108	16,032
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross amount	3	(67,007)	(35,326)
Amount attributed to insurance pooling arrangements and reinsurers	3	805	1,596
		(66,202)	(33,730)
<b>Change in the provision for claims</b>			
Gross amount	3	2,918	1,179
Amount attributed to insurance pooling arrangements and reinsurers	3	(8)	(175)
		2,910	1,004
		(63,292)	(32,726)
<b>Change in other technical provisions, net of reinsurance</b>			
Long-term business provision, net of reinsurance			
Gross amount	3	(2,464)	8,960
		(2,464)	8,960
Other technical provisions, net of reinsurance			
Technical provisions for linked liabilities	3	24,544	11,162
		22,080	20,122
<b>Technical income, net of investment expenses and charges</b>			
Fee income on investment contracts	3	365	382
Net operating expenses	3	(3,023)	(3,137)
Other technical charges, net of reinsurance	3	(355)	(2,578)
Movement in the expense provision for investment contracts	3	71	26
Transfer from/(to) the fund for future appropriations	1,3,21	2,705	(154)
<b>Balance on the long-term business technical account</b>		<b>659</b>	<b>(2,033)</b>

(1) See Note 1d.(i) for further details on comparative information.

Nordben Life and Pension Insurance Co. Limited  
Statement of Comprehensive Income (continued)  
for the year ended 31 December 2019

**Non-technical account**

EUR thousands		2019	2018
	Notes		Restated (1)
<b>Balance on the long-term business technical account</b>		<b>659</b>	<b>(2,033)</b>
Investment income		191	413
Exchange differences on retranslation		330	(20)
Net realised losses on financial assets		(504)	(96)
Net fair value gains/(losses) on assets at fair value through profit or loss		368	(493)
Investment expenses and charges (net of rebates)		(17)	-
Other income		-	344
<b>Profit/(loss) on ordinary activities before tax</b>		<b>1,027</b>	<b>(1,885)</b>
Tax on profit on ordinary activities	10	5	-
<b>Profit/(loss) on ordinary activities after tax</b>		<b>1,032</b>	<b>(1,885)</b>
Other Comprehensive Loss (net of tax)		(781)	(1,791)
<b>Total comprehensive income after tax</b>		<b>251</b>	<b>(3,676)</b>

(1) See Note 1d.(i) for further details on comparative information.

The accounting policies and estimation techniques in Notes to the Financial Statements form an integral part of these financial statements.

The above results have been derived from continuing activities.

Nordben Life and Pension Insurance Co. Limited  
Statement of Financial Position  
as at 31 December 2019

**Assets**

EUR thousands		<b>2019</b>	<b>2018</b>
	<b>Notes</b>		Restated (1)
<b>Financial assets</b>			
Held to cover non-linked liabilities - insurance contracts	<b>12</b>	279,512	297,501
Held to cover linked liabilities - insurance contracts	<b>13</b>	111,900	127,936
Held to cover linked liabilities - investment contracts	<b>14</b>	131,037	109,068
		<b>522,449</b>	<b>534,505</b>
<b>Debtors</b>			
	<b>17</b>		
Debtors arising out of direct insurance operations		885	1,505
Debtors arising out of insurance pooling and reinsurance operations		1,488	247
Other debtors		435	399
		<b>2,808</b>	<b>2,151</b>
<b>Other assets</b>			
Tangible assets	<b>18</b>	31	74
Cash and cash equivalents	<b>19</b>	49,535	36,567
		<b>49,566</b>	<b>36,641</b>
<b>Prepayments and accrued income</b>			
Accrued interest		3,361	4,187
Other prepayments and accrued income		111	163
		<b>3,472</b>	<b>4,350</b>
<b>Total assets</b>		<b>578,295</b>	<b>577,647</b>

(1) See Note 1d.(i) for further details on comparative information.

Nordben Life and Pension Insurance Co. Limited  
Statement of Financial Position (continued)  
as at 31 December 2019

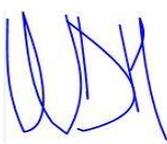
**Liabilities and equity**

EUR thousands	Notes	2019	2018 Restated (1)
<b>Capital and reserves</b>			
Called up share capital	20	9,245	9,245
Profit and loss account		17,919	16,887
Foreign currency translation reserve		(2,572)	(1,791)
<b>Total shareholder's funds</b>		<b>24,592</b>	<b>24,341</b>
<b>Fund for future appropriations</b>	21	<b>28,452</b>	<b>31,157</b>
<b>Technical provisions for long-term business and claims outstanding</b>	21		
Long-term business provision		261,362	258,404
Claims outstanding		3,379	4,483
		<b>264,741</b>	<b>262,887</b>
<b>Technical provisions for linked liabilities</b>		<b>125,143</b>	<b>148,031</b>
<b>Financial liabilities for investment contracts</b>		<b>129,018</b>	<b>109,116</b>
<b>Creditors</b>	22		
Creditors arising out of direct insurance operations		1,489	635
Creditors arising out of insurance pooling and reinsurance operations		535	420
Other creditors including taxation and social insurance		4,325	1,060
		<b>6,349</b>	<b>2,115</b>
<b>Total liabilities and equity</b>		<b>578,295</b>	<b>577,647</b>

(1) See Note 1d.(i) for further details on comparative information.

The accounting policies and estimation techniques in Notes to the Financial Statements form an integral part of these financial statements.

The Financial Statements of Nordben Life and Pension Insurance Co. Limited were approved by the Board of Directors and authorised for issue. They were signed on its behalf by:

Signature: 

Name: Warwick Helps (Director)

Date: 23 April 2020

Nordben Life and Pension Insurance Co. Limited  
Statement of Changes in Equity  
for the year ended 31 December 2019

EUR thousands	Called up share capital	Profit & loss account	Foreign currency translation reserve	Total
At 1 January 2018 (Restated (1))	9,245	18,772	-	28,017
Loss for the financial year (Restated (1))	-	(1,885)	-	(1,885)
Other comprehensive loss (Restated (1))	-	-	(1,791)	(1,791)
<b>At 31 December 2018 (Restated (1))</b>	<b>9,245</b>	<b>16,887</b>	<b>(1,791)</b>	<b>24,341</b>
At 1 January 2019 (Restated (1))	9,245	16,887	(1,791)	24,341
Profit for the financial year	-	1,032	-	1,032
Other comprehensive loss	-	-	(781)	(781)
<b>At 31 December 2019</b>	<b>9,245</b>	<b>17,919</b>	<b>(2,572)</b>	<b>24,592</b>

(1) See Note 1d.(i) for further details on comparative information.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Statement of Cash Flows

for the year ended 31 December 2019

EUR thousands		2019	2018
	Notes		Restated (1)
<b>Net cash flow from operating activities</b>	<b>23</b>	(16)	321
Net taxation received		(5)	-
Interest paid		(3)	(2)
Net cash (paid) / received from long-term business		(2,259)	138
<b>Net cash (used in) / generated from operating activities</b>		<b>(2,283)</b>	<b>457</b>
<b>Cash flow from investing activities</b>			
Investment income received		57	-
Purchase of investments		(53,351)	(52,932)
Proceeds from the sale of investments		67,021	52,547
Increase in cash arising from foreign exchange		17	-
<b>Net cash generated from / (used in) investing activities</b>		<b>13,744</b>	<b>(385)</b>
<b>Cash flow from financing activities</b>			
Dividend paid	11	-	-
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash at bank and in hand</b>		<b>11,461</b>	<b>72</b>
Cash and cash equivalents at the beginning of the year not retained by the long-term business		125	53
Net increase in cash at bank and in hand		11,461	72
Cash and cash equivalents at the end of the year not retained by the long-term business		11,586	125
Cash equivalents at the end of the year retained by the long-term business		760	717
<b>Total cash and cash equivalents</b>		<b>12,346</b>	<b>842</b>
<b>Total cash and cash equivalents consist of:</b>			
Cash at bank and in hand		12,346	842
<b>Total cash and cash equivalents</b>		<b>12,346</b>	<b>842</b>

(1) See Note 1d.(i) for further details on comparative information.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements

### 1. Accounting policies

Nordben Life and Pension Insurance Co. Limited (“the Company”) is a company incorporated in Guernsey under Guernsey Law and licensed under Section 7 of The Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry out long-term and general insurance business, including domestic business. The nature of the Company’s operations and its principal activities are set out in the Directors’ Report and the address of the registered office is Old Bank Chambers, La Grande Rue, St Martin, Guernsey, GY4 6RT.

The Company is now wholly-owned by Monument Re Limited (“Monument Re”, together with its subsidiaries “Monument Group”), a Bermuda based reinsurance company. In June 2019, Monument Re completed the acquisition of the Company from BenCo Insurance Holding B.V., following receipt of regulatory approval from the Guernsey Financial Services Commission.

Monument Insurance Group Limited, a Bermuda based company, is the Company’s ultimate controlling party.

#### a. General information and basis of accounting

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

The Company’s Financial Statements, which have been prepared under the historical cost convention as modified by the revaluation of investments and derivatives, are in compliance with Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”) in conjunction with Financial Reporting Standard 103, “Insurance Contracts” (“FRS 103”) issued by the Financial reporting Council and in compliance with the Companies (Guernsey) Law, 2008.

The Statement of Comprehensive Income comprises a long-term business technical account (life insurance, disability insurance, pension, and annuity business) and a non-technical account, which includes the result of the Company’s non-insurance business activities. The balance (profit on insurance business activities) from the long-term business technical account is then included in the non-technical account and combined with the Company’s non-insurance business to determine the profit or loss for the financial year.

The functional and presentation currency of the Company is considered to be Euro effective from 1 July 2019 whilst prior to this period it was Swedish Krona. This is discussed further below in Note 1d (i).

#### b. Going concern

The Company’s business activities, financial risk management objectives together with the factors likely to affect its future development, performance and financial position are set out in the Directors’ Report. Details of the Company’s financial instruments and derivative activities, and its exposures to market risk, credit risk, and liquidity risk are described in Note 27 to the Financial Statements. Furthermore, the Company’s objectives, policies and processes for managing its capital are described in Note 28 to the Financial Statements.

Please see Note 29 ‘Events after the reporting date’ to the Financial Statements for information on COVID-19. At the date of signing this report:

- The ultimate economic and social consequences of the novel coronavirus (COVID-19) outbreak are uncertain. Business continuity plans are in place with employees engaged in home working, collaborating via video conference and other electronic means.
- Whilst uncertain, we do not believe that COVID-19 will result in a materially adverse effect on our ability to maintain operations and meet obligations as they fall due.

The Company has net assets in excess of its regulatory solvency requirement. The Company is not dependent on any external finance or support from its shareholder, Monument Re Limited or its shareholders. The Company is running off its legacy book of long-term liabilities and so the Company will exist until these long-term liabilities have been extinguished. The Directors are very confident that the Company has adequate resources to continue in operational existence therefore they continue to adopt the going concern basis in preparing the annual Financial Statements.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### c. Insurance accounting policies (continued)

##### (i) Classification of insurance and investment contracts (continued)

The Company has issued contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts which contain significant insurance risk at inception or contracts designated as discretionary participation contracts. A discretionary participation contract entitles the policyholder to receive bonuses as a supplement to guaranteed benefits.

The Annuity Plan, Level Plan, Flex Plan, Save Invest Plan and Triple C Plan are discretionary participation contracts.

The Company defines significant insurance risk as the possibility of having to pay significant additional benefits on the occurrence of an insured event compared to the benefits payable if the insured event did not occur.

The Company's Group Life, Group Disability and Group Accident contracts ("Risk-only contracts") and the Individual Plan (General Conditions dated 1 April 1990) all meet the criteria to be classified as an insurance contract with the latter having an insured death benefit in excess of 10% of the paid single premium. The last Risk-only contract terminated at the end of 2018.

Investment contracts are those contracts that transfer financial risks with no significant insurance risk and are not designated as discretionary participation contracts.

The Unit Linked Plan, Individual Plan (General Conditions dated on or after 1 January 1993), Living Annuity Plan, Executive Portfolio Bond, and International Investment Plan are investment contracts. It should be noted that all Executive Portfolio Bond contracts were terminated during 2018.

##### **Long-term business fund**

The value of the long-term business fund is calculated by the Company's Appointed Actuary following their annual financial investigation into the Company in accordance with Section 41 of The Insurance Business (Bailiwick of Guernsey) Law, 2002 as described in Note 21.

The long-term business fund comprises the technical provisions for long-term business, including claims outstanding, and a fund for future appropriations.

As the benefits for plans relating to investment contracts are linked to specific portfolios of assets the provision is calculated as the number of units attached to each policy multiplied by the appropriate unit price at the Statement of Financial Position date. The provisions for plans relating to insurance contracts are further detailed in Note 1.c.(ii).

##### **Premiums**

Premiums are accounted for on an accruals basis. Single premiums are those where there is a contractual obligation for the payment of only one premium, whilst annual premiums are those where there is a contractual obligation for the payment of premium on a regular basis.

##### (ii) Insurance and discretionary participation contracts

###### **Plan substitution**

Where plans are substituted by the policyholder or contracts are vested these transactions are reflected as premium only to the extent that they give rise to incremental premiums and are not reflected as claims.

###### **Claims incurred**

Claims incurred include maturities, annuities or pensions, disability pensions (including waiver of premium benefits), deaths, and surrenders/withdrawals.

Maturity claims are accounted for when the claim becomes due for payment.

Annuities, pensions in payment, survivor pensions, and disability pensions are accounted for when each relevant instalment is due for payment.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### c. Insurance accounting policies (continued)

##### (ii) Insurance and discretionary participation contracts (continued)

The Company maintains a cut-off date for death, disability, accident and total/partial permanent disability claims. For the 2019 accounting reference period this date was 31 January 2020. Claims arising prior to or in 2019 and notified before the claim cut-off date are adjusted for in the accounting reference period. In addition, material claims arising prior to or in 2019 and notified after the claim cut-off date but before the approval of these accounts would be accounted for in the accounting reference period. If a claim is subsequently verified as invalid prior to the claim cut-off date it will be reversed in the accounting reference period.

Surrenders/withdrawals are accounted for when paid or, if earlier, on the date when the liability ceases to be included within the long-term business provision and/or the technical provision for linked liabilities.

Claims payable include related internal and external claims handling costs.

Reinsurance recoveries are accounted for in the same period as the related claims.

#### **Bonuses**

Annual bonuses are declared and credited each year to the Flex Plan, Level Plan, Save Invest Plan, and Triple C Plan policies, as well as (if entitled to discretionary increases) Annuity Plan policies, Pensions in Payment, Survivor's Pensions in Payment, and Disability Pensions in Payment. Flex Plan, Save Invest Plan, and Triple C Plan policies do not get credited with bonuses once they have past their maturity date. Survivor's Pensions in Payment and Disability Pensions in Payment arising from the Triple C Plan, Flex Plan, Unit Linked Plan, and Risk-only contracts, as well as Disability Pensions in Payment arising from the Level Plan, accepted by the Company on or after 1 January 2016, form a separate bonus category to those accepted prior to 1 January 2016.

These discretionary increases or bonuses increase policy benefits and, once credited, become guaranteed. Discretionary increases or bonuses are declared effective from 1 January following the Statement of Financial Position date and are applied to the technical account – long-term business ("technical account") within the "Change in other technical provisions, net of reinsurance" line in the financial year preceding the date of declaration.

#### **Level Plan, Annuity Plan, and Pensions in Payment**

The provision for the above is calculated using the net premium method and applying the valuation rates of interest shown in Note 21.

For discretionary participation contracts where appropriate, an implicit provision is made for future bonuses by means of a reduction in the valuation rate of interest.

The Company previously offered Annuity Plans with annual discretionary bonuses and with fixed benefits. The valuation rates of interest used are detailed in Note 21. The assumptions to which the estimation of the provision is particularly sensitive are the assumed valuation rate of interest to discount the provision (which may include a provision for future bonuses) and the assumed future mortality experience of policyholders.

Pensions in Payment are:

- Arising from an insured event in Risk-only contracts; or
- Arising from the Triple C Plan, Flex Plan, Level Plan or Unit Linked Plan.

#### **Flex Plan, and Save Invest Plan**

The provision for the above plans has been calculated as the total amount of the policyholders' accumulation accounts at the Statement of Financial Position date. The provision includes the bonus declared as a result of the current valuation. No provision is made for future bonuses.

#### **Triple C Plan**

The provision for the EUR, SEK and NOK Triple C Plans, and a SEK Corporate Pension Plan has been calculated as the greater of:

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### c. Insurance accounting policies (continued)

##### (ii) Insurance and discretionary participation contracts (continued)

###### Triple C Plan (continued)

- a) the present value of the maturity value using yields based on the matching assets and an appropriate margin for investment expenses and the Shareholder's charge; and
- b) the current surrender value payable at the Statement of Financial Position date.

The provision for the CHF, DKK, GBP, and USD Triple C plans has been calculated as the greater of:

- a) the present value of the maturity value plus the cost of the maturity guarantee as determined using a Black-Scholes method; and
- b) the current surrender value payable at the Statement of Financial Position date.

It has been assumed that the guarantee under each policy is a maturity guarantee equal to the accumulated account at the Statement of Financial Position date projected to maturity at the guaranteed bonus rate applicable. The provision includes the bonus declared as a result of the current valuation.

###### Risk-only contracts and risk benefits

A provision is held in respect of the mortality and disability benefits in respect of Risk-only contracts and the risk benefits attached to Flex Plan and Triple C Plan products, and the disability benefits attached to the Level Plan product.

###### Individual Plan (General Conditions dated 1 April 1990)

As the benefits for these plans are linked to specific pools of assets the provision is calculated as the number of units attaching to each policy multiplied by the appropriate unit price at the Statement of Financial Position date plus the value of the death benefit under the plans.

###### Non-standard insurance contracts

The Company has issued some 'non-standard insurance contracts' which are a hybrid of two plan types. Each component of the hybrid is treated as a separate plan.

###### Reinsurance

The Company has entered into Group Life, Group Disability, and Group Accident contracts with corporate entities to provide them with cover for their mortality and morbidity risk. The Company seeks to reduce its exposure to potential losses from these contracts by reinsuring certain levels of mortality and morbidity risk with reinsurers.

The Company also pools mortality and morbidity risk through international pooling networks. Depending on the type and financial circumstances of the international pooling account, losses may be recovered from the pooling account. The Company seeks to reduce its exposure to residual losses in those pooling accounts by use of reinsurance.

The Company accounts for reinsurance as follows:

Outward reinsurance premiums are accounted for in the same period as the related insurance premiums and are shown in the technical account gross of reinsurance commissions.

For "Claims incurred, net of reinsurance" where:

- The risk contract was not included in a multinational pool: the reinsurers' share is the share of the claims paid attributed to the reinsurers for the period.
- The risk contract was included in a multinational pool: the reinsurer's share is also the share of the claims paid attributed to the reinsurers for the period. However, recoveries of claims from pooling accounts are accounted for in the period the pooling account is settled in which the recoveries emerge. As such the reinsurer's share of claims paid in the period the pooling account is settled are then adjusted to be the reinsurer's share of the total value of the claim after recoveries.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### c. Insurance accounting policies (continued)

##### (ii) Insurance and discretionary participation contracts (continued)

###### Reinsurance (continued)

Payments made to or received from a Pooling Network in respect of business included in a Multinational Pooling Account are included in the "Other technical charges, net of reinsurance" line. The Company makes a provision for future net expected payments in respect of business which is pooled in an Insurope Multinational Pool and related net payments to its reinsurer in respect of such business in the year they are incurred, releasing those provisions in the year the payments are made.

For "Change in the provision for claims" the amount payable by the reinsurers or paid to the reinsurers in the period is shown in the technical account as the change in the provision for claims attributed to insurance pooling arrangements and reinsurers.

Reinsurance commissions and reinsurance profit commissions are included in the "Other technical income, net of reinsurance" line. Reinsurance profit commissions are payable annually and are recognised at the Statement of Financial Position date only when due for payment by the reinsurer.

Reinsurers' share of technical provisions relates to the reinsurers' share of the valuation reserve in respect of disability claims in the course of payment.

Amounts recoverable under reinsurance contracts are assessed for impairment at each Statement of Financial Position date. If objective evidence of impairment exists, reinsurance assets are reduced to the level at which they are considered to be recoverable and an impairment loss is recognised in the technical account.

###### Fund for future appropriations

The fund for future appropriations represents all discretionary participation fund liabilities for which the allocation between discretionary participation contract policyholders and the Shareholder has not been determined by the Appointed Actuary and the Board at the Statement of Financial Position date. Transfers between the fund for future appropriations and the technical account represent the changes in these unallocated amounts between Statement of Financial Position dates.

##### (iii) Investment contracts

###### Revenue

Amounts received from and paid to policyholders of investment contracts are accounted for as deposits received (or repaid) and are not included in premium or claims in the technical account. Transfers of plans between investment contracts are excluded from premiums and from claims.

Investment contract policies are charged for policy administration services and these fees are recognised as income in the accounting period in which the services are rendered.

##### (iv) Expense provision

A cash flow projection is undertaken for each policy and product category (excluding Risk-only contracts) as detailed in Note 21.2 (a) and Note 21.2 (b) to establish whether or not future inflows are sufficient to cover future outflows. A certain proportion of the total expenses for each product category are allocated as being directly attributable to each policy and the remainder of the expenses are considered overheads. Where the margins on a policy are insufficient to cover these directly attributable expenses an additional provision is held. For policies where margins exceed the directly attributable expenses the excess income over expenses may be used to cover the overheads. If there is a projected shortfall of excess income compared with overheads an additional provision is held. These provisions are calculated for each product line assuming that all policies are paid up and no new business is written and are included in the long-term business provision, technical provisions for linked liabilities or financial liabilities for investment contracts lines as appropriate.

The overall expense provision is held in Sterling but as the functional and presentation currency of the Company is Euro it is also sensitive to exchange rate movements. Movements in the expense provision relating to discretionary

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### c. Insurance accounting policies (continued)

##### (iv) Expense provision (continued)

participation contracts are displayed in the “Long-term business provision, net of reinsurance” line in the technical account; movements in the expense provision relating to Individual Plan (General Conditions dated 1 April 1990) contracts are displayed in the “Technical provisions for linked liabilities” line in the technical account; and movements in the expense provision relating to investment contracts are displayed in the “Movement in the expense provision for investment contracts” line in the technical account.

#### d. Foreign currency translation

The functional currency and presentation currency of the Company is Euro effective from 1 July 2019 whilst prior to this period it was Swedish Krona.

Following acquisition of the Company by the Monument Re Limited, Euro has become the predominant currency of the Company’s operations, accounting for a significant part of the Company’s income, claims, and cash flows. Therefore, having considered the indicators of the Company’s primary economic environment, the Board of Directors approved the change of functional currency and presentation currency of the Company to Euro.

##### (i) Comparatives

The Financial Statements provide comparative information in respect of the previous periods. Due to the change in presentation currency from Swedish Krona to Euro from 1 July 2019, the comparative information has been restated in Euro. The following procedures were applied to the comparative information:

- The Statement of Financial Position was retranslated from Swedish Krona to Euro at the exchange rate effective at 31 December 2018;
- The Statement of Comprehensive Income and Statement of Cash Flows were retranslated from Swedish Krona to Euro at the average exchange rate for the period from 1 January 2018 to 31 December 2018;
- Historical equity transactions were retranslated from Swedish Krona to Euro at the exchange rate on the date of transaction and subsequently carried at historical value; and
- Foreign exchange differences arising on translation to the new presentation currency were recognised in ‘Other comprehensive income’.

##### (ii) Technical account

The Company’s insurance and investment contracts were issued in a number of currencies and accordingly funds are maintained for each contract type and currency within the long-term business fund. The currency of each fund (“source currency”) is typically the currency in which premiums are paid and claims settled.

In addition, a shareholder’s fund is maintained. This fund is credited with the charges and fees to which the Company is entitled under the terms and conditions of the insurance and investment contracts and debited with the expenses of operating the Company’s life business. The income and expense cash flows are in a mixture of currencies; however, the Company has determined the source currency of the Shareholder’s fund to be Euro.

Transactions in foreign currencies within each fund are converted into the source currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the relevant source currency at the rate of exchange ruling at the Statement of Financial Position date. Exchange gains and losses during the period on the retranslation and settlement of foreign currency monetary assets and liabilities are recognised in the Statement of Comprehensive Income of the fund in the period in which they arise.

The assets and liabilities of the funds are translated from their respective source currencies into Euro using the year end exchange rates, and their income and expenses using the average exchange rates for the year, to the extent that they are not materially different to the transactions based rates. Unrealised gains or losses resulting from

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### d. Foreign currency translation (continued)

##### (ii) Technical account (continued)

translation of the source currencies to Euro, except for insurance liabilities, are included in the technical account in the “Exchange differences on retranslation” line. Exchange differences on retranslation of the insurance liabilities of the long term business account are included in the technical account within the “Change in other technical provisions, net of reinsurance” line.

Exchange differences on retranslation are not attributable to, and do not affect, the assets and liabilities of the long-term business fund.

Year end exchange rates used for converting the results of each fund from their respective source currencies into Euro are as follows:

Currency	2019	2018
Danish Krone	7.4716	7.4663
Euro	1.0000	1.0000
Norwegian Krone	9.8690	9.9034
Pound Sterling	0.8541	0.8990
Swedish Krona	10.4688	10.2548
Swiss Franc	1.0857	1.1255
United States Dollar	1.1199	1.1467

The non-technical account shows the net result from long-term business (in essence the result from the Shareholder’s fund in the technical account, the underwriting result in respect of Risk-only contracts, the movement in the expense provision, net investment income from shareholder’s funds, and other income and charges related to the Company’s non-insurance business).

#### e. Financial instruments

The Company has chosen to measure and recognise its financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement (as adopted in the EU). In accordance with IAS 39, financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial liabilities at fair value through profit or loss consist of the technical provisions related to insurance and investment contracts in-force. The provisions are calculated by the Appointed Actuary based on the assumptions and methodologies adopted by the Company. Further details on the key assumptions and the disaggregation of the financial liabilities are detailed in Note 21.

The Company classifies its investments into the following categories: financial assets at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

##### (i) Financial assets at fair value through profit or loss

A financial asset is classified into the ‘financial assets at fair value through profit or loss’ category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or is so designated by the Company. Derivatives are also classified as financial assets at fair value through profit or loss (held for trading).

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### e. Financial instruments (continued)

##### (i) Financial assets at fair value through profit or loss (continued)

Financial assets designated as at fair value through profit or loss at inception are those that are:

- held to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- managed and whose performance is evaluated on a fair value basis. The Company invests in equity and debt securities, and measures them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

Purchases and sales of financial assets are recognised on trade date (i.e. the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributed to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the appropriate technical or non-technical account in the Statement of Comprehensive Income.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these financial assets are included in the Statement of Comprehensive Income in the period in which they arise.

The translation differences on monetary securities are recognised in the Statement of Comprehensive Income.

Interest on securities is recognised in the Statement of Comprehensive Income on an accruals basis. Dividends on equity instruments are recognised in the Statement of Comprehensive Income when the Company's right to receive payments is established. Both are included within the "Investment income" line.

The fair values ("FV") of quoted investments provided by Investment Managers are based on current bid prices with the exception of the discretionary participation funds where they are based on current mid prices. If the market for a financial asset is not active the Company establishes FV by using valuation techniques or by verifying to an independent resource. The Company holds an International Pension Plan ("IPP") contract with a regulated life company in the Isle of Man for its Unit Linked Plan business. The valuations of the quoted investments determining the value of the IPP contract are based on current bid prices.

These include the use of recent arm's length transactions, relying as little as possible on entity-specific inputs and in any event for "linked liability insurance and investment contracts" (i.e. Unit Linked Plan, Individual Plan (General Conditions dated 1 April 1990), Individual Plan (General Conditions dated on or after 1 January 1993), Living Annuity Plan, Executive Portfolio Bond (the last contract of which was terminated in 2018) and International Investment Plan a basis which is consistent when recognising the attributable liability.

The Financial Statements include holdings in unlisted shares, which are measured at FV. FV is estimated by applying the net asset value of the investee entity to the number of shares held. For contracts that are classified as investment contracts the value of the liabilities is linked to the FV of the assets.

In relation to the discretionary participation funds, Storebrand Asset Management AS ("SAM") provides a valuation of the unquoted assets, which are reviewed for reasonableness by Management using discounted cash-flow techniques.

In relation to linked liability insurance and investment contracts the Company receives annual valuations from either the administrator (in the case of private equity funds) or the corporate service providers (in the case of unquoted companies). The valuation of investments in unquoted companies is based on unaudited financial statements (although generally prepared by regulated corporate service providers) and therefore subject to additional internal

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### e. Financial instruments (continued)

##### (i) Financial assets at fair value through profit or loss (continued)

review and potential adjustments to ensure that the nature and performance of activities is in line with the Company's expectations.

The valuation date of assets underlying the linked liability insurance and investment contracts are as follows:

- Private equity funds and unquoted companies: As at 30 September 2019
- Unit Linked Plan: As at 31 December 2019
- All other assets: As at 30 November 2019

The valuation assessments at the above valuation dates are subject to additional internal review by Management to ensure any material changes (from the valuation date to 31 December) have been considered, and where appropriate, adjusted for in the Company's financial statements.

#### **Derivative financial instruments**

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and manage interest rate risk. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments include forward foreign exchange contracts and an interest rate swap.

All derivatives are initially recognised in the Statement of Financial Position at their fair value, which usually represents their cost. They are subsequently re-measured at their fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The notional or contractual amounts associated with derivative financial instruments are disclosed in Note 15.

#### **Forward foreign exchange contracts**

Foreign exchange contracts, which include spot and forward contracts, represent binding agreements in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date.

At the Statement of Financial Position date forward foreign exchange contracts were held in relation to linked liability insurance and investment contracts. No forward foreign exchange contracts were held in relation to the Shareholder's assets or within the discretionary participation contracts' funds.

#### **Interest rate swaps**

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments. Interest rate swaps are initially recognised in the Statement of Financial Position at their fair value, which usually represents their cost. They are subsequently re-measured at their fair value. Fair values are obtained by using discounted cash flow model valuation techniques.

At the Statement of Financial Position date the Company utilised an interest rate swap, the purpose of which was to increase the duration of an asset within the discretionary participation contracts' funds. No interest rates swaps were held in relation to the Shareholder's assets or the linked liability insurance and investment contracts.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms (see Note 1.g. for the accounting policy on impairment). The Directors consider that the carrying values of assets held at amortised cost approximate fair value.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### e. Financial instruments (continued)

##### (iii) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. It excludes cash balances held for investment purposes under investment contracts.

##### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### f. Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Tangible assets are capitalised and depreciated on a straight line basis over their estimated useful lives. The principal rates used for this purpose are as follows:

Leasehold improvements	10%	Fixtures and fittings	15%
Computer equipment and software	33%	Office equipment	25%

#### g. Impairment of assets

The carrying values of the Company's assets, except those designated as fair value through profit or loss, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If objective evidence of impairment is indicated the asset's recoverable amount (being the greater of fair value less cost to sell and value in use assessed by reference to discounted future cash flows) is estimated. An impairment loss is recognised in the Statement of Comprehensive Income to the extent that the carrying value of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### h. Pensions costs

The Company contributes towards a defined contribution scheme for its employees. Contributions to the scheme are charged to the technical account.

#### i. Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying assets are classified as operating leases. Payments made under operating leases are charged to the technical account as incurred over the lease term.

#### j. Related party transactions

The Company discloses transactions with related parties in accordance with the requirements of FRS 102.

#### k. Taxation

Taxation expense for the period comprises current tax recognised in the reporting period and is recognised in the Statement of Comprehensive Income. Current tax is the amount of income tax payable in respect of the taxable

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### k. Taxation (continued)

profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### 2. Critical accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the following financial year. Estimates and judgments are continually being evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances but which may not necessarily be borne out in practice. The most significant areas of estimation and judgment are in respect of the long-term business provision and in particular with regard to the provision of reserves for expenses. Please refer to Note 21.

Another significant area of judgement is in relation to the valuation of unlisted investments for which management perform a review of valuation data provided by third parties to satisfy themselves that the valuation is reasonable.

As detailed in Note 1.e.(i), Management exercised judgment in concluding that the values of investments determined at 30 September 2019 and 30 November 2019 are a reasonable approximation to the fair value of these investments at the reporting date, 31 December 2019. The valuation assessments at the above valuation dates are subject to additional internal review by management to ensure any material changes (from the valuation date to 31 December) have been considered, and where appropriate, adjusted for in the Company's financial statements.

During the year, the Company has changed its presentation and functional currency from Swedish Krona to Euro effective 1 July 2019. The Company's capital was raised and maintained in Swedish Krona however in July 2019, the existing capital was reinvested into a blend of Euro and Sterling assets. Following acquisition of the Company by the Monument Group, Euro has become the predominant currency of the Company's operations, accounting for a significant part of the Company's income, claims and cash flows. Therefore, having considered the indicators of the Company's primary economic environment as explained above, the Board of Directors (Board") approved the change of functional currency from Swedish Krona to Euro. Furthermore, the Board approved the change of presentation currency from Swedish Krona to Euro to be in line with that of the Monument Group.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 3. Technical account – long-term business by product classification

The following tables present the technical account – long-term business disaggregated across the policyholders' funds by product classification for the years ended 31 December 2019 and 31 December 2018:

EUR thousands		Non-linked liability insurance contracts	Linked liability insurance contracts	Linked liability investment contracts	Shareholder's technical fund	Total
	Notes	2019	2019	2019	2019	2019
<b>Premiums, net of reinsurance</b>						
Gross premiums written		2,267	-	-	-	2,267
Outward reinsurance premiums		(468)	-	-	-	(468)
		1,799	-	-	-	1,799
Investment Income	A	6,134	1,737	1,392	142	9,405
Net realised gains on financial assets		13,779	3,856	1,640	-	19,275
Net fair value gains on assets at fair value through profit or loss	A	2,421	11,371	18,066	100	31,958
Investment expenses and charges		(272)	(306)	(553)	-	(1,131)
Exchange differences on retranslation		391	(53)	3,639	435	4,412
Other technical income, net of reinsurance		574	-	-	-	574
Investment contracts benefits	B	-	-	(24,184)	-	(24,184)
		24,826	16,605	-	677	42,108
<b>Claims incurred, net of reinsurance</b>						
Claims Paid						
Gross amount		(26,749)	(39,997)	-	(261)	(67,007)
Amount attributed to insurance pooling arrangements and reinsurers		805	-	-	-	805
		(25,944)	(39,997)	-	(261)	(66,202)
<b>Change in the provision for claims</b>						
Gross amount		2,918	-	-	-	2,918
Amount attributed to insurance pooling arrangements and reinsurers		(8)	-	-	-	(8)
		2,910	-	-	-	2,910
		(23,034)	(39,997)	-	(261)	(63,292)
<b>Change in other technical provisions, net of reinsurance</b>						
Long-term provision, net of reinsurance						
Gross amount		(1,823)	-	-	(641)	(2,464)
		(1,823)	-	-	(641)	(2,464)
Other technical provisions, net of reinsurance						
Technical provisions for linked liabilities		-	24,376	-	168	24,544
		(1,823)	24,376	-	(473)	22,080
<b>Technical income/(expenses), net of investment expenses and charges</b>						
		(31)	984	-	(57)	896
Fee Income on investment products		-	-	365	-	365
Other technical charges, net of reinsurance		74	(429)	-	-	(355)
Movement in the expense provision for investment contracts		-	-	-	71	71
Transfer from the fund for future appropriations		2,705	-	-	-	2,705
<b>Balance on the long-term business technical account before net operating expenses</b>	C	<b>2,748</b>	<b>555</b>	<b>365</b>	<b>14</b>	<b>3,682</b>
Net operating expenses	D					(3,023)
<b>Balance on the long-term business technical account</b>						<b>659</b>

**A** - The investment income and the net fair value gains on assets at fair value through profit or loss represent the whole of the investment income arising in the Company's long-term business fund. The investment income and the net fair value gains/(losses) on assets at fair value through profit or loss shown in the non-technical account arise from the Shareholder's funds held in the non-technical account.

**B** - Investment contracts' benefits are accrued to the account of the contract holder as the fair value of the net movement arising from the underlying assets. All the contracts in this category are designated as fair value through profit or loss and were designated to this category upon initial recognition.

**C** - Balance on the long-term business technical account before net operating expenses includes underwriting profit, shareholder charges and fee income on investment contracts.

**D** - Total expenses incurred by the Company were EUR 3,284,000 (2018: EUR 3,362,000), which consists of the net operating expenses above and claims handling fees of EUR 261,000 (2018: EUR 225,000).

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 3. Technical account – long-term business by product (continued)

EUR thousands		Non-linked liability insurance contracts 2018 Restated (1)	Linked liability insurance contracts 2018 Restated (1)	Linked liability investment contracts 2018 Restated (1)	Shareholder's technical fund 2018 Restated (1)	Total 2018 Restated (1)
	Notes					
<b>Premiums, net of reinsurance</b>						
Gross premiums written		4,978	-	-	-	4,978
Outward reinsurance premiums		(652)	-	-	-	(652)
		4,326	-	-	-	4,326
Investment Income	A	6,733	1,837	994	143	9,707
Net realised (losses)/gains on financial assets		(333)	3,162	(6,191)	8	(3,354)
Net fair value (losses)/gains on assets at fair value through profit or loss	A	(645)	(11,952)	6,522	(64)	(6,139)
Investment expenses and charges		(273)	(266)	(562)	-	(1,101)
Exchange differences on retranslation		8,413	4,809	1,967	55	15,244
Other technical income, net of reinsurance		79	-	-	-	79
Investment contracts benefits	B	-	-	(2,730)	-	(2,730)
		18,300	(2,410)	-	142	16,032
<b>Claims incurred, net of reinsurance</b>						
Claims paid						
Gross amount		(27,223)	(8,328)	-	225	(35,326)
Amount attributed to insurance pooling arrangements and reinsurers		1,596	-	-	-	1,596
		(25,627)	(8,328)	-	225	(33,730)
<b>Change in the provision for claims</b>						
Gross amount		1,179	-	-	-	1,179
Amount attributed to insurance pooling arrangements and reinsurers		(175)	-	-	-	(175)
		1,004	-	-	-	1,004
		(24,623)	(8,328)	-	225	(32,726)
<b>Change in other technical provisions, net of reinsurance</b>						
Long-term provision, net of reinsurance						
Gross amount		9,091	-	-	(131)	8,960
		9,091	-	-	(131)	8,960
Other technical provisions, net of reinsurance						
Technical provisions for linked liabilities		-	11,564	-	(402)	11,162
		9,091	11,564	-	(533)	20,122
<b>Technical income, net of investment expenses and charges</b>						
		2,768	826	-	(166)	3,428
Fee Income on investment products		-	-	382	-	382
Other technical charges, net of reinsurance		(2,282)	(296)	-	-	(2,578)
Movement in the expense provision for investment contracts		-	-	-	26	26
Transfer to the fund for future appropriations		(154)	-	-	-	(154)
<b>Balance on the long-term business technical account before net operating expenses</b>	C	332	530	382	(140)	1,104
Net operating expenses	D					(3,137)
<b>Balance on the long-term business technical account</b>						(2,033)

(1) See Note 1d.(i) for further details on comparative information.

### 4. Cost borne by discretionary participation contracts

EUR thousands	2019	2018 Restated (1)
Investment expenses	272	273
Trustee expenses	26	43
	298	316

(1) See Note 1d.(i) for further details on comparative information.

Investment expenses are fees net of rebates amounting to EUR 45,000 (2018: EUR 50,000) for the provision of asset management and investment advisory services, provided by Storebrand Asset Management AS in the year.

Trustee expenses are the fees charged by the independent third party trustee ("the Trustee"). The Trustee is Zedra Trust Company (Guernsey) Limited who replaced SG Kleinwort Hambros Trust Company (CI) Limited in 2018.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 5. Auditor's remuneration

The Company's audit fees, included in the technical account, amounted to EUR 180,000 (2018: EUR 55,000).

### 6. Commissions and introducers' fees

Total commissions and introducers' fees accounted for by the Company during the year amounted to EUR 59,000 (2018: EUR 97,000) and are included in the technical account.

### 7. Directors' remuneration

The Non-Executive Directors were paid fees of EUR 95,000 for the year ended 31 December 2019 (2018: EUR 99,000).

### 8. Staff numbers and costs

EUR thousands	2019	2018
		Restated (1)
Wages and salaries	1,081	1,285
Guernsey social insurance costs	58	69
Other pension costs	83	76
The average number of persons including executive directors and part-time employees employed by the Company during the year	16	18

(1) See Note 1d.(i) for further details on comparative information.

### 9. Pension costs

The Company funds a pension scheme providing benefits based on the contributions to that scheme. In addition, the Company provides a lump sum in the event of an employee dying in service, a benefit insured with a United Kingdom insurance company. Those funds are independent of the finances of the Company. All contributions and premiums for death-in-service benefits are charged to staff costs against the profit of the Company for the year in which the contributions and premiums are made. The total charge for the current year including all contributions and premiums for death-in-service benefits was EUR 83,000 (2018: EUR 76,000).

### 10. Tax on profit on ordinary activities

As of 1 January 2013 Guernsey expanded the company intermediate rate of income tax to include licensed insurers (in respect of domestic business). Therefore, the Company is taxable at 10% in respect of domestic insurance business under the Guernsey intermediate income tax rate. All other business is taxable at the company standard rate of 0%.

The Company has not written any domestic insurance business since 2016 therefore no taxation was due from the Company as at 31 December 2019 (2018: EUR Nil). However, there was a small tax refund of EUR 5,000 (2018: Nil) paid to the Company during 2019.

### 11. Dividends on equity shares

No dividend was paid in 2019 or 2018 and no dividend is currently proposed as at the date of approval of this Annual Report.

On 12 March 2019 the Board approved the entry into a novation agreement to gift the value of an introducer agreement to BenCo Insurance Holding B.V. ("BenCo") for nil consideration. This arrangement constituted a "dividend" for the purposes of section 302 of the Companies (Guernsey) Law, 2008.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 12. Financial assets held to cover non-linked liabilities – insurance contracts

EUR thousands	2019	2018 Restated (1)
<b>Non-linked liabilities - insurance contracts</b>		
Shares and mutual funds	10,062	31,397
Debt securities	254,759	238,944
Derivatives	1,434	1,486
	<b>266,255</b>	<b>271,827</b>
<b>Shareholder's non-technical fund</b>		
Debt securities	8,747	22,114
	<b>8,747</b>	<b>22,114</b>
<b>Shareholder's technical fund</b>		
Debt securities	4,510	3,560
	<b>4,510</b>	<b>3,560</b>
	<b>279,512</b>	<b>297,501</b>

(1) See Note 1d.(i) for further details on comparative information.

The cost of the above investments at 31 December 2019 was EUR 243,352,000 (2018: EUR 264,869,000).

Mutual funds refer to units in Unit Trusts, Open-Ended Investment Companies and Undertakings for Collective Investments in Transferable Securities investing in fixed interest securities or equities.

Included in debt securities of the non-linked liabilities – insurance contracts above is an unlisted debt instrument issued by Municipality Finance plc. As at 31 December 2019, the Company valued the instrument at EUR 15,788,000 (2018: EUR 15,333,000) using discounted cash flows.

### 13. Financial assets held to cover linked liabilities – insurance contracts

EUR thousands	2019	2018 Restated (1)
Fixed interest securities	12,077	28,980
Equities		
- Quoted	30,673	34,287
- Unquoted	543	575
Units in mutual funds		
- Equities	41,273	50,523
- Fixed interest securities	27,334	13,571
	<b>111,900</b>	<b>127,936</b>

(1) See Note 1d.(i) for further details on comparative information.

The cost of the above investments at 31 December 2019 was EUR 98,083,000 (2018: EUR 125,506,000).

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 14. Financial assets held to cover linked liabilities – investment contracts

EUR thousands	2019	2018 Restated (1)
Fixed interest securities (incl. mutual funds)	40,262	31,504
Equities (incl. mutual funds)	63,433	53,253
Other investments	21,722	18,363
Cash available for investment	5,620	5,958
Derivatives	-	(10)
<b>Total investment contracts</b>	<b>131,037</b>	<b>109,068</b>

(1) See Note 1d.(i) for further details on comparative information.

The cost of the above investments at 31 December 2019 was EUR 79,048,000 (2018: SEK 76,751,000).

Other investments include the Unit Linked Plan investments held under an International Pension Plan contract provided by Zurich International Life Limited. These other investments are a variable mix of cash, equities, fixed interest securities, and mutual funds.

Mutual funds refer to units in Unit Trusts, Open-Ended Investment Companies, and Undertakings for Collective Investments in Transferable Securities investing in fixed interest securities or equities.

### 15. Derivative financial instruments

The following tables provide a detailed breakdown of the contractual or notional amounts and the fair values of the Company's derivative financial instruments at fair value through profit or loss outstanding as at 31 December 2019 and 31 December 2018:

31 December 2019				
EUR thousands	Notional principals		Fair values	
	Positive values	Negative	Assets	Liabilities
<b>Linked liabilities</b>				
Forward exchange rate contracts	-	-	-	-
	-	-	-	-
<b>Non-linked liabilities</b>				
Interest rate swap contract	5,750	(5,750)	1,434	-
	<b>5,750</b>	<b>(5,750)</b>	<b>1,434</b>	-

31 December 2018				
EUR thousands	Notional principals		Fair values	
	Positive values	Negative	Assets	Liabilities
	Restated (1)	Restated (1)	Restated (1)	Restated (1)
<b>Linked liabilities</b>				
Forward exchange rate contracts	1,872	(1,896)	-	(10)
	<b>1,872</b>	<b>(1,896)</b>	-	<b>(10)</b>
<b>Non-linked liabilities</b>				
Interest rate swap	4,992	(4,992)	1,486	-
	<b>4,992</b>	<b>(4,992)</b>	<b>1,486</b>	-

(1) See Note 1d.(i) for further details on comparative information.

At year end the Company held one interest rate swap (2018: one interest rate swap) which matures on 7 July 2031.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 16. Fair value estimation

The table below discloses by level fair value measurements for financial instruments held at fair value in the Statement of Financial Position by using the following fair value measurement hierarchy:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices) (Level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted mid prices at the Statement of Financial Position date, as described in Note 1.e.(i). These instruments are included in Level 1. Instruments included in Level 1 comprise listed equities, debt instruments and exchange traded funds.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Company includes investments in mutual funds within Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Valuation techniques used to value financial instruments are described in Note 1.e.(i).

There were no transfers between Level 1 and Level 2 or Level 3 during 2019 or 2018.

The following table presents the Company's assets and liabilities (excluding insurance contract liabilities) measured at fair value at 31 December 2019 and at 31 December 2018:

EUR thousands	Level 1 2019	Level 2 2019	Level 3 2019	Total 2019
<b>Financial assets at fair value through profit or loss:</b>				
- debt securities	252,228	15,788	-	268,016
- shares and mutual funds	-	10,062	-	10,062
- derivatives	-	1,434	-	1,434
Assets held to cover linked liabilities	65,282	126,777	50,878	242,937
<b>Total</b>	<b>317,510</b>	<b>154,061</b>	<b>50,878</b>	<b>522,449</b>
<b>Financial liabilities at fair value through profit or loss:</b>				
- investment contracts	-	129,018	-	129,018
<b>Total</b>	<b>-</b>	<b>129,018</b>	<b>-</b>	<b>129,018</b>

EUR thousands	Level 1 2018	Level 2 2018	Level 3 2018	Total 2018
	Restated (1)	Restated (1)	Restated (1)	Restated (1)
<b>Financial assets at fair value through profit or loss:</b>				
- debt securities	247,781	16,836	-	264,617
- shares and mutual funds	9,484	21,913	-	31,397
- derivatives	-	1,486	-	1,486
Assets held to cover linked liabilities	77,927	117,950	41,127	237,004
<b>Total</b>	<b>335,192</b>	<b>158,185</b>	<b>41,127</b>	<b>534,504</b>
<b>Financial liabilities at fair value through profit or loss:</b>				
- investment contracts	-	109,117	-	109,117
<b>Total</b>	<b>-</b>	<b>109,117</b>	<b>-</b>	<b>109,117</b>

(1) See Note 1d.(i) for further details on comparative information.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 17. Debtors

EUR thousands	2019	2018 Restated (1)
Due from policyholders	1,256	1,838
Due from intermediaries	401	136
Due from related parties	1,121	133
Other debtors	30	44
	<b>2,808</b>	<b>2,151</b>

(1) See Note 1d.(i) for further details on comparative information.

### 18. Tangible assets

EUR thousands	Leasehold improvements	Office equipment	Computer equipment & software	Fixtures & fittings	Total
<b>Cost or valuation</b>					
At 1 January 2019 (Restated (1))	168	4	421	234	827
Exchange loss due to functional currency change	(5)	-	(12)	(7)	(24)
Additions	-	-	7	4	11
Disposals	(163)	(1)	(67)	(181)	(412)
<b>At 31 December 2019</b>	<b>-</b>	<b>3</b>	<b>349</b>	<b>50</b>	<b>402</b>
<b>Depreciation</b>					
At 1 January 2019 (Restated (1))	153	4	373	223	753
Exchange loss due to functional currency change	(4)	-	(11)	(7)	(22)
Charge for the year	4	-	27	3	34
Disposals	(153)	(1)	(67)	(173)	(394)
<b>At 31 December 2019</b>	<b>-</b>	<b>3</b>	<b>322</b>	<b>46</b>	<b>371</b>
<b>Net book value at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>4</b>	<b>31</b>
<b>At 31 December 2018 (Restated (1))</b>	<b>15</b>	<b>-</b>	<b>48</b>	<b>11</b>	<b>74</b>

(1) See Note 1d.(i) for further details on comparative information.

### 19. Cash and cash equivalents

EUR thousands	2019	2018 Restated (1)
Non-linked liability insurance contracts	24,105	17,183
Linked liability insurance contracts	13,084	18,542
<b>Shareholders</b>		
- Technical	760	717
- Non technical	11,586	125
	<b>49,535</b>	<b>36,567</b>

(1) See Note 1d.(i) for further details on comparative information.

### 20. Called up share capital

EUR thousands	2019	2018 Restated (1)
<b>Authorised</b>		
Ordinary shares of SEK 100 each	19,132	19,132
<b>Issued and fully paid</b>		
Ordinary shares of SEK 100 each	9,245	9,245
<b>Issued, uncalled and unpaid</b>		
Ordinary shares of SEK 100 each	9,887	9,887

(1) See Note 1d.(i) for further details on comparative information.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 21. Long-term business fund

The long-term business fund comprises the technical provisions for long-term business, including claims outstanding (relating to non-linked insurance contracts), a fund for future appropriations, technical provisions for linked liabilities insurance contracts, and financial liabilities for linked investment contracts.

These technical provisions have been determined by the Appointed Actuary as part of the actuarial valuation of the Company carried out and the following table presents the long-term business fund at 31 December 2019:

EUR thousands	Technical provisions		Expense provision		Fund for future appropriations		Total Long-term business fund	
	2019	2018	2019	2018	2019	2018	2019	2018
	Restated (1)		Restated (1)		Restated (1)		Restated (1)	
Non-linked liability insurance contracts	261,898	260,685	2,843	2,202	-	-	264,741	262,887
Fund for future appropriations	-	-	-	-	28,452	31,157	28,452	31,157
Linked liability insurance contracts	123,830	146,550	1,313	1,481	-	-	125,143	148,031
Linked liability investment contracts	128,999	109,026	19	90	-	-	129,018	109,116
	<b>514,727</b>	<b>516,261</b>	<b>4,175</b>	<b>3,773</b>	<b>28,452</b>	<b>31,157</b>	<b>547,354</b>	<b>551,191</b>

(1) See Note 1d.(i) for further details on comparative information.

The following amounts have been included in the long-term business provision in respect of policyholders' bonuses:

EUR thousands	2019	2018
		Restated (1)
Flex Plan and Save Invest Plan	81	74
Triple C Plan	1,407	1,457
Level Plan, Annuity Plan and Pensions in Payment	820	865
	<b>2,308</b>	<b>2,396</b>

(1) See Note 1d.(i) for further details on comparative information.

#### 21.1 Principal valuation assumptions

The principal assumptions underlying the calculation of the long-term business provision for all contracts as at 31 December 2019 are as follows:

- a) The long-term business provision in respect of retirement benefits for Flex Plan policies is calculated as the total amount of the policyholders' accumulated accounts.
- b) The long-term business provision in respect of retirement benefits for the EUR, SEK and NOK Triple C Plan, and a SEK Corporate Pension Plan's policies is calculated as the greater of:
  - (i) the present value of the maturity value using yields based on matching assets and an appropriate margin for investment expenses and the Shareholder's charge; and
  - (ii) the current surrender value payable at the Statement of Financial Position date.

The yields of matching assets used to calculate the present value of maturity values as at 31 December 2019 are:

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 21. Long-term business fund (continued)

#### 21.1 Principal valuation assumptions (continued)

EURO		SEK		SEK Corporate Pension Plan		NOK	
Maturity (months)	Yields of matching assets (% per annum)	Maturity (months)	Yields of matching assets (% per annum)	Maturity (months)	Yields of matching assets (% per annum)	Maturity (months)	Yields of matching assets (% per annum)
0	(0.32)	0	(0.28)	0	(0.28)	0	1.47
90	(0.21)	11	(0.26)	11	(0.31)	>86	2.18
120	(0.04)	46	0.32	29	(0.26)		
174	0.13	> 149	0.53	46	0.32		
> 246	0.25			> 149	0.53		

The 31 December 2019 valuation interest rates were obtained by reducing the above yields by a margin of 0.80% (2018: 0.75%) in one year's time, increasing by 0.05% each year until it reaches 1.10%, after which the margin remains at 1.10%.

The yields of matching assets used to calculate the present value of maturity values as at 31 December 2018 were:

EURO		SEK		SEK Corporate Pension Plan		NOK	
Maturity (months)	Yields of matching assets (% per annum)	Maturity (months)	Yields of matching assets (% per annum)	Maturity (months)	Yields of matching assets (% per annum)	Maturity (months)	Yields of matching assets (% per annum)
0	0.05	0	(0.38)	0	(0.31)	0	1.71
102	0.26	23	(0.02)	2	(0.38)	> 98	2.38
132	0.51	58	0.85	23	(0.19)		
186	0.68	> 161	1.16	41	(0.02)		
> 258	0.81			58	0.85		
				> 161	1.16		

c) The long-term business provision in respect of retirement benefits for the CHF, DKK, GBP, and USD Triple C Plan policies are calculated as the greater of:

- the present value of the maturity value plus the cost of the guaranteed bonus; and
- the current surrender value payable at the Statement of Financial Position date.

The cost of the guaranteed bonus is obtained using Black-Scholes methodology. The assumptions underlying the Black-Scholes method are set out below. To determine the Valuation interest rate, the "Underlying Interest Rate" for each currency less an appropriate margin for investment expenses and the Shareholder's charge is used. The Underlying Interest Rate is calculated from the yield earned on the underlying assets (the "Earned Rate") and the yield on government bonds of appropriate duration and in the relevant currency (the "Risk-free Interest Rate") as follows:

$$\text{Underlying Interest Rate} = \text{Minimum} \{ (\text{Government Bond Rate} + \text{Earned Rate}) / 2, \text{Government Bond Rate} \}$$

The 31 December 2019 valuation interest rates were obtained by reducing the below yields by a margin of 0.80% (2018: 0.75%) in one year's time, increasing by 0.05% each year until it reaches 1.10%, after which the margin remains at 1.10%.

Currency	Risk-free Interest Rate (% per annum)		Underlying Interest Rate (% per annum)		Dividend yield (% per annum)		Historical volatility of assets (% per annum)	
	2019	2018	2019	2018	2019	2018	2019	2018
Swiss Franc	(0.55)	(0.26)	(0.55)	(0.59)	1.10	1.10	1.55	1.17
Danish Krone	0.03	0.66	(0.31)	0.03	1.10	1.10	0.65	0.68
Pound Sterling	0.67	1.30	0.67	1.30	1.10	1.10	7.78	7.73
United States Dollar	1.94	2.84	1.94	2.84	1.10	1.10	6.55	6.44

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 21. Long-term business fund (continued)

#### 21.1 Principal valuation assumptions (continued)

- d) The long-term business provision in respect of Level Plan policies, and Annuity Plan policies, and Pensions in Payment is calculated as the difference between the present value of the prospective benefit and the present value of the future net premiums payable in respect of that benefit.

Pensions in Payment are:

- Pensions (annuities) secured at maturity from Triple C Plans, Flex Plans, or Unit Linked Plans; or
- Pensions paid on an insured event in Risk-only contracts; or
- Disability Pensions in Payment arising from Triple C Plans, Flex Plans, Unit Linked Plans, or Level Plans; or
- Survivor Pensions in Payment arising from Triple C Plans, Flex Plans, or Unit Linked Plans.

The valuation rates of interest, prior to being adjusted for an appropriate margin for investment expenses and the Shareholder's charge are shown below.

Currency	Valuation rates of interest (% per annum)							
	Level Plan policies		Annuity Plan policies				Claims in payment in Shareholder's fund	
	2019	2018	eligible for discretionary increases		not eligible for discretionary increases		2019	2018
Euro	(0.05)	0.93	(1.89)	(1.11)	n/a	(0.48)	(0.07)	(1.11)
Norwegian Krone	1.55	1.93	(0.46)	(0.12)	1.50	1.75	1.55	(0.12)
Pound Sterling	1.11	1.58	(0.86)	(0.31)	1.23	1.79	n/a	n/a
Swedish Krona	0.31	0.93	(1.86)	(1.43)	(0.33)	(0.12)	n/a	n/a
Swiss Franc	(0.34)	(0.42)	(2.66)	(2.67)	n/a	n/a	n/a	n/a
United States Dollar	1.90	2.78	0.10	0.89	2.17	2.92	1.61	0.89

The 31 December 2019 valuation interest rates were obtained by reducing the above rates by a margin, except for Claims in payment in the Shareholder's fund (where no reduction is made to the above rates). The margin used was 0.80% (2018: 0.75%) in one year's time, increasing by 0.05% each subsequent year until it reaches 1.10%, after which the margin remains at 1.10%.

- e) The technical provision in respect of Individual Plan (general conditions dated 1 April 1990) policies is calculated as the unit reserve equal to the sum of each fund's asset values plus the additional mortality reserve in respect of the death benefit payable under the plans.
- f) The financial liability in respect of Unit Linked Plan policies is calculated as the surrender value at selling price of the units allocated to each policy as at the Statement of Financial Position date.

The long-term business provision in respect of Risk-only contracts (not including premiums pooled in an IGP or Insurope multinational pool) is calculated as that part of the premium paid for life assurance and disability benefits prior to the Statement of Financial Position date in respect of a period at risk after the Statement of Financial Position date (i.e. the unearned risk premium reserve) together with an incurred but not reported reserve of EUR 0.2M (2018: EUR 0.2M) and EUR 0.1M (2018: EUR 0.1M). The long-term business provision in respect of risk contracts that were included in a multinational pool is the net of reinsurance risk premium collected in the year up to the Statement of Financial Position date together with a deferred waiting period reserve as calculated by the multinational pool.

The 'Claims outstanding' liabilities shown in the Statement of Financial position, where the risk contract was not included in a multinational pool, consists of:

- The provision for the disability claims within the discretionary participation policyholders' funds;
- Plus the gross provision for disability and survivor claims outside the discretionary participation policyholders' funds;
- Less the reinsurance provision for disability and survivor claims outside the discretionary participation policyholders' funds.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 21. Long-term business fund (continued)

#### 21.1 Principal valuation assumptions (continued)

Where the risk contract was included in a multinational pool, the 'Claims outstanding' liabilities shown in the Statement of Financial position consist of the same above items, noting that receipts of loss settlements from multinational pools are not included, and if appropriate the reinsurance provision for the claims are then adjusted to be the reinsurer's share of the total value of the claim after receipt of loss settlements from multinational pools.

The table below shows a reconciliation from the 'Claims outstanding' in the Statement of Financial Position to the disability claims development tables given later in this note:

EUR thousands

	2019	2018
<b>Gross disability claims reserves (as shown in disability claims development table)</b>	<b>3,835</b>	<b>4,927</b>
Gross provision for survivor claims outside the discretionary participation policyholders' funds	578	2,403
Reinsurance provision for disability and survivor claims outside the discretionary participation policyholders' funds	(1,034)	(2,847)
<b>Claims outstanding (as shown in the Statement of Financial Position)</b>	<b>3,379</b>	<b>4,483</b>

The table below shows the disability claims development over five years to 31 December 2019:

EUR thousands

Pure underwriting year	2014 and prior	2015	2016	2017	2018	2019	Total
Estimate of claims incurred:							
After one year		1,345	1,607	2,031	1,032	49	
After two years		413	1,047	501	1,032		
After three years		898	184	0			
After four years		940	602				
After five years		330					
As at 31 December 2019	2,390	330	602	0	1,032	49	<b>4,402</b>
Less claims paid	423	48	48	0	46	3	<b>568</b>
<b>Gross reserves</b>	<b>1,967</b>	<b>282</b>	<b>554</b>	<b>0</b>	<b>986</b>	<b>46</b>	<b>3,835</b>

The restated (1) table below shows the disability claims development over five years to 31 December 2018.

EUR thousands

Pure underwriting year	2013 and prior	2014	2015	2016	2017	2018	Total
Estimate of claims incurred:							
After one year		686	1,373	1,640	2,073	1,054	
After two years		288	421	1,069	511		
After three years		244	917	188			
After four years		146	959				
After five years		52					
As at 31 December 2018	2,949	52	959	188	511	1,054	<b>5,713</b>
Less claims paid	499	19	72	60	49	87	<b>785</b>
<b>Gross reserves</b>	<b>2,450</b>	<b>33</b>	<b>888</b>	<b>127</b>	<b>462</b>	<b>967</b>	<b>4,927</b>

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 21. Long-term business fund (continued)

#### 21.1 Principal valuation assumptions (continued)

The discretionary participation policyholder funds bear the future longevity and investment risks in respect of disability claims that resulted in a pension being payable and became eligible on or before 31 December 2014 and survivor pension claims that became eligible on or before 31 December 2015. For disability claims that became eligible on or after 1 January 2015, the Shareholder shares with the reinsurer the future longevity and investment risks. For survivor pension claims that became eligible on or after 1 January 2016, the Shareholder shares with the reinsurer the future longevity and investment risks.

g) The valuation mortality assumptions are shown below:

Product	Valuation mortality assumptions	
	2019	2018
Level Plan, Annuity Plan and Pensions in Payment	75% PNMA00 (for males) 75% PNFA00 (for females)	75% PNMA00 (for males) 75% PNFA00 (for females)
All other products	100% PNMA00 (for males) 100% PNFA00 (for females) all projected using an average of the medium cohort and long cohort projections subject to a minimum improvement of 1.75% per annum	100% PNMA00 (for males) 100% PNFA00 (for females) all projected using an average of the medium cohort and long cohort projections subject to a minimum improvement of 1.75% per annum

h) Disability claims are valued using recovery assumptions based on so called "SUS functions", recovery functions parameterised from the Swedish insurance industry's study of disability data for the period 2000-2007.

#### 21.2 Expense provision

a) In addition to holding a provision for the current accrued value of the benefits, the Appointed Actuary has investigated whether a per policy expense provision is required to meet any projected shortfall of administration charges over attributable expenses met within the long-term business fund for all products except the Risk-only contracts. Where required an expense provision is held.

The annual per policy attributable expenses assumed in the cash flow projections are set out below for the relevant products:

Product	2019	2018
		Restated (1)
Flex Plan and Triple C Plan	EUR 87 per policy per annum	EUR 87 per policy per annum
Level Plan, Annuity Plan and Pensions in Payment	EUR 75 per policy per annum plus an additional EUR 18 per annuity payment	EUR 76 per policy per annum plus an additional EUR 16 per annuity payment
Individual Plan (general conditions dated 1 April 1990)	EUR 2,077 – EUR 4,803 per policy per annum	EUR 1,993 – EUR 4,916 per policy per annum
Individual Plan (general conditions dated 1 January 1993 or afterwards)	EUR 2,077 – EUR 3,676 per policy per annum	EUR 1,910 – EUR 2,831 per policy per annum
Living Annuity Plan and Executive Portfolio Bond (2018 only)	EUR 1,357 – EUR 2,077 per policy per annum	EUR 1,470 – EUR 1,910 per policy per annum
International Investment Plan	EUR 2,488 per policy per annum	EUR 2,715 per policy per annum
Unit Linked Plan and Group Unit Linked Plan	EUR 78 per policy per annum	EUR 87 per policy per annum

(1) See Note 1d.(i) for further details on comparative information.

For Individual Plan, Living Annuity Plan, Executive Portfolio Bond (contracts terminated during 2018) and International Investment Plan policies the attributable expenses have been determined on an individual policy basis and are within the ranges shown above. It is assumed that an annual administration charge, of 0.65% per annum in 2019 increasing by 0.05% each subsequent year until it is 1.0% per annum, will apply to Triple C Plan, Flex Plan, Level Plan, Annuity Plan, Claims in Payment, and Pensions in Payment which are eligible for

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 21. Long-term business fund (continued)

#### 21.2 Expense provision (continued)

discretionary increases. Further, an annual charge of GBP 57 on Triple C Plan paid-up policies which have an account value less than GBP 11,238 is taken (both the charge and the threshold increase annually in line with GBP inflation). It is assumed that these charges and the charges applicable to each Individual Plan, Living Annuity Plan, Executive Portfolio Bond, International Investment Plan, and Unit Linked Plan policy will be available to meet expenses.

- b) In addition to a per policy expense provision, aggregate expense provision calculations were carried out whereby the Appointed Actuary has investigated for each product category except the Risk-only contracts, whether a provision is required to meet any projected shortfall of "excess income" compared with non-attributable expenses within the long-term business fund and, accordingly, an expense provision is held. The excess income is the sum of the excess (if any) of the annual administration charge or charges over the per policy expenses. The total expense provision for each product is the sum of the per policy and aggregate components. The assumed annual non-attributable expenses are given below for the relevant products):

Product category	2019	2018
		Restated (1)
Flex Plan and Triple C Plan	EUR 1,059,568	EUR 1,014,013
Level Plan, Annuity Plan and Pensions in Payment	EUR 68,571	EUR 68,098
Individual Plan, Living Annuity Plan, International Investment Plan and Executive Portfolio Bond (2018 only)	EUR 367,572	EUR 356,810
Unit Linked Plan and Group Unit Linked Plan	EUR 37,540	EUR 159,721

(1) See Note 1d.(i) for further details on comparative information.

- c) An investigation was carried out into whether the Company would generate sufficient income in order to cover its expenses on its existing business, allowing for the change in the Company's strategy and the expectation that the Company will acquire other books of business. The total expected best estimate income generated by the Company on existing business was compared with its expected future expenses on its existing business (including a margin for prudence). An additional expense provision is held, accordingly, to meet any shortfall determined by this investigation. On the current assumptions, no extra provision has been required.
- d) No expense provision is held in respect of Risk-only contracts as they are short term contracts renewable annually and none of the Risk-only contracts have been renewed beyond 31 December 2018.
- e) The provision calculated under 21.1 above, together with any provision required to meet future expenses calculated above under 21.2 form part of the technical provisions.
- f) The assumed expense inflation rate is 3.50% per annum (2018: 3.50%).
- g) The discount rate for the purpose of expense provision calculations is 0.76% per annum (2018: 1.30%), based on the yield on assets backing the expense provision as at 31 December 2019 less a margin for prudence. It is also assumed that foreign exchange rates remain constant over the projection period.

The asset growth rates used in calculating the expense provision for discretionary participation products are based on the weighted average yields on the assets backing each of the currency policyholder funds as at 31 December 2019 with an upper limit of the yield on 10 year government bonds in the relevant currency.

The asset growth rate for the linked liability products is 2% per annum, which reflects the nature of the underlying assets.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 21. Long-term business fund (continued)

#### 21.2 Expense provision (continued)

h) The main valuation surrender assumptions for the purpose of the expense provision calculations are shown below:

Product	Surrender rate (% per annum)	
	2019	2018
Flex Plan	2.25	2.00
Triple C Plan (excluding SEK Skilstaf)	2.25	2.00
Triple C Plan (SEK Skilstaf)	3.50	3.75
Level Plan, Annuity Plan and Pensions in Payment	0.00	0.00
Individual Plan and Living Annuity Plan	0.50	0.50
Executive Portfolio Bond	N/A	N/A
International Investment Plan	0.50	0.50
Unit Linked Plan	2.50	2.50
Group Unit Linked Plan	2.50	2.50

i) The main valuation partial surrender assumptions for the purpose of the expense provision calculations are shown below:

	Partial surrender rate (% per annum)	
	2019	2018
Flex Plan	0.00	0.75
Triple C Plan (excluding SEK Skilstaf)	N/A	N/A
Triple C Plan (SEK Skilstaf)	N/A	N/A
Level Plan, Annuity Plan and Pensions in Payment	N/A	N/A
Individual Plan	6.00	5.96
Living Annuity Plan	N/A	N/A
Executive Portfolio Bond	N/A	N/A
International Investment Plan	6.00	5.96
Unit Linked Plan	0.00	0.00
Group Unit Linked Plan	0.00	0.00

#### 21.3 Impact of valuation assumption changes

The impact of valuation assumption changes this year is to decrease the technical provisions for long-term business and claims outstanding by EUR 19.0M (2018: decrease of EUR 2.2M) to EUR 265.3M. The change in valuation interest rates accounts for most of the increase in reserves arising from assumption changes.

The long-term business provision is sensitive to changes in the principal assumptions adopted. For example, a reduction in the valuation rates of interest of 1% for each currency would increase the long-term business provision by EUR 35.7M (2018: increase of EUR 29.1M) from EUR 265.3M to EUR 301.0M. However, the assets supporting the long-term business provision would increase by EUR 31.8M (2018: increase of EUR 28.0M).

The expense provision is sensitive to changes in the principal assumptions adopted. For example, a reduction in the valuation rates of interest of 1% for each currency would increase the expense provision by EUR 0.9M (2018: increase of EUR 0.9M) from EUR 4.2M to EUR 5.1M. However, the assets supporting the expense provision would increase by EUR 0.4M (2018: increase of EUR 0.4M). Note that this impact is not symmetric and an increase in the valuation rates of interest of 1% would decrease the expense provision by EUR 1.2M (2018: decrease of EUR 0.7M). However, the assets supporting the expense provision would decrease by EUR 0.4M (2018: decrease of EUR 0.3M).

The expense provision is also sensitive to changes in the foreign exchange rates. For example, a 10% strengthening of GBP in relation to other currencies would lead to an increase in the expense provision of EUR 0.7M (2018: increase of EUR 0.8M).

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 22. Creditors

EUR thousands	2019	2018 Restated (1)
Due to policyholders	4,893	1,184
Due to intermediaries	512	383
Due to related parties	105	128
Due to tax and social security	69	65
Other creditors	770	355
	<b>6,349</b>	<b>2,115</b>

(1) See Note 1d.(i) for further details on comparative information.

### 23. Reconciliation of profit before tax to net cash from operating activities

EUR thousands	2019	2018 Restated (1)
Total profit / (loss) before tax	1,027	(1,885)
(Loss) / profit relating to the long-term business	(659)	2,033
Adjustments:		
Interest paid/(received)	3	2
Shareholder realised and unrealised gains	136	616
Allocated investment income	(195)	(415)
Exchange differences on re-translation	(329)	(27)
Movement in other assets or liabilities	1	(3)
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(16)</b>	<b>321</b>

(1) See Note 1d.(i) for further details on comparative information.

### 24. Operating lease commitments

The Company had a lease agreement in respect of its previous premises which expired on 4 November 2019. The annual commitment under that non-cancellable operating lease was circa GBP 243,000 (EUR 285,000) and all liabilities were extinguished upon expiry of that lease.

The Company entered into a lease agreement in respect of its current premises on 11 October 2019, which will next be reviewed on 25 December 2021. The lease expires on 30 June 2027. The annual commitments under this non-cancellable operating lease are circa GBP 136,000 (EUR 160,000).

### 25. Ultimate controlling party

Monument Insurance Group Limited, a Bermuda based company, is the Company's ultimate controlling party.

### 26. Related party transactions

The related party transactions relating the Company's current and previous ownership are detailed below:

#### CURRENT OWNERSHIP

##### Monument Re Limited, Bermuda

Monument Re is the new sole Shareholder of the Company. The Company provided personnel resources to Monument Re for the benefit of group integrations amounting to EUR 23,000 (2018: Nil). At the Statement of Financial Position date fees of EUR 22,000 (2018: Nil) were outstanding.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 26. Related party transactions (continued)

#### CURRENT OWNERSHIP (continued)

##### **Hannover Rück SE, Sweden**

Hannover Rück SE (Hannover) is a shareholder of Monument Re Limited, the new sole Shareholder of the Company.

The Company has entered into an arm's length reinsurance arrangement under which it cedes a proportion of its mortality and disability risks up to a specific limit. Reinsurance premiums amounting to EUR 164,000 (2018: EUR 135,000) were paid to Hannover. At the Statement of Financial Position date EUR 156,000 (2018: EUR 139,000) was due.

The Company was due reinsurance recoveries from Hannover at the year-end amounting to EUR 343,000 (2018: EUR 103,000).

#### PREVIOUS OWNERSHIP

##### **Storebrand Livsforsikring AS, Norway**

Storebrand Livsforsikring AS ("SLAS") was a related company until 27 June 2019 and wholly-owned by Storebrand ASA. It owns an 89.96% holding in BenCo, the Company's previous sole shareholder.

The Company reviews accumulations of risk and models potential losses arising from catastrophic events. In 2018, the Company participated in a catastrophe reinsurance programme held by SLAS. In 2019, premiums amounting to EUR Nil (2018: EUR 487) were paid to SLAS.

##### **Storebrand Asset Management AS, Norway**

SAM was a related company until 27 June 2019 and is wholly-owned by Storebrand ASA.

The Company entered into an arm's length transaction for the management of insurance assets relating to the discretionary participation contracts and the Shareholder's funds. Investment management fees amounting to EUR 325,000 (2018: EUR 335,000) were paid for this service. At the Statement of Financial Position date fees of EUR 80,000 (2018: EUR 84,000) were outstanding.

##### **Mandatum Life Insurance Company Limited, Finland**

Mandatum Life Insurance Company Limited ("Mandatum") was a related company until 27 June 2019 and owns a 6.49% holding in BenCo.

The Company entered into an arm's length reinsurance arrangement under which it ceded a proportion of its mortality and disability risks up to a specific limit. Reinsurance premiums amounting to EUR 329,000 (2018: EUR 394,000) were paid to Mandatum of which EUR 329,000 (2018: EUR 448,000) were due at the Statement of Financial Position date.

The Company was due reinsurance recoveries and commissions from Mandatum at the year-end amounting to EUR 652,000 (2018: EUR 491,000).

##### **Interben Trustees Limited**

Interben Trustees Limited ("Interben") was a related company until 27 June 2019 and is a wholly-owned subsidiary of BenCo.

The Company entered into the following transactions with Interben:

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 26. Related party transactions (continued)

#### Interben Trustees Limited (continued)

EUR thousands	Amount payable or (receivable) in the year 2019	Amount (due to) or from the Company at year end 2019	Amount payable or (receivable) in the year 2018 Restated (1)	Amount (due to) or from the Company at year end 2018 Restated (1)
Services provided to Interben	(52)	-	(94)	-
Services provided by Interben	2	-	26	6
Commission payable to / (receivable from) Interben on Group Risk trusts	-	-	2	-
<b>Net amount payable/(receivable)</b>	<b>(50)</b>	<b>-</b>	<b>(66)</b>	<b>6</b>

(1) See Note 1d.(i) for further details on comparative information.

The Company provided office accommodation, administrative and accounting services to Interben under a service agreement totalling EUR 52,000 (2018: EUR 94,000) during the year with Nil (2018: Nil) due at the Statement of Financial Position date.

The Company paid for the following services provided by Interben:

- From December 2017 to December 2018, the Company outsourced certain administrative services to Interben in relation to its Unit Linked contracts. The amount payable in the year was EUR Nil (2018: EUR 14,000), with EUR Nil (2018: EUR Nil) being due at the Statement of Financial Position date.
- Administrative services were also outsourced to Interben for Nordben Nominees Limited and two Accompanying Spouses International plans. The amount payable in the year was EUR 2,000 (2018: EUR 12,000), with EUR Nil (2018: EUR 6,000) being due at the Statement of Financial Position date.

In 2018, the Company paid commission to Interben in relation to certain Group Risk trusts, but this arrangement has now ceased. The amount paid during 2019 was EUR Nil (2018: EUR 2,000) with EUR Nil receivable at the Statement of Financial Position date (2018: EUR Nil).

### 27. Management of country risk and financial risk

The Company has adopted the Monument Group's Risk Management Framework. The Risk Management Framework is founded on a sound risk culture, an effective system of governance, clear accountabilities, and a suite of supporting risk policies. The approach seeks to minimise potential adverse effects on the Company's financial performance, and solvency.

The Board considers the business strategy of the Company in determining the risk appetite of the Company. At least annually, the Board reviews and approves the Company's Risk Appetite Statement, which outlines the Company's appetite for each type of key risk and its strategy for accepting, managing, and mitigating these risks. Risk appetite is articulated in qualitative terms and/or quantitative metrics across the key risk categories and written policies have been established to address these risks.

The Board has set an investment policy that covers the investment approach for the Shareholder's funds and the assets held in respect of all the Company's products.

SAM is the investment manager ("Investment Manager") appointed by the Company to manage the assets in respect of the discretionary participation contracts and the Shareholder's funds.

The Company also has in place agreements with other investment managers to manage the assets for its linked liability insurance and investment contracts.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### **27. Management of country risk and financial risk (continued)**

The Investment Manager manages the portfolio of investments and exposures, repositioning investments to remain in line with the investment policy approved by the Board, and the investment mandate and/or instructions issued by Senior Management. The Investment Manager provides the Company with daily information on the performance and exposure of the managed assets, which Senior Management reviews with reference to the investment policy and risk appetite statement. Any significant issues are raised with the Board.

The other investment managers invest assets for the Company's linked liability insurance and investment contracts either in regulated mutual funds or in-line with investment guidelines agreed by the Company.

#### **a. Country risk**

The Company is exposed to country risk through its financial assets, financial liabilities (investment contracts), reinsurance assets, and insurance liabilities. In particular, the key country risks are that a country will be unable or unwilling to repay its debts. The majority of the Company's country risk is attributable to Sweden, Denmark, USA, Germany, and Norway.

#### **b. Financial risk**

For the discretionary participation contracts' portfolios and Shareholder's funds, the Company specifies the exposure to countries via investment mandates and/or instructions to the Investment Manager. The Investment Manager reports any breaches to the Senior Management. Any significant issues are raised with the Board.

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts), reinsurance assets, and insurance liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts.

The most important components of this financial risk are market risk (including interest rate risk, credit spread risk, currency risk, inflation rate risk, and equity price risk), credit risk, and liquidity risk.

These risks arise from open positions in interest rate, currency, and equity markets, all of which are exposed to general and specific market movements. The risks that the Company primarily faces, due to the nature of its investments and liabilities, are interest rate risk, and equity price risk.

The Company has not materially changed the processes to manage its financial risks from previous periods.

The following tables summarise the asset composition of the variety of contracts, insurance and Shareholder's funds as at 31 December 2019 and 31 December 2018 respectively. Linked liability insurance and investment contracts have been excluded from the table. Debtor and creditor balances include inter-fund balances that have not been eliminated for presentation purposes in the note.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 27. Management of country risk and financial risk (continued)

#### b. Financial risk (continued)

EUR thousands	Non-linked liability contracts 2019	Shareholder's technical fund 2019	Shareholder's non-technical fund 2019	Total 2019
<b>Assets</b>				
<u>Debt securities</u>				
Government:				
< 6 months	8,941	-	1,774	10,715
6 months to 1 year	14,362	-	1,790	16,152
1 year to 2 years	17,156	-	-	17,156
2 years to 5 years	9,562	-	4,276	13,838
> 5 years	188,883	4,510	907	194,300
Non-government:				
> 5 years	15,855	-	-	15,855
<u>Shares and mutual funds</u>				
Relating to equity exposure	4,477	-	-	4,477
Relating to debt exposure	5,585	-	-	5,585
<u>Derivative financial instruments</u>	1,434	-	-	1,434
	266,255	4,510	8,747	279,512
Cash and cash equivalents	24,105	760	11,586	36,451
Tangible assets	-	31	-	31
Debtors:				
Debtors - profit commission	566	-	-	566
Debtors - reinsurers	417	-	-	417
Debtors - other	4,766	3,319	16,314	24,399
<b>Total assets</b>	<b>296,109</b>	<b>8,620</b>	<b>36,647</b>	<b>341,376</b>
<b>Liabilities and equity</b>				
Policyholders' liabilities:				
Flex Plan and Save Invest Plan	55,481	-	-	55,481
Triple C Plan	94,864	-	-	94,864
Level Plan	58,574	-	-	58,574
Annuity Plan and Pensions in Payment	51,524	-	-	51,524
Creditors - reinsurance	95	-	-	95
Creditors - other	5,663	4,445	12,055	22,163
Reserve for risk benefits	1,439	-	-	1,439
Reserves for shareholder's reinsurance of mortality and disability insurance risks within discretionary participation contracts	17	-	-	17
Expense and mortality provisions	-	4,175	-	4,175
Total shareholder's funds	-	-	24,592	24,592
Reserve funds	28,452	-	-	28,452
<b>Total liabilities and equity</b>	<b>296,109</b>	<b>8,620</b>	<b>36,647</b>	<b>341,376</b>

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 27. Management of country risk and financial risk (continued)

#### b. Financial risk (continued)

EUR thousands	Non-linked liability contracts 2018 Restated (1)	Shareholder's technical fund 2018 Restated (1)	Shareholder's non-technical fund 2018 Restated (1)	Total 2018 Restated (1)
<b>Assets</b>				
<u>Debt securities</u>				
Government:				
< 6 months	9,751	-	-	9,751
6 months to 1 year	21,764	-	-	21,764
1 year to 2 years	19,251	-	22,114	41,365
2 years to 5 years	9,809	-	-	9,809
> 5 years	163,036	3,560	-	166,596
Non-government:				
> 5 years	15,333	-	-	15,333
<u>Shares and mutual funds:</u>				
Relating to equity exposure	24,843	-	-	24,843
Relating to debt exposure	6,554	-	-	6,554
<u>Derivative financial instruments</u>	1,486	-	-	1,486
	271,827	3,560	22,114	297,501
Cash and cash equivalents	17,183	717	125	18,025
Tangible assets	-	74	-	74
Debtors:				
Debtors - profit commission	78	-	-	78
Debtors – reinsurers	279	-	-	279
Debtors – other	5,892	582	14,657	21,131
<b>Total assets</b>	<b>295,259</b>	<b>4,933</b>	<b>36,896</b>	<b>337,088</b>
<b>Liabilities and equity</b>				
Policyholders' liabilities:				
Flex Plan and Save Invest Plan	60,297	-	-	60,297
Triple C Plan	100,210	-	-	100,210
Level Plan	52,952	-	-	52,952
Annuity Plan and Pensions in Payment	44,982	-	-	44,982
Creditors - reinsurance	236	-	-	236
Creditors – other	3,181	1,160	12,555	16,896
Reserve for risk benefits	2,227	-	-	2,227
Reserves for shareholder's reinsurance of mortality and disability insurance risks within discretionary participation contracts	17	-	-	17
Expense and mortality provisions	-	3,773	-	3,773
Total shareholder's funds	-	-	24,341	24,341
Reserve funds	31,157	-	-	31,157
<b>Total liabilities and equity</b>	<b>295,259</b>	<b>4,933</b>	<b>36,896</b>	<b>337,088</b>

(1) See Note 1d.(i) for further details on comparative information.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 27. Management of country risk and financial risk (continued)

#### b. Financial risk (continued)

##### (i) Market risk

For the linked liability insurance and investment contracts the Company matches all the assets on which the unit prices are based with assets in the respective contract's portfolio. Therefore the Board is of the opinion that these contracts do not give rise to material market risk. However, for certain linked liability insurance and investment contracts, the death benefit the Company is required to pay is the value of the plan at the date of death. This exposes the Company, in the event of death, to market risk because the value of the plan could move between date of death and date of the actual payment.

This risk is managed by maintaining appropriate provisions, by having the ability to constrain the plans' investment strategy and to charge the plans appropriate mortality premiums.

The market risks for discretionary participation contracts, Risk-only contracts, Shareholder's technical fund ("STF"), and Shareholder's non-technical fund ("SNTF") are addressed below under interest rate risk, credit spread risk, currency risk, inflation rate risk, and equity price risk.

##### (a) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities, the Company being predominantly exposed to fair value interest rate risk. A number of countries currently have very low or negative official rates. This is an issue for the Company as it has liabilities denominated in CHF, DKK, EUR, and SEK and holds assets in those currencies to back its liabilities.

In respect of the discretionary participation contracts, the EUR, NOK and SEK Triple C Plans, and the SEK Corporate Pension Plan policyholders' funds' guaranteed liabilities are matched by cash-flows, and updated quarterly. For the other Triple C Plan, Level Plan, Annuity Plan, and Pension in Payment policyholders' funds, the Company aims to broadly match the interest rate sensitivity of its liabilities by investing in fixed interest assets with similar sensitivity to interest rates, and by utilising derivative financial instruments to the extent permitted in the Company's investment policy approved by the Board. At the Statement of Financial Position date the only derivative being utilised by the discretionary participation contracts is an interest rate swap to manage interest rate sensitivity.

Although Flex Plan and Save Invest Plan assets are at risk from interest rate rises, this is immaterial due to the short duration of assets held. The valuation liability for the Flex Plan and Save Invest Plan is taken as the value of the accumulated accounts and so is not sensitive to changes in interest rates.

The shareholder may, if approved, take a proportion of the discretionary participation contracts' assets as a charge and therefore is sensitive to a change in interest rates.

The Shareholder's funds in the STF and SNTF are invested in cash, fixed income government bonds, and index linked government bonds, and have a limited interest rate risk.

In relation to Risk-only contracts a significant proportion of the liabilities are in respect of long-term claims but the Company currently maintains all of the funds' financial assets in cash, cash equivalents and short-dated deposits.

As such, the Company is exposed to unfavourable movements in interest rates as shown below:

Sensitivity	Impact on	Change (EUR thousands)	
		2019	2018 Restated (1)
1% parallel increase in interest rates	Discretionary participation contracts' assets	30,971	28,021
	Shareholder charge	201	168
	Profit and loss due to Shareholder in the STF and SNTF	288	43
1% parallel decrease in interest rates	Profit and loss due to Risk-only contracts funded by the Shareholder	193	341

(1) See Note 1d.(i) for further details on comparative information.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 27. Management of country risk and financial risk (continued)

#### b. Financial risk (continued)

##### (i) Market risk (continued)

##### (a) Interest rate risk (continued)

Management deem the likelihood of material charges being applied due to the low interest rate environment to be minimal.

##### (b) Credit Spread Risk

At the reporting date, the Company had a small exposure to holdings in a corporate bond fund and non-government bonds in respect of its discretionary participation contracts. Movements in spreads impact the market value of these fixed interest assets. If these discretionary participation contracts were not sufficiently funded the Shareholder would be obliged to meet the underlying guaranteed benefits.

Exposure to credit spread risk in aggregate is monitored in order to ensure compliance with the Company's investment policy and the investment management agreement. The Company has a defined investment policy which is approved by the Board and sets limits on the Company's exposure to credit spread risk.

##### (c) Currency risk

Currency risk is a form of market risk that arises from the potential change in the exchange rate of one currency against another. This risk can impact the value of assets, investments, and their related interest and dividend payment streams, especially those securities denominated in foreign currency.

There is no material currency risk for discretionary participation contracts as the assets and liabilities of each fund are generally matched in source currency.

The Risk-only contracts are issued in various currencies. The Company is exposed to currency risk to the extent that claims (after reinsurance recoveries) may exceed net premiums collected in that currency. This risk is not seen as material compared to the underlying insurance risks underwritten.

In the STF, the Company is exposed to currency risk due to administration income being generated in seven currencies whilst the majority of expenses are settled in Sterling. If Sterling had been 10% stronger against other currencies during the year, expenses for 2019 would have increased by approximately EUR 0.3M (2018: EUR 0.2M).

##### (d) Inflation rate risk

The Company is exposed to inflation rates being higher than expected, in particular wage inflation. The Company also holds some index linked UK government bonds in its SNTF.

##### (e) Equity price risk

At the Balance Sheet Date, equity price risk is borne by the Triple C Plan discretionary participation contracts as a result of their holdings in equity investments. These investments are equity exchange-traded funds and equity funds and are classified as financial assets at fair value through profit and loss. The risk is managed by the use of an asset liability driven allocation strategy which adjusts the exposure to equities to be broadly equivalent to the investment reserves, i.e. assets backing guaranteed liabilities do not have an equity price risk. However, if these discretionary participation contracts were not sufficiently funded the Shareholder would be obliged to meet the underlying guaranteed benefits.

Exposure to equities in aggregate is monitored in order to ensure compliance with the Company's investment policy and the investment management agreement. The Company has a defined investment policy which is approved by the Board and sets limits on the Company's exposure to equities both by market and in aggregate.

Investment matters including impacts of changes to equity prices are monitored on an on-going basis by Senior Management. An investment report is regularly tabled at Board meetings and significant decisions are approved by

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### **27. Management of country risk and financial risk (continued)**

#### **b. Financial risk (continued)**

##### **(i) Market risk (continued)**

##### **(e) Equity Price risk (continued)**

the Board. Senior Management and the Investment Manager develop, implement and monitor investment strategy with input from the Appointed Actuary.

There is no equity price risk for the Flex Plan, Save Invest Plan, Level Plan, Annuity Plan, and Pensions in Payment discretionary participation contracts, Risk-only contract funds, STF, and SNTF because these funds do not currently invest in equities. Senior Management believes the Shareholder is not directly exposed to any material equity price sensitivity although equity price risk sensitivity impacts the fund for future appropriations from which transfers are made to the Shareholder. There is also no equity price risk in linked liability insurance and investment contracts because changes in the value of equity securities match the liability to the policyholders who bear all equity price risk under these contracts.

##### **(ii) Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due and at the agreed terms. The credit risk is monitored on a daily basis by the Investment Manager, on a quarterly basis by Senior Management and the Board approve any change in credit policy.

The creditworthiness of banks and reinsurers is monitored quarterly by reviewing credit and financial strength ratings provided by rating agencies and other publicly available information. Counterparty default risk is considered by Senior Management on a gross basis (unless a net basis is contractually agreed) and findings are reported to the Appointed Actuary on an annual basis.

The discretionary participation contracts' asset portfolios are exposed to credit risk in respect of amounts due from bond issuers, banks, banks' derivative counterparties, bonds held in mutual funds, and reinsurers. The Company controls the level of credit risk in the portfolios via investment mandates and/or instructions to the Investment Manager. The investment mandates set limits on the portfolios' total holdings by credit ratings, and its exposure to a single counterparty. The portfolios also limit their credit risk by predominately investing in high grade government bonds.

The Risk-only contract funds are exposed to credit risk in respect of amounts due from banks and reinsurers.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as an insurer. If a reinsurer fails to pay a claim the Company remains liable for the payment to the policyholder.

Under the Company's reinsurance arrangements the reinsurer is required to pay the Company: on the death of an insured life either, their share of any lump sum benefits plus their share of the pension benefit payments, or their share of the capitalised value of the pension on the basis of appropriate mortality rates and interest rates; on incapacity of an insured life either their share of the pension benefit payments, or their share of the capitalised value of the pension on the basis of appropriate mortality rates, recovery rates and interest rates. The insurer and reinsurer settle premiums and claims within 40-60 days of each calendar quarter end.

In addition, under some of the Company's reinsurance arrangements the reinsurer is required to pay the Company reinsurance profit commission annually. Furthermore, the Company has reinsurance cover for losses arising from catastrophic events through participation in a catastrophe reinsurance program arranged by the Storebrand Group. In the event of a claim arising from a catastrophic event, the Company would be at risk of the reinsurers participating in the catastrophe reinsurance program defaulting on the resulting reinsurance recoveries.

The STF and SNTF are exposed to credit risk in respect of amounts due from UK government bonds, and banks. In line with mandates agreed by the Company the Investment Manager manages the level of credit risk by placing limits on the proportions held by credit rating.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 27. Management of country risk and financial risk (continued)

#### b. Financial risk (continued)

##### (ii) Credit risk (continued)

In relation to assets backing linked liability insurance and investment contracts, Senior Management deem that there is no material credit risk to the Company. Furthermore, Senior Management believe that there is no material credit risk for the Company should an investment manager or other institution default in its obligations to the Company as the assets backing linked liability insurance and investment contracts are held in segregated client accounts and cannot be made available to the creditors of the counterparty upon their liquidation. The Company monitors the credit risk of such counterparties on a quarterly basis, ensures that counterparties are regulated in a jurisdiction acceptable to the Company and seeks to obtain controls documentation on an annual basis.

There is the risk of loss of assets held in custody due to the negligence or fraudulent action of a custodian or of a sub-custodian. On an annual basis the Company obtains controls documentation to confirm the on-going protection of policyholder assets and obtains confirmation that such custodians or sub-custodians are fit and proper to perform their role, that they continue to be regulated in a jurisdiction acceptable to the Company and that policyholder assets continue to be held in segregated accounts from the custodian's/sub-custodian's own assets. The Company may also demand the immediate withdrawal of assets from one custodian and transfer to another.

Senior Management have applied appropriate mean annual issuer-weighted corporate default rates (as recognised by Moody's) to all assets exposed to credit risk and have concluded that the risk is immaterial.

Overall, the concentration of credit risk is substantially unchanged compared to the prior year. No financial assets are past due or impaired at the reporting date and Senior Management expects no losses from non-performance by these counterparties. The Company maintains strict controls on derivative financial instruments by both amount and term. The amount, subject to credit risk at any one time, is linked to the current fair value of the derivative financial instruments.

The assets bearing credit risk as at 31 December 2019 and 31 December 2018 are summarised below together with analysis by credit rating taken from ratings agencies approved by the Commission:

EUR thousands	Non-linked liability contracts 2019	Shareholder's technical fund 2019	Shareholder's non-technical fund 2019	Total 2019
Debt securities including accrued interest	257,877	4,520	8,803	271,200
Mutual funds and shares relating to debt securities	5,586	-	-	5,586
Mutual funds and shares relating to equity exposure	4,477	-	-	4,477
Derivative and financial instruments	1,434	-	-	1,434
Assets arising from insurance contracts	28	-	-	28
Assets arising from profit commissions	566	-	-	566
Assets arising from reinsurance contracts	417	-	-	417
Assets arising from other debtors	-	371	-	371
Cash at bank and in hand	24,105	760	11,586	36,451
<b>Total assets bearing credit risk</b>	<b>294,490</b>	<b>5,651</b>	<b>20,389</b>	<b>320,530</b>
AAA	228,124	-	-	228,124
AA	30,744	4,520	8,804	44,068
A	24,097	760	11,585	36,442
BAA	-	-	-	-
BBB	1,844	-	-	1,844
Below BBB or not rated	9,681	371	-	10,052
<b>Total assets bearing credit risk</b>	<b>294,490</b>	<b>5,651</b>	<b>20,389</b>	<b>320,530</b>

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 27. Management of country risk and financial risk (continued)

#### b. Financial risk (continued)

##### (ii) Credit risk (continued)

EUR thousands	Non-linked liability contracts 2018 Restated (1)	Shareholder's technical fund 2018 Restated (1)	Shareholder's non-technical fund 2018 Restated (1)	Total 2018 Restated (1)
Debt securities including accrued interest	242,168	3,568	22,747	268,483
Mutual funds and shares relating to debt securities	6,554	-	-	6,554
Mutual funds and shares relating to equity exposure	24,843	-	-	24,843
Derivative and financial instruments	1,486	-	-	1,486
Assets arising from insurance contracts	1,505	-	-	1,505
Assets arising from profit commissions	78	-	-	78
Assets arising from reinsurance contracts	279	-	-	279
Assets arising from other debtors	-	340	-	340
Cash at bank and in hand	17,183	717	125	18,025
<b>Total assets bearing credit risk</b>	<b>294,096</b>	<b>4,625</b>	<b>22,872</b>	<b>321,593</b>
AAA	215,505	-	22,747	238,252
AA	29,122	3,567	-	32,689
A	16,567	717	125	17,409
BAA	-	-	-	-
BBB	10,795	-	-	10,795
Below BBB or not rated	22,107	341	-	22,448
<b>Total assets bearing credit risk</b>	<b>294,096</b>	<b>4,625</b>	<b>22,872</b>	<b>321,593</b>

##### (iii) Liquidity risk

Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations when due.

The discretionary participation contracts primarily invest in liquid government bonds and also invest in investment-grade corporate bonds, exchange traded funds, bond funds and equity funds. The Company also monitors its cash flows in order to be able to meet expected surrenders and maturity payments as they fall due.

In relation to the Risk-only contracts the Company holds assets in liquid call accounts to meet claim payments or reinsurance premium payments. In the event that claims (after reinsurance recoveries) exceed premiums in a given period, the Company would transfer money from the SNTF to the fund.

The Company bears no liquidity risk for the assets backing linked liability insurance and investment contracts because the Company does not pay the policyholders until the assets have been realised. The assets are typically quoted securities and are easily realisable. However, when the asset cannot be realised the contract permits the transfer of the asset to the policyholders.

The Company holds assets for the STF in liquid call accounts to meet expenses. In the event that expenses exceed income in a given period, the Company loans cash from its SNTF (see below) to the STF.

The assets can be readily realised in the SNTF as the Company invests in liquid short dated instruments and retains sufficient cash to meet unexpected transfers to the STF.

The liquidity of the above funds is formally monitored on a monthly basis through Management cash flow meetings.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 27. Management of country risk and financial risk (continued)

#### c. Operational risk

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

The main operational risks of the Company are:

- Incorrect processing of manual policy administration (with regards to invoicing, pricing, underwriting, etc.)
- Key-man risk for certain specialist staff roles
- Risk of legal disputes arising from historical policy contracts
- Systems downtime due to power outages or other infrastructure vulnerabilities
- The recent COVID-19 pandemic has led to staff home-working, which introduces additional operational risks

The Company monitors and controls operational risks using the following methods:

- 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 Management and Compliance functions
- Key person risk is mitigated by succession planning

Technical measures such as firewalls and access restrictions have been established in order to protect systems and are periodically tested. A business continuity plan is in place and tested annually for effectiveness.

#### d. Group risk

Group Risk is the risk of loss or other adverse impact on the Company arising from financial or non-financial relationships between entities within the Group. This includes reputational, contagion, accumulations, concentration, and intra-Group transaction risk.

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.

#### e. Strategic risk

Strategic risk is the risk that the business will fail to identify and react appropriately to opportunities and threats arising from changes in the market.

The main strategic risks of the Company are:

- Inability to run off the existing legacy book of policies efficiently and maintain high quality customer service to clients; and
- Lack of opportunities and/or lack of success in developing the Company's footprint across the Crown Dependencies through entity acquisitions and sub-scale annuity, guaranteed savings and protection portfolio transfers.

The Company mitigates and controls strategic risk as follows:

- Risk Policy imposing requirements for strategic risk management;
- Board members with broad experience and deep industry knowledge;
- Rigorous due diligence process led by internal experts with support from external specialists as required;

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 27. Management of country risk and financial risk (continued)

#### e. Strategic risk (continued)

- Emerging risk analysis and reporting; and
- Strategic risks are measured qualitatively.

### 28. Management of insurance risk

The Company maintains the Shareholder's and policyholders' funds in a consistent manner with the Company's risk appetite, regulatory requirements, and market requirements of its business.

The Company still provides life and disability risk cover on a small proportion of the discretionary participation contracts. However, from 1 January 2019 the Company provided no life and disability risk cover under risk-only contracts. Policies on underwriting and reinsurance have been implemented and material issues are highlighted to the Board by Senior Management. The Company seeks to reduce its exposure to potential losses by reinsuring certain levels of mortality and morbidity risk with reinsurers. The level of mortality and morbidity risk ceded to reinsurers ranged from 95% and above from 1 January 2019.

The Company is subject to regulatory capital tests and also employs internal assessments to allocate capital and manage risk. The Company meets all of these requirements and has sufficient resources and financial strength.

In reporting financial strength, capital and solvency is measured in accordance with Guernsey Law and as prescribed by regulations or instructions issued by the Commission.

#### Restrictions on available capital resources

There is a regulatory requirement for the Company to maintain adequate capital and liquidity. The Guernsey Insurance Business (Solvency) Rules, 2015 as amended by the Insurance Business (Solvency) (Amendment) Rules, 2018 ("Solvency Rules"), require the Company to hold sufficient capital to meet the Prescribed Capital Requirement ("PCR") and Minimum Capital Requirement ("MCR").

The Company's MCR is calculated as 2.5% of its total best estimate liabilities excluding unit reserves for linked liabilities and the reserves for future discretionary benefits in the discretionary participation contracts.

Under the Solvency Rules a range of methods for calculating the PCR are prescribed and the Company is able to choose which method it uses. The Company has chosen to calculate its PCR using the European Union's ("EU") Solvency II approach which is a "Recognised Standard Formula" as allowed by and described in the Solvency Rules.

The Solvency Rules also require a licensed insurer to perform an Own Risk and Solvency Assessment ("ORSA"). Due to its size, until August 2018, the Solvency Rules allowed the Company to limit the scope of its ORSA to its own assessment and calculation of its solvency requirements (the Own Solvency Capital Assessment or "OSCA").

The main difference between an ORSA and an OSCA is that the OSCA only looks at the capital required over a twelve month time horizon whereas an ORSA also focuses on the capital required over the longer term.

In August 2018 the Commission updated the Solvency Rules meaning that the Company will be required to perform a full ORSA from 2019. The first report will be prepared as at 31 December 2019.

The approach to the calculation of the OSCA is not prescribed. However, guidance has been issued on some of the areas to be considered and the format of the report. The suitability of the capital available should also be considered.

The process used by the Company when calculating its OSCA is to follow the latest EU Solvency II standard formula technical specifications and to supplement these with an assessment of other risks which fall outside the standard formula.

The results of the OSCA may be compared with the PCR. Whilst the capital requirements determined in the OSCA may be larger than the PCR, broadly speaking the Commission would not require action to increase capital held, or to reduce risks undertaken, provided that capital remains over the PCR. However, the Commission reserves its right to do so.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 28. Management of insurance risk (continued)

#### Restrictions on available capital resources (continued)

The Company's available capital is subject to certain restrictions. In particular, no transfers from the long-term business fund can take place other than from an established surplus identified from an actuarial valuation of the fund. If one or more of the policyholders' funds are in deficit, the Board have determined that the amount transferred from the long-term business fund will be net of the amount needed to eliminate the deficit.

The regulatory capital resources to meet the PCR are equal to:

- the difference between assets and liabilities on the basis of their determination in accordance with Recognised Accounting Standards; plus
- the value of any basis adjustment (e.g. change from prudent to best estimate technical provisions); less
- the value of any regulatory adjustment determined by the Commission.

The Company's total available regulatory capital resources to meet the PCR are EUR 34,388,000 (2018: EUR 29,300,000).

The Commission have not determined any regulatory adjustment to the Company's regulatory capital resources.

The Company has not included the value of any issued but uncalled capital in its regulatory capital resources to meet its PCR and does not have any type 2 letters of credit or other off-balance sheet assets and so the Company's regulatory capital resources to meet its MCR is the same as its regulatory capital resources to meet its PCR.

The Company's total available capital resources as at 31 December 2019 and 31 December 2018 are summarised below:

Capital statement table – 2019 EUR thousands	Discretionary participation contracts	Other life business	Life business shareholder's funds	Total life business
<b>Shareholder's funds</b>				
Distributable equity reserve	-	-	24,592	24,592
	-	-	24,592	24,592
<b>Other qualifying capital</b>				
Fund for future appropriations	28,452	-	-	28,452
	28,452	-	24,592	53,044
<b>Regulatory adjustments</b>				
Capital resources basis adjustment	-	-	9,796	9,796
<b>Total available capital resources</b>	28,452	-	34,388	62,840
<b>MCR</b>	-	-	5,608	5,608
<b>Overall surplus capital over MCR</b>	28,452	-	28,780	57,232
<b>PCR</b>	-	-	17,769	17,769
<b>Overall surplus capital over PCR</b>	28,452	-	16,619	45,071
<b>Analysis of policyholders' liabilities</b>				
Discretionary participation contracts	263,286	-	-	263,286
Risk-only contracts	-	1,455	-	1,455
Unit-linked	-	254,161	-	254,161
<b>Total technical liabilities</b>	<b>263,286</b>	<b>255,616</b>	<b>-</b>	<b>518,902</b>

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 28. Management of insurance risk (continued)

#### Restrictions on available capital resources (continued)

Capital statement table – 2018 EUR thousands	Discretionary participation contracts Restated (1)	Other life business Restated (1)	Life business shareholder's funds Restated (1)	Total life business Restated (1)
<b>Shareholder's funds</b>				
Distributable equity reserve	-	-	24,341	24,341
	-	-	24,341	24,341
<b>Other qualifying capital</b>				
Fund for future appropriations	31,157	-	-	31,157
	31,157	-	24,341	55,498
<b>Regulatory adjustments</b>				
Capital resources basis adjustment	-	-	4,959	4,959
<b>Total available capital resources</b>	<b>31,157</b>	<b>-</b>	<b>29,300</b>	<b>60,457</b>
<b>MCR</b>	<b>-</b>	<b>-</b>	<b>5,536</b>	<b>5,536</b>
<b>Overall surplus capital over MCR</b>	<b>31,157</b>	<b>-</b>	<b>23,764</b>	<b>54,921</b>
<b>PCR</b>	<b>-</b>	<b>-</b>	<b>15,314</b>	<b>15,314</b>
<b>Overall surplus capital over PCR</b>	<b>31,157</b>	<b>-</b>	<b>13,986</b>	<b>45,143</b>
<b>Analysis of policyholders' liabilities</b>				
Discretionary participation contracts	260,644	-	-	260,644
Risk-only contracts	-	2,220	-	2,220
Unit-linked	-	257,147	-	257,147
<b>Total technical liabilities</b>	<b>260,644</b>	<b>259,367</b>	<b>-</b>	<b>520,011</b>

(1) See Note 1d.(i) for further details on comparative information.

The movement in the Company's available capital resources for the years 2019 and 2018 are summarised below:

Movement in capital resources - 2019 EUR thousands	Discretionary participation contracts	Other life business and shareholder's funds	Total life business
Balance at 1 January 2019	31,157	29,300	60,457
Effect of exchange rate variations	(170)	525	355
Effect of investment variations	22,031	297	22,328
Effect of changes in assumptions	(18,065)	(163)	(18,228)
Risk fund adjustment	-	895	895
Fund charge	(1,689)	1,689	-
Surplus distribution	(2,318)	-	(2,318)
Other factors	(2,494)	(2,992)	(5,486)
Payment of ordinary dividends	-	-	-
Movement in capital resources basis adjustment	-	4,837	4,837
<b>Balance at 31 December 2019</b>	<b>28,452</b>	<b>34,388</b>	<b>62,840</b>

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 28. Management of insurance risk (continued)

#### Restrictions on available capital resources (continued)

Movement in capital resources - 2018	Discretionary participation contracts	Other life business and shareholder's funds	Total life business
EUR thousands	Restated (1)	Restated (1)	Restated (1)
Balance at 1 January 2018	32,297	30,879	63,176
Effect of exchange rate variations	752	20	772
Effect of investment variations	5,450	(116)	5,334
Effect of changes in assumptions	(1,246)	(444)	(1,690)
Risk fund adjustment	-	(1,635)	(1,635)
Fund charge	(1,588)	1,588	-
Surplus distribution	(2,396)	-	(2,396)
Other factors	(2,112)	(2,394)	(4,506)
Payment of ordinary dividends	-	-	-
Movement in capital resources basis adjustment	-	1,402	1,402
<b>Balance at 31 December 2018</b>	<b>31,157</b>	<b>29,300</b>	<b>60,457</b>

(1) See Note 1d.(i) for further details on comparative information.

#### Capital management policies and objectives

The Company requires that sufficient capital is held to meet 165% of its PCR and also that sufficient capital is held to meet its OSCA.

Furthermore, the risks within the discretionary participation funds are managed so that they are expected to hold sufficient assets to cover the sum of 105% of best estimate liabilities (PV Guarantees excluding surrender penalties plus PV of FMC) plus 145% of PCR.

#### Capital resource sensitivities

The capital position is sensitive to changes in market conditions, due to both changes in the value of assets, and the effect that changes in investment conditions may have on the value of liabilities. It is also sensitive to assumptions and experience relating to mortality, persistency, and expenses.

The most significant sensitivities arise from the following six risks:

- a) Market risk in relation to the discretionary participation funds, which would arise if the return from the investments supporting these funds was lower than assumed for reserving. This risk is addressed through the Company's investment policy and framework.
- b) Market risk in relation to the discretionary participation funds, which would arise if adverse changes in the value of assets supporting the funds could not be fully reflected in payments to policyholders because of the effect of guarantees. This risk is addressed through the Company's investment policy and framework.
- c) Expense risk arising from the variation in the expenses incurred in servicing insurance or investment contracts. This risk is addressed by Senior Management's focus on cost control and by maintaining an expense provision in anticipation of future inflows not being sufficient to cover future outflows.
- d) Surrender risk which would arise if the level of policies surrendering was heavier than that assumed. The Company's surrender experience is monitored for any significant changes in experience.
- e) Longevity risk in relation to discretionary participation funds which would arise if the mortality of the insured lives were lighter than that assumed. The Company's mortality experience is monitored for any significant changes in experience.

# Nordben Life and Pension Insurance Co. Limited Annual Report

## Notes to the Financial Statements (continued)

### 28. Management of insurance risk (continued)

#### Capital resource sensitivities (continued)

- f) Credit risk which would arise if a bank, bond issuer, reinsurer or other counterparty defaulted on its commitments to the Company. This risk is addressed through the Company's investment policy and framework.

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience. In general, if experience had deteriorated or was expected to deteriorate and Senior Management was not expected to reduce the future impact, then assumptions relating to future experience would be changed to reflect it. In this way liabilities would be increased to anticipate the future impact of the worse experience with an immediate impact on the capital positions.

Examples of possible management actions to reduce future impacts include changes to bonus rates, changes to discretionary surrender terms, cost-reduction initiatives, increasing management charges, purchasing reinsurance and cancelling Risk-only contracts.

### 29. Events after the reporting date

The novel coronavirus (COVID-19) outbreak has developed rapidly in 2020, with a significant number of infections reported across a wide range of countries and regions. At the date of signing this report the ultimate economic and social consequences of the COVID-19 outbreak are uncertain. A pandemic may increase insurance claims, cause investment losses, and disrupt business operations. Measures taken by various governments to contain the virus have also affected economic activity. Counterparty credit risk and liquidity risk may also increase.

The Company has a number of risk mitigations as part of the general management of the business, which can be utilised to mitigate the potential impact of COVID-19. The Company is resilient to stress across each of these areas of risk, having regard to the risk mitigations described in Notes 27 and 28 to the Financial Statements.

While it is not possible to identify the financial impact of COVID-19 on the Company's financial statements, the sensitivities provided in Notes 21 and 27 to the Financial Statements provide an indication of the impact of changes in our key assumptions related to the areas of risk before considering the risk mitigations available. In addition, the Company maintains excess capital above its regulatory capital requirements, which are calibrated to a one in 200 year stress event.

The financial statements have been prepared on a going concern basis. At the date of signing this report:

- Business continuity plans are in place with employees engaged in home working, collaborating via video conference and other electronic means
- Whilst uncertain, we do not believe that COVID-19 results in a materially adverse effect on our ability to maintain operations and meet obligations as they fall due.

### 30. Approval of financial statements

The Financial Statements were approved by the Board on 23 April 2020.