



# Transatlantic Reinsurance Company German Branch

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## Solvency and Financial Condition Report

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As at 31 December 2019



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### About this document

This document is the Solvency and Financial Condition Report ("SFCR") for the German Branch Office of Transatlantic Reinsurance Company ("GBO") as at the year ended 31 December 2019.

This SFCR covers GBO with respect to its branch operations on a solo basis.

GBO's functional and presentational currency is the Euro.

### Branch management statement

GBO acknowledges its responsibility for preparing the SFCR in all material respects in accordance with the Insurance Supervision Act and the Solvency II Regulations.

GBO is satisfied that throughout the financial year in question, GBO has complied in all material respects with the requirements of the Insurance Supervision Act and the Solvency II Regulations as applicable to GBO.

On behalf of GBO management.

Rüdiger Skaletz  
Branch Manager

7 April 2020



## Executive Summary

GBO is a branch of Transatlantic Reinsurance Company (“TRC”), a reinsurance company domiciled in New York, USA. GBO’s ultimate parent undertaking is Alleghany Corporation (“Alleghany”).

Until 31 December 2019, GBO provided the TransRe group (“TransRe”) with its main platform to write business in Germany and Austria, with a small amount in other territories. As part of TransRe’s reorganisation of its Continental European operations, as of 31 December 2019 GBO obtained approval by Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”) to transfer all of its portfolio to a German branch (based in Munich) of TRC’s Luxembourg domiciled subsidiary, TransRe Europe S.A. (“TRE”).

On 31 December 2019 all of the assets, liabilities and renewal rights of GBO were duly transferred to TRE (the “Transfer”).

On 13 February 2020 GBO applied to revoke its license to write business. It has not written any business or incurred any claims since the date of the Transfer and has no intention of doing so in the future. The branch is therefore dormant awaiting de-registration.

Prior to the Transfer, TRC had a German operation since 2008, previously as a Representative Office and since 1st January 2010 as a branch office regulated by BaFin.

## Business and Performance

During the year ended 31 December 2019, GBO booked €20,623k of net written premium and an underwriting loss of €1,034k. The net claims ratio of 58.9% was however significantly lower than that of 2018, driven by better than expected natural catastrophe experience.

While operational, GBO’s goal was to actively manage the underwriting cycle while maintaining a well-diversified portfolio and helping to support TransRe’s objective of achieving long-term book value growth.

Even in the competitive market environment, GBO managed to broaden the basis of business with an increasing number of clients and brokers. The branch’s membership in the German Insurers Association (GDV), active cooperation with universities, the annual GBO liability discussion forum, activities in the area of InsurTech and presentations at conferences supported the broadening of the client base.

Until the date of the Transfer, GBO held assets that were prudently invested to ensure GBO had access to funds at short notice, if required. These were invested taking account of the liquidity requirements of GBO along with the nature and timing of insurance liabilities.

## System of Governance

Until GBO is deregistered as a regulated entity, GBO continues to have a governance framework and internal control system to ensure the orderly management of the deregistration process. It retains a Branch Manager who maintains ultimate responsibility for the running of GBO. The Branch Manager possesses the skills, knowledge and experience required to manage GBO.

The system of governance of GBO did not materially change in the year to 31 December 2019.

During 2019, GBO adopted an approach to remuneration which supported and encouraged appropriate behaviour, aligned with TransRe’s vision and values and Alleghany’s Code of Business Conduct and Ethics.

## Risk Profile

Given all GBO’s assets and liabilities were transferred to TRE on 31 December 2019 and GBO has undertaken no business since that date, the branch no longer has a solvency capital requirement (“SCR”). GBO has therefore no exposure to financial risk, with no market risk, no counterparty default risk, no life and no non-life underwriting risk.

During 2019, GBO maintained a clear underwriting philosophy supported by risk appetites set at the aggregate and individual class level.



As a branch of TRC, GBO benefited from a comprehensive retrocession (reinsurers' reinsurance) programme that provided protection for TransRe globally, in addition to a GBO specific Quota Share retrocession contract with TransRe Europe S.A., Zurich Branch ("TRE Zurich", formerly known as TransRe Zurich Ltd).

During 2019, GBO undertook stress and scenario testing on an annual or ad-hoc basis. Scenario tests were used to test GBO's resilience to shocks to the market. The results of the analysis showed that the most material risk that faced the branch was a natural catastrophe event affecting Europe. GBO was strongly capitalised meaning it would have taken an extreme event (return periods in excess of 1-in-200 years) to breach its SCR. GBO's underwriting risk profile was resilient to withstand severe shocks and was within TransRe's approved risk appetite. GBO is no longer exposed to underwriting risk.

#### **Valuation for Solvency II Purposes**

Given GBO had no assets or liabilities on 31 December 2019, GBO's asset and liability valuation for Solvency II purposes is €nil. Please refer to GBO's 31 December 2018 SFCR for details relating to the prior year.

#### **Capital Management**

Having transferred all assets and liabilities to TRE on 31 December 2019, GBO no longer has any capital requirements nor does it have any own funds.



## A. Business and Performance

### A.1 Business

#### Company information

**Transatlantic Reinsurance Company:** One Liberty Plaza  
165 Broadway  
New York, NY 10006  
United States of America

Legal Entity Identifier: 549300PLPOLFILJYHZ44

**German Branch Office of Transatlantic Reinsurance Company:** Promenadeplatz 8  
80333 Munich  
Germany  
BaFin Register Number: 6806  
State Registration Number: HRB 185 348  
Tax Identification Number: DE 815179087

**External auditors:** Ernst and Young GmbH  
Arnulfstrasse 59  
80636 Munich  
Germany

**Regulator:** BaFin  
Bundesanstalt für Finanzdienstleistungsaufsicht  
Graurheindorfer Str. 108  
53117 Bonn  
Germany

GBO is a branch office of TRC, which is a reinsurance company domiciled in New York, USA. GBO is domiciled in Munich and commenced underwriting risks effective from 1st January 2010.

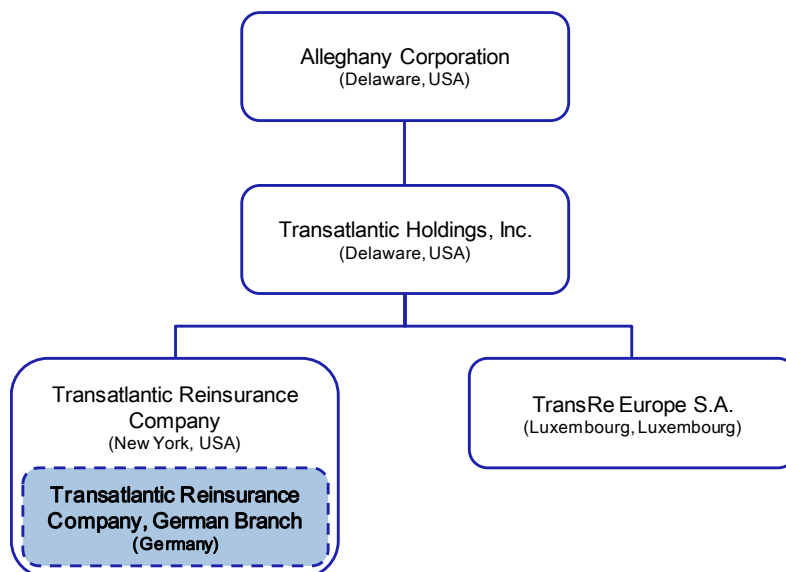
GBO's ultimate parent undertaking is Alleghany, a company incorporated in Delaware, USA. Alleghany is listed on the New York Stock Exchange (NYSE: Y). Further information on Alleghany is available at [www.alleghany.com](http://www.alleghany.com). In addition to Alleghany, Transatlantic Holdings, Inc. ("TRH"), incorporated in Delaware, USA, is the direct parent and holder of a qualifying holding in TRC. There are no other holders of qualifying holdings in TRC.

The Alleghany group is subject to group supervision by the New Hampshire Department of Insurance, NH, USA.

A simplified group structure chart is shown below.



Figure 1: Organisational structure chart



(All subsidiaries are 100% owned and controlled.)

Until 31 December 2019, GBO provided TransRe with its main platform to write reinsurance business as a specialist non-life reinsurer, mainly in Germany and Austria with a small amount in other territories.

GBO offered reinsurance through treaty arrangements covering non-life property and casualty lines of business on either a proportional or non-proportional basis. It underwrote a broad range of risks within those classes, seeking to maintain a diversified portfolio without over-dependence on a single line of business. GBO benefited from shared functions made available through TransRe's support and global operational infrastructure.

The core reinsurance portfolio of property and casualty treaties provided protection to cedants based predominately in Germany and Austria and included coverage for a wide range of business events, enabling GBO to better navigate underwriting cycles.

In 2018, TransRe initiated a re-organisation project for its operations in Continental Europe and the Middle East. The goal of the restructuring was to set-up a unified reinsurance entity in Luxembourg as part of the European Economic Area in order to – among other reasons – cover all relevant markets of TransRe in Continental Europe, consolidate the capital, and benefit from regulatory passporting within the European Single Market.

As of 31 December 2019, all of the assets, liabilities and renewal rights of GBO were transferred to TRE. GBO has not written any business since the Transfer, nor has it acquired any assets or liabilities since that date and does not intend to do so in the future. On 13 February 2020, GBO applied to revoke its license to write business.

#### Market commentary

In its final year of trading, some minor improvements to terms and conditions were experienced for some classes in early 2019 but these did not reach the levels hoped for. Other classes remained soft and GBO maintained underwriting discipline. Excess capacity remained available for most classes and geographies.

Significant world market loss activity continued in 2019, with natural catastrophe events impacting both Japan (typhoons Faxai and Hagibis) and the Australia wildfires. Whilst traditional catastrophe capacity has not diminished in any significant way, insurance linked securities markets have become more discerning in how they deploy their capital, with several cedants forced into changes to their catastrophe protections.



None of the 2019 events were of sufficient scale to cause significant impact to GBO's profitability. Deterioration on the motor business side was a matter of concern but GBO had taken measures to keep the situation under control.

### Strategy and portfolio

Until the Transfer, GBO's strategy was to achieve long-term book value growth throughout the underwriting cycle commensurate with the TransRe group objective of being a global property/casualty reinsurer of choice, maximising the benefits of local presence and global service, writing all products in all territories.

In the low yield investment environment GBO's focus on underwriting profitability was paramount to support the aim of book value growth.

GBO is now dormant, with no assets and liabilities, and intends to remain so until its regulatory license has been removed.

Premium income distribution by line of business and distribution by domicile of cedants is shown in Figures 2 and 3.

Figure 2: Solvency II line of business (net earned premium €'000s) for the years ended 31 December

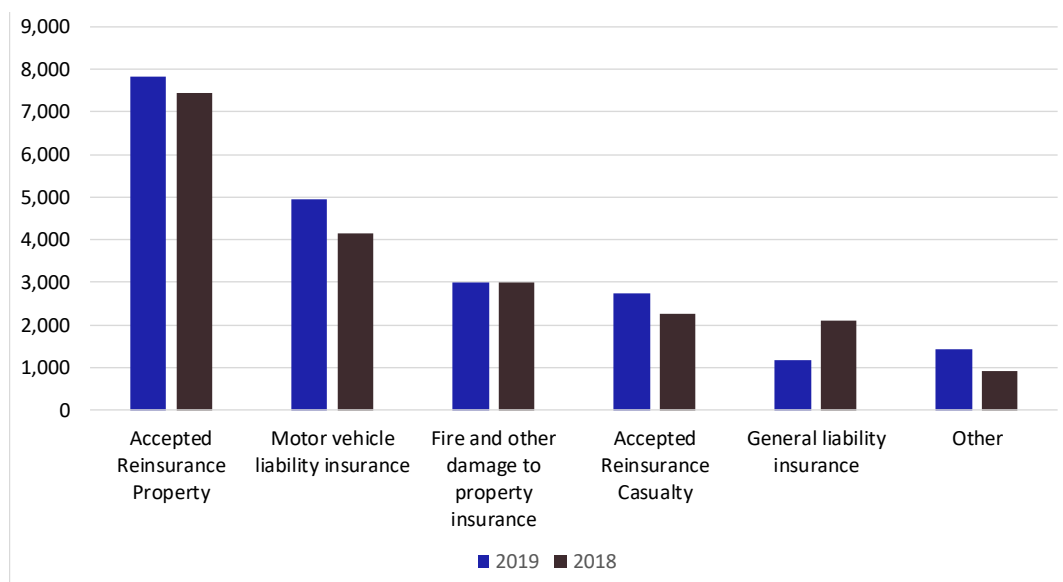






Figure 3a: net premium income by domicile of cedants for the year ended 31 December 2019

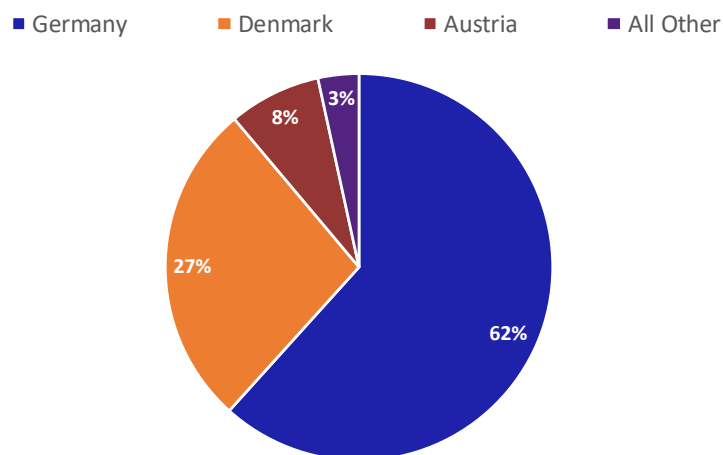
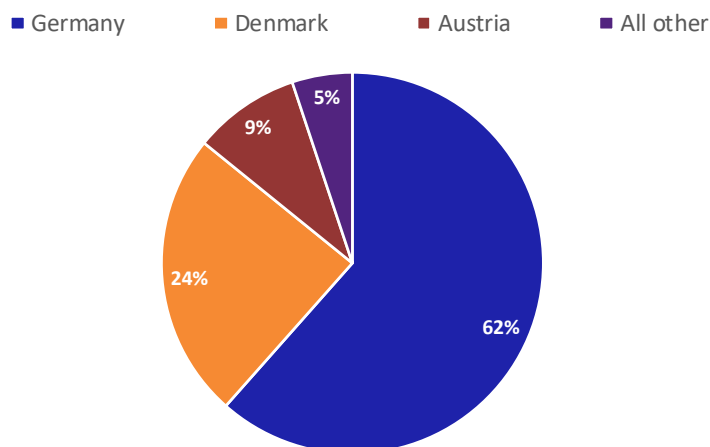


Figure 3b: net premium income by domicile of cedants for the year ended 31 December 2018



The majority of the business written by GBO in 2019 originated from German, Danish and Austrian domiciled cedants. The Danish business related to predominantly German insurance risks.

No significant new classes of business were undertaken in the current or prior year. Premium volumes in some lines varied from plan, depending on the expected profitability and contribution to GBO's business development.

TRC is rated A+ by both Standard & Poor's and A.M. Best and A1 by Moody's.

## A.2 Underwriting Performance

GBO booked €21,623k of net written premium in 2019 (2018: €20,247k). GBO's largest classes were 'Accepted re-insurance property insurance (non-proportional)', followed by 'motor vehicle liability (proportional)' which accounted for 37.9% and 20.2% of the total, respectively.

The claims ratio of 58.9% (before the allocation of corporate overheads) was driven by better than expected natural catastrophe experience.



## 2019 review of projections

There were no material deviations from income projections for 2019. GBO had anticipated a better market development in respect of rate improvements on the insurance market that would have led to a stronger growth. This did not take place and GBO therefore followed a more cautious underwriting approach. A further deterioration in the results of the motor business was not observed.

## Top 5 Underwriting performance by Line of Business

A summary of the key underwriting performance of the top five lines of business on a gross and net basis is detailed below:

*Figure 4a: Underwriting performance by line of business (gross) for the year ended 31 December 2019*

Gross (€'000s)	Property (non-prop)	Motor vehicle liability (prop)	Fire and other damage to property (prop)	Casualty (non-prop)	General liability (prop)	Balancing lines of business ("LOB")	Total
Premiums written	24,455	13,049	8,562	8,045	2,523	2,900	59,354
Premiums earned	24,455	15,485	8,562	9,251	2,940	5,276	65,969
Claims incurred	(7,653)	(12,818)	(11,212)	(8,031)	(2,427)	(563)	(42,704)
Expenses	(4,728)	(3,779)	(2,065)	(3,945)	(746)	(2,188)	(17,451)
<b>Underwriting profit / (loss)</b>	<b>12,074</b>	<b>(1,112)</b>	<b>(4,715)</b>	<b>(2,725)</b>	<b>(223)</b>	<b>2,525</b>	<b>5,814</b>

*Figure 4b: Underwriting performance by line of business (gross) for the year ended 31 December 2018*

Gross (€'000s)	Property (non-prop)	Motor vehicle liability (prop)	Fire and other damage to property (prop)	Casualty (non-prop)	General liability (prop)	Balancing LOB	Total
Premiums written	23,877	13,579	9,834	7,114	6,600	2,880	63,884
Premiums earned	23,877	12,953	9,399	7,114	6,577	2,822	62,742
Claims incurred	(10,086)	(29,748)	(10,816)	(4,554)	(4,247)	(6,573)	(66,024)
Expenses	(3,758)	(4,287)	(3,185)	(1,346)	(2,466)	(818)	(15,860)
<b>Underwriting profit / (loss)</b>	<b>10,033</b>	<b>(21,082)</b>	<b>(4,602)</b>	<b>1,214</b>	<b>(136)</b>	<b>(4,569)</b>	<b>(19,142)</b>



Figure 5a: Underwriting performance by line of business (net) for the year ended 31 December 2019

Net (€'000s)	Property (non-prop)	Motor vehicle liability (prop)	Fire and other damage to property (prop)	Casualty (non-prop)	General liability (prop)	Balancing LOB	Total
Premiums written	7,816	4,176	3,460	2,740	866	1,565	20,623
Premiums earned	7,816	4,955	2,984	2,740	1,177	1,442	21,114
Claims incurred	(2,488)	(4,182)	(2,570)	(3,588)	169	231	(12,428)
Expenses	(3,070)	(2,046)	(1,715)	(1,562)	(641)	(686)	(9,720)
<b>Underwriting profit / (loss)</b>	<b>2,258</b>	<b>(1,273)</b>	<b>(1,301)</b>	<b>(2,410)</b>	<b>706</b>	<b>986</b>	<b>(1,034)</b>

Figure 5b: Underwriting performance by line of business (net) for the year ended 31 December 2018

Net (€'000s)	Property (non-prop)	Motor vehicle liability (prop)	Fire and other damage to property (prop)	Casualty (non-prop)	General liability (prop)	Balancing LoB	Total
Premiums written	7,445	4,345	3,147	2,277	2,112	923	20,247
Premiums earned	7,445	4,145	3,008	2,277	2,105	903	19,883
Claims incurred	(3,221)	(9,439)	(3,461)	(1,457)	(1,359)	(3,460)	(22,397)
Expenses	(2,154)	(1,960)	(1,376)	(845)	(1,132)	(369)	(7,837)
<b>Underwriting profit / (loss)</b>	<b>2,070</b>	<b>(7,254)</b>	<b>(1,829)</b>	<b>(25)</b>	<b>(387)</b>	<b>(2,926)</b>	<b>(10,351)</b>

A summary of the underwriting performance by geographical area is provided below.

Figure 6a: Underwriting performance by material geographical area for the year ended 31 December 2019

Net (€'000s)	Germany	Denmark	Austria	Other	Total
Premiums written	13,227	4,823	1,667	906	20,623
Premiums earned	13,025	5,740	1,629	720	21,114
Claims incurred	(7,657)	(3,605)	(880)	(286)	(12,142)
Expenses	(5,877)	(2,342)	(1,113)	(388)	(9,720)
<b>Underwriting profit / (loss)</b>	<b>(508)</b>	<b>(207)</b>	<b>(365)</b>	<b>(46)</b>	<b>(1,034)</b>

Figure 6b: Underwriting performance by material geographical area for the year ended 31 December 2018

Net (€'000s)	Germany	Denmark	Austria	Other	Total
Premiums written	12,823	5,023	1,751	650	20,247
Premiums earned	12,310	4,785	1,782	1,006	19,883
Claims incurred	(7,440)	(11,067)	(1,337)	(2,553)	(22,397)
Expenses	(4,312)	(2,255)	(912)	(358)	(7,837)
<b>Underwriting profit / (loss)</b>	<b>558</b>	<b>(8,537)</b>	<b>(467)</b>	<b>(1,905)</b>	<b>(10,351)</b>

For details and the breakdown of premiums, claims and expenses by geographical spread please refer to QRT S.05.02.01 in Appendix 2.



### A.3 Investment Performance

#### Net investment income

Net investment income recognised in the statement of profit and loss and other comprehensive income includes investment income (comprising of interest and the amortisation of any discount or premium on available-for-sale debt securities for the period), realised gains and losses and movements in unrealised gains and losses on financial investments, net of interest payable, investment expenses and impairment losses on financial assets.

Interest income is recognised as accrued based on the effective interest method. Acquisition costs related to the purchase of bonds are capitalised and expensed over duration of the investment.

#### Financial investments

GBO's investment portfolio was made up predominantly of fixed income bonds and cash deposits. Before the Transfer, all investments were converted into cash. The total value of the portfolio at 31 December 2019 was €nil (2018: €176,587k). Over the year, the investment portfolio made a total net investment gain of €7,916k (2018: loss of €255k).

Figure 7a: Investment portfolio 2019

Asset category (€'000s)	Year to 31 December 2019			31 December 2019
	Income	Gains/ Losses	Total net investment return/(loss)	Total SII Value
Cash and deposits	23	0	23	0
Corporate bonds	1,156	6,166	7,322	0
Government bonds	(50)	621	571	0
<b>Total</b>	<b>1,129</b>	<b>6,787</b>	<b>7,916</b>	<b>0</b>

Figure 7b: Investment portfolio 2018

Asset category (€'000s)	Year to 31 December 2018			31 December 2018
	Income	Gains/ (losses)	Total net investment return/(loss)	Total SII Value
Cash and deposits	38	0	38	7,086
Collateralised securities	253	(480)	(227)	0
Corporate bonds	340	(201)	139	134,257
Government bonds	515	(720)	(205)	35,244
<b>Total</b>	<b>1,146</b>	<b>(1,401)</b>	<b>(255)</b>	<b>176,587</b>

#### Securitisations

GBO has not held any securitised investments.

### A.4 Performance of other activities

GBO did not receive any material income other than from its underwriting and investment activities and had no financial or operating lease arrangements during the year.

GBO's reporting and presentational currency is EUR. The operating results and financial position of each non-EUR ledger were translated into EUR. All resulting exchange differences are recognised in the statement of profit and losses and other comprehensive income.



#### **A.5 Any other information**

GBO does not consider there to be any other material information to disclose on its business and performance.



## B. System of Governance

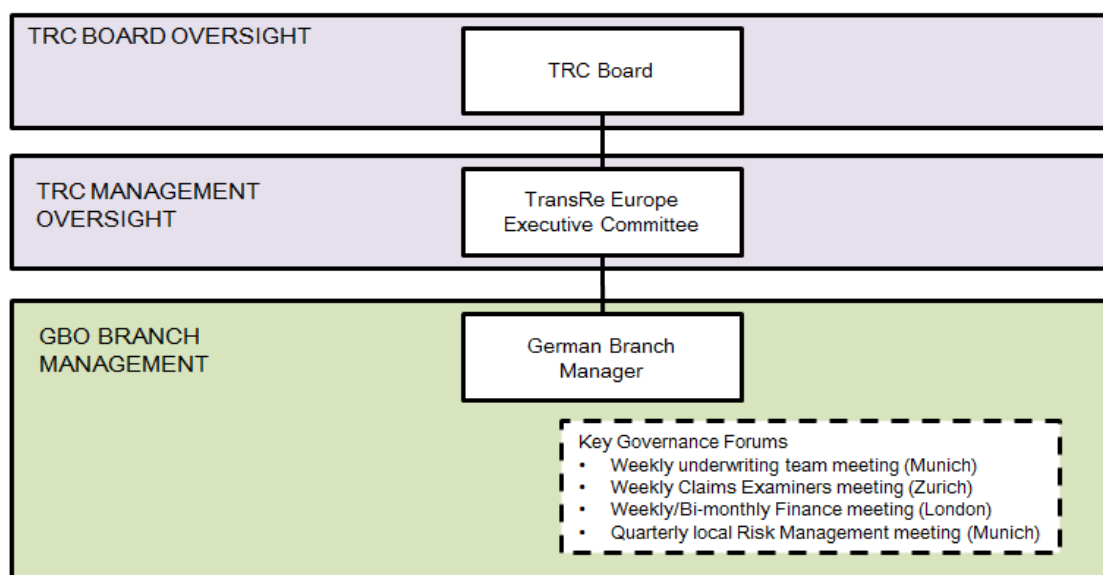
### B.1 General information on the system of governance

Notwithstanding the Transfer, GBO maintains a governance structure to respond to events and to enable an orderly de-registration of the entity.

GBO's governance structure reflects its status as a branch of TRC and TRC's membership of a large international group of companies, while ensuring that GBO maintains robust local governance arrangements.

The structure of GBO's governance oversight is shown in Figure 8.

Figure 8: Governance oversight and reporting lines



*\* Subsequent to the Transfer, key governance forums not longer meet on a scheduled basis*

The GBO Branch Manager maintains ultimate responsibility for overseeing the deregistration and dissolution of GBO. The Branch Manager retains responsibility for ensuring the effectiveness of the three lines of defence model, GBO's internal control framework and compliance with relevant laws and regulations.

The GBO Branch Manager maintained ultimate responsibility for overseeing the running of GBO which includes

- setting, promoting and demonstrating GBO's culture, vision and values;
- setting GBO's business strategy and monitoring performance against its business plan;
- approving GBO's risk appetite and tolerances;
- maintaining oversight of GBO's compliance with relevant laws and regulation;
- day-to-day management and oversight of the business;
- monitoring underwriting and investment performance; and
- ensuring the effectiveness of the three lines of defence model and ultimately, GBO's internal control framework.

#### Key functions

Subsequent to the Transfer, GBO no longer has any employees. It does however retain key functions and key function holders.

During the year, GBO did not have any material transactions with TRC's shareholders, members of its management body or those who could exert significant influence over the business.



The section below describes the remuneration policies and practices during the year under review.

GBO complied with all fit and proper requirements.

GBO has identified the following functions as key functions:

*Figure 9: Key functions and holders*

Key Function	Holder
Risk Management System	Head of Risk – International, London
Compliance	Compliance Officer – TRC German Branch
Internal Audit	Director of Internal Audit – TRC New York
Actuarial	Responsible Actuary – TransRe Europe S.A., Zurich
The function of effectively running the firm	Branch Manager – TRC German Branch

Each of the key functions within GBO is operationally independent of each other, with its own key function holder. The key functions have their own teams and reporting lines. During the year, each key function reviewed its resource needs on at least an annual basis and the key function holder is responsible for ensuring the key function is adequately resourced.

All key functions report to the Branch Manager and to respective Head Office senior management. Further information on the authority, resources and operational independence of the control functions is included in Sections B3 (Risk Management function), B4 (Compliance function), B5 (Internal Audit function) and B6 (Actuarial function).

### **Remuneration policies and practices**

The following disclosures are relevant up to the Transfer date of 31 December 2019. Subsequently, GBO has incurred no remuneration expenses or transactions.

#### Approach to remuneration

GBO adopted an approach to remuneration which supports and encourages appropriate behaviour aligned with TransRe's vision and values and Alleghany's Code of Business Conduct and Ethics.

#### Assessment of performance

Reviews were performed by line managers and reviewed by senior management and Human Resources. This was a key component of the appraisal process to ensure GBO performance was linked to rewards.

Financial and non-financial criteria were taken into account when assessing an individual's performance. A key element of an individual's performance assessment was his/her adherence to the Alleghany Code of Business Conduct and Ethics and compliance with policies and procedures.

#### Fixed and variable components of remuneration

Remuneration was made up of two key elements: fixed and variable. The fixed element was base salary. The variable element included an annual bonus and, in some instances, deferred compensation. Base salary, bonus and deferred compensation were reviewed annually taking the previous assessment of performance into consideration.

There were no entitlements to share options or shares.

#### Benefits

There was a regular Benefits Committee meeting to consider all elements of the benefit package (including pension, private medical and health insurance) offered to employees. The benefits were designed to be both competitive and to provide health and retirement benefits.

There were no supplementary pensions or early retirement schemes for the members of the management body or other key function holders.



### **Material transactions with shareholders**

GBO did not have any material transactions with the shareholders, members of the management body or those who can exerted significant influence over the business.

GBO assessed the nature, scale and complexity of its business against its governance structure and considers its system of governance to be adequate.

### **B.2 Fit and proper requirements**

The Branch Manager and key function holders collectively possess appropriate qualification, experience and knowledge about at least:

- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

GBO ensures that all key function holders are at all times fit and proper persons.

In deciding whether a person is fit and proper, GBO must be satisfied that the person has:

- the personal characteristics (including being of good repute and integrity);
- the level of competence, knowledge and experience;
- the qualifications; and
- undergone or is undergoing all training,

required to enable that person to perform his or her function effectively and in accordance with any relevant regulatory requirements and to enable sound and prudent management of GBO.

Any breaches of the fit and proper requirements are internally reported to the Branch Manager, Chief Compliance Officer and the Head of Human Resources. The Branch Manager is responsible for notifying the relevant regulator(s) of the change in circumstances and any remedial action that is being undertaken by GBO.

### **Training and competency**

GBO's training and competency ethos was designed to promote learning and development within TransRe and to ensure that the operation employs personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.

GBO actively encouraged staff to further develop and pursue professional qualifications. Personal development was the responsibility of each staff member.

In addition to the above, all staff who maintained professional qualifications were expected to undertake Continuing Professional Development in line with their relevant professional body requirements.

### **B.3 Risk Management System including the ORSA**

Business accepted by GBO was written on the TRC balance sheet, which had total assets of over US\$ 17.2 bn and stockholders' equity of over US\$ 5.2bn as at 31st December 2019. TRC has the following Financial Strength Ratings:

- Standard & Poor's Insurer Financial Strength Rating A+, outlook Stable;
- A.M. Best Best's Financial Strength Rating (FSR) A+ (Superior), outlook Stable;
- Moody's Long Term Rating A1, outlook Stable.

While GBO is dormant following the Transfer, it continues to benefit from an Enterprise Risk Management ("ERM") framework provided by TRE.





As a branch of a globally active reinsurance company, GBO's ERM framework was developed to enable GBO to understand and appropriately manage and mitigate the risks associated with GBO objectives in a manner that was commensurate with GBO and TransRe's risk profile and business arrangements.

The ERM framework seeks to engender a culture of no significant surprises and to ensure adequate tools are available to manage the most important risks to GBO, improve decision-making and to support the achievement of GBO's business objectives. In summary, the purpose of GBO's ERM framework is to:

- actively sponsor and foster a risk aware culture across GBO, supporting staff in making risk management based judgements, encouraging effective management of exposures within GBO's stated risk appetite;
- ensure a clear, coherent risk strategy that includes policies, standards, risk appetites and clarity of ownership for risks;
- ensure risk is taken into account in key business decisions;
- ensure that the 'three lines of defence' model operates effectively;
- implement risk strategies and policies that align with GBO's strategic and operational objectives;
- ensure risks and emerging risks are identified and understood and assessed on a forward-looking basis to allow management to take proactive steps; and
- sustain a robust Own Risk and Solvency Assessment ("ORSA") process that informs management's view of risk and capital.

GBO's ERM framework is supported by a comprehensive set of risk policies and guidelines to ensure adequate processes and procedures are in place to manage all types of risk which is supported by a suite of management information. The framework, as a minimum, is aligned with the regulatory requirements under the Solvency II regime as adopted by BaFin.

GBO's ERM framework has been aligned with the practices and principles established by TransRe, which include:

1. detailed risk appetites and tolerances;
2. first, second and third lines of defence;
3. underwriting guidelines and appetites;
4. inclusion in the group retrocession arrangements;
5. shared functions with other TransRe operations (e.g. claims, risk and catastrophe modelling); and
6. policies and procedures.

GBO's Risk Management function has been integrated into the organisation through the governance reporting lines to TRC's Chief Risk Officer and involvement in key decision making forums. Its responsibilities include:

- developing, communicating and implementing systems, processes and procedures for the management and evaluation of risk accumulations and providing key risk indicator reports;
- working alongside other key control functions and ensuring existing control activities and reports are developed into the risk and control reporting framework;
- coordinating with the key control functions to ensure internal policies, controls and procedures for identifying and managing key risks are documented in sufficient detail to allow for effective compliance, testing and auditing;
- coordinating documentation of the key internal policies, procedures and controls for the management of risks identified in the risk register;
- providing input and challenge into the development of stress and reverse stress tests for GBO; and
- leading the production of GBO's ORSA.

#### **Own Risk and Solvency Assessment**

The ORSA process considered GBO's own solvency assessment given its risk profile, business objectives and capital management strategy against its regulatory solvency requirement in order to determine whether

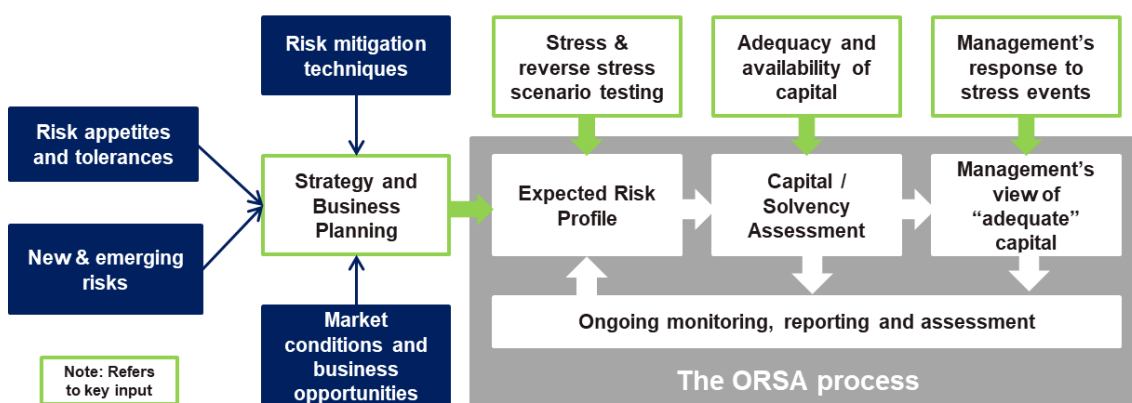


additional capital is required. The ORSA also considered the impact on GBO should it be subject to significant losses arising from both insurance and non-insurance events; against such extreme events, the ORSA considers what actions GBO management would undertake to mitigate the impact of such events.

GBO produced an ORSA report on at least an annual basis. The ORSA was a key management tool and was aligned to GBO's business planning and strategy, risks GBO was exposed to and the associated capital.

GBO management had identified a number of business and event triggers that would have resulted in the ORSA being re-run at any point during the year; these triggers were tracked by the Risk Management function.

Figure 10: GBO's ORSA process



The ORSA process provided GBO with a mechanism to assess the risks it was facing and to determine the necessary level of capital required to ensure GBO met its strategic and business objectives.

GBO's Risk Management function coordinated the relevant processes with subject matter experts across the business and prepared the ORSA report for review and approval by the GBO Branch Manager.

#### B.4 Internal Control System

Within GBO, there is a robust internal control system that includes:

- the corporate governance framework, procedures and controls;
- a financial control framework;
- independent control functions which comprise of the Actuarial, Compliance and Risk Management functions; and
- independent assurance provided by the Internal Audit function.

The financial control framework is designed to ensure that:

- risks relevant to the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework have been identified and documented;
- GBO is in compliance with group Sarbanes Oxley requirements; and
- there are sufficient and effective controls in place (both manual and automated) to mitigate these risks and to prevent or detect material misstatements in the financial statements and disclosures.

The financial statements are subject to rigorous controls and review prior to inclusion within TransRe's statutory accounts. The actuarial liabilities are produced using best practice actuarial practices that are subject to independent review. TransRe's financial statements are subject to internal review and external audit review.

In addition to the above, GBO's Internal Audit function, through planned and commissioned reviews of GBO's processes, provides an independent opinion on the internal control framework of GBO's business.



### Compliance function

The purpose of GBO's Compliance function has been to promote an organisational culture committed to integrity, ethical conduct and compliance with the law, and to set standards, policies and procedures that provide reasonable assurance that GBO was acting in a manner consistent with its local compliance and regulatory obligations and within TransRe's overarching compliance requirements.

The Compliance function was headed up by GBO's Compliance Manager with a direct reporting line to the Branch Manager and TRC's CCO. GBO's Compliance Manager was responsible for ensuring that TransRe's compliance mission was implemented, coordinated and enforced within GBO and reports any compliance violations or issues to the CCO.

GBO Compliance function reported on a quarterly basis to the local Risk Management meeting, as well as to TransRe's group compliance department, where appropriate.

The Compliance function's responsibilities included:

- advising GBO on compliance with Solvency II and related laws and regulations;
- providing training and guidance regarding applicable law and regulation and TransRe's and GBO's policies, and clearly communicating ethical guidance;
- assessing the possible impact of any changes in the legal and regulatory environment on the operations of GBO;
- identifying and assessing Compliance Risks relevant to GBO and managing the control environment that mitigates those risks;
- undertaking compliance monitoring and making recommendations to improve the effectiveness of compliance practices; and
- identifying GBO compliance training needs and working with TransRe's Corporate Compliance Department and Human Resources to implement effective compliance training programmes.

### B.5 Internal Audit Function

The GBO Internal Audit function has been led by the TransRe Director of Internal Audit, based in New York, USA, who is registered as GBO's Responsible Person for the Internal Audit function. Internal Audit is an independent function that provides objective challenge and assurance. Internal Audit supported GBO in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Those carrying out the Internal Audit function did not assume any other key functions.

The Internal Audit function is supervised by the TRH Audit Committee, with ultimate oversight provided by Alleghany's Audit Committee. Rolling three-year audit plans are submitted annually to TRH's Audit Committee for approval. Results of internal audits are distributed to GBO's Branch Manager, TRH's senior management and Audit Committee, as well as select senior management of Alleghany. Outstanding internal audit actions are tracked and progress is reported at TRH's Audit Committee and to the TransRe Europe Executive Committee, of which the GBO Branch Manager is a member.

### B.6 Actuarial Function

The Actuarial function has been responsible for:

- coordinating the calculation of technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- comparing best estimates against experience;
- informing the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- expressing an opinion on the overall underwriting policy;



- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk-management system.

The Actuarial function had a direct reporting line to the TransRe Senior International Actuary and to the Group Chief Actuary and reported on a quarterly basis to the TransRe Europe Reserve Committee in which GBO's Branch management participates. Moreover, on an annual basis, an internal Actuarial Function Report is provided to GBO and TRE management.

## B.7 Outsourcing

### Outsourcing management

There has been no delegation by GBO's key function holders of their responsibility for those functions.

For each outsourcing arrangement, the Branch Manager has been responsible for identifying whether the activity to be outsourced is critical or important, carrying out pre-contract due diligence including know your counterparty checks and agreeing the terms of the engagement. The Branch Manager has been also responsible for the ongoing oversight and management of outsourcing arrangements.

### Outsourcing of critical or important operational functions

Details of outsourcing in respect of GBO's critical or important operational functions are set out in Figure 14.

*Figure 11: Outsourcing of critical or important operational functions*

Outsourcing	Jurisdiction
Certain intra-group services and support services are provided by TRC.	New York, USA
Certain intra-group services and support services are provided by TransRe Europe S.A.	Luxembourg
The Actuarial key function is outsourced to TransRe Europe S.A.	Zurich
Certain intra-group services and support services are provided by TRC Paris Branch Office.	Paris, France
GBO's day-to-day investment management activities are outsourced to Group.	New York, USA

## B.8 Any Other Information

GBO does not consider there to be any other material information to disclose on its system of governance.



### **C. Risk profile**

Following the Transfer of all GBO's assets and liabilities to TRE on 31 December 2019, and its subsequent dormant status, GBO no longer has any risk assets or liabilities and accordingly no longer has a risk profile to report on. Accordingly, as of 31 December 2019, GBO no longer has any insurance, reinsurance, market, credit, liquidity or operational risk. The only residual risks facing GBO are legal and regulatory risks in the deregistration process.

Until the date of the Transfer, GBO's risk management system was substantially unchanged on the prior year. Details of GBO's risk management function during the prior year, which remained in place until the Transfer, are included in GBO's 2018 SFCR.



#### **D. Valuation for Solvency Purposes**

Following the transfer of all GBO's assets and liabilities to TRESA on 31 December 2019, and its subsequent dormant status, GBO no longer has any assets or liabilities and accordingly no longer has any applicable valuation policies to report on.

During the financial year 2019, GBO's valuation policies and practices were substantially unchanged on the prior year, details of which are included in GBO's 2018 SFCR.



## **E. Capital Management**

### **E.1 Own funds**

Prior to the Transfer, the overall objective of GBO was to maintain “own funds” capital at a level of at least 150% of the SCR while also ensuring GBO’s own funds were deployed within risk appetite. Following the Transfer on 31 December 2019, GBO no longer has any assets and liabilities, and therefore no “own funds” and no SCR. Details of GBO’s capital management as at 31 December 2018 are included in its 2018 SFCR.

### **E.2 SCR and MCR**

As of 31 December 2019, GBO has no Solvency II capital requirements and no own funds – GBO’s MCR and SCR were €nil.

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

GBO did not use the duration-based equity risk sub module to calculate the SCR.

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

GBO did not use an internal model to calculate the SCR and MCR.

### **E.5 Non-compliance with the MCR and Non-compliance with the SCR**

During the year, there were no instances of non-compliance with the MCR and SCR by GBO.

### **E.6 Any Other Information**

GBO does not consider there to be any other material information to disclose regarding its capital management.



## Appendix 1 - Abbreviations used in this report

A.M. Best	A.M. Best Company, Inc. and/or its affiliates
Alleghany	Alleghany Corporation
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
CRMC	Corporate Risk Management Committee
ERM	Enterprise Risk Management
FSR	Financial Strength Rating
GBO	German Branch Office of Transatlantic Reinsurance Company
GRM	Global Risk Management
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
QRT	Quarterly Reporting Template
S&P	Standard & Poor's Financial Services LLC and/or its affiliates
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II Directive
TransRe	Collective term for TRH, its subsidiaries, branches and representatives
TRC	Transatlantic Reinsurance Company
TRH	Transatlantic Holdings, Inc.
TRE	TransRe Europe S.A.
TRZ Solvency Cover	The reinsurance arrangements described in Section A5
US or USA	United States of America
USD	United States of America Dollar





## Appendix 2 – Public Quantitative Reporting Templates (QRT)

Templates		
S.02.01.02	Balance Sheet	Relevant element
S.05.01.02	Premiums, claims and expenses by line of business	Other information
S.05.02.01	Premiums, claims and expenses by country	Other information
S.17.01.02	Non-Life Technical Provisions	Relevant element
S.23.01.01	Own funds	Relevant element
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula	Relevant element
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity	Relevant element

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	0
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	0
R0140	<i>Government Bonds</i>	0
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	0
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	0
R0280	<i>Non-life and health similar to non-life</i>	0
R0290	<i>Non-life excluding health</i>	0
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	0
R0420	Any other assets, not elsewhere shown	0
R0500	<b>Total assets</b>	0

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	0
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	0
R0550	<i>Risk margin</i>	0
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	0
R0680	<i>Risk margin</i>	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	0
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	<b>Total liabilities</b>	0
R1000	<b>Excess of assets over liabilities</b>	0









**Solvency Capital Requirement - for undertakings on Standard Formula**

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	0		
R0020 Counterparty default risk	0		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	0		
R0060 Diversification	0		
R0070 Intangible asset risk	0		
<b>R0100 Basic Solvency Capital Requirement</b>	<b>0</b>		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	0		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	0		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
<b>R0200 Solvency Capital Requirement excluding capital add-on</b>	<b>0</b>		
R0210 Capital add-ons already set	0		
<b>R0220 Solvency capital requirement</b>	<b>0</b>		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module			
R0410 Total amount of Notional Solvency Capital Requirements for remaining part			
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds			
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios			
R0440 Diversification effects due to RFF nSCR aggregation for article 304			
<b>Approach to tax rate</b>			
R0590 Approach based on average tax rate			

**USP Key**

**For life underwriting risk:**  
 1- Increase in the amount of annuity benefits  
 9- None

**For health underwriting risk:**  
 1- Increase in the amount of annuity benefits  
 2- Standard deviation for r NSLT health premium risk  
 3- Standard deviation for r NSLT health gross premium risk  
 4- A djustment factor for non-proportional reinsurance  
 5- Standard deviation for r NSLT health reserve risk  
 9- None

**For non-life underwriting risk:**  
 4- A djustment factor for non-proportional reinsurance  
 6- Standard deviation for non-life premium risk  
 7- Standard deviation for non-life gross premium risk  
 8- Standard deviation for non-life reserve risk  
 9- None

C0100

C0109



S.28.01.01

**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**

Linear formula component for non-life insurance and reinsurance obligations		C0010		
R0010	MCR <sub>NI</sub> Result	0		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		0	0
R0030	Income protection insurance and proportional reinsurance		0	0
R0040	Workers' compensation insurance and proportional reinsurance		0	0
R0050	Motor vehicle liability insurance and proportional reinsurance		0	0
R0060	Other motor insurance and proportional reinsurance		0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance		0	0
R0080	Fire and other damage to property insurance and proportional reinsurance		0	0
R0090	General liability insurance and proportional reinsurance		0	0
R0100	Credit and suretyship insurance and proportional reinsurance		0	0
R0110	Legal expenses insurance and proportional reinsurance		0	0
R0120	Assistance and proportional reinsurance		0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance		0	0
R0140	Non-proportional health reinsurance		0	0
R0150	Non-proportional casualty reinsurance		0	0
R0160	Non-proportional marine, aviation and transport reinsurance		0	0
R0170	Non-proportional property reinsurance		0	0
Linear formula component for life insurance and reinsurance obligations		C0040		
R0200	MCR <sub>L</sub> Result	0		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		0	
R0220	Obligations with profit participation - future discretionary benefits		0	
R0230	Index-linked and unit-linked insurance obligations		0	
R0240	Other life (re)insurance and health (re)insurance obligations		0	
R0250	Total capital at risk for all life (re)insurance obligations			0
Overall MCR calculation		C0070		
R0300	Linear MCR	0		
R0310	SCR	0		
R0320	MCR cap	0		
R0330	MCR floor	0		
R0340	Combined MCR	0		
R0350	Absolute floor of the MCR	3,600		
R0400	<b>Minimum Capital Requirement</b>	3,600		

