ALPHA
INSURANCE

SOLVENCY AND FINANCIAL CONDITION REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Version 2020

Contents

Preliminary Information

The following abbreviations have been used in this report:

Alpha	Alpha Insurance SA
BCP	Business Continuity Planning
The Company	Alpha Insurance SA
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise Risk Management
ER	Emerging Risks
EU	European Union
NBB	National Bank of Belgium
Enstar	Enstar Group Limited
EEUL	Enstar (EU) Limited
Enstar Group	Collectively the companies ultimately owned by Enstar Group Limited

NED	Non-Executive Director
ORSA	Own Risk and Solvency Assessment
RSR	Regular Supervisory Report
S&P	Standard & Poor's
SFCR	Solvency and Financial Condition Report
SII	Solvency II Directive
SIMR	Senior Insurance Managers Regime
SIMF	Senior Insurance Management Function
SLA	Service Level Agreement
BE	Belgium
UK	United Kingdom

About this document:

General:

This Solvency and Financial Condition Report (SFCR) is prepared by Alpha Insurance (the Company) in accordance with the requirements and principles of Article 35, 51, 53, 54 of the Insurance Directive 2009 commonly referred to as the Solvency II Directive and Article 96 of the Belgian Law of 13 March 2016 on the Status and Supervision of Insurance and reinsurance companies.
Article 35 requires the Company to ensure that its SFCR takes into account:

a) qualitative or quantitative elements, or any appropriate combination thereof;
b) historic, current or prospective elements, or any appropriate combination thereof; and
c) data from internal or external sources, or any appropriate combination thereof.

The provided information shall comply with the following principles:

a) it must reflect the nature, scale and complexity of the business of the undertaking concerned, and in particular the risks inherent in that business;
b) it must be accessible, complete in all material respects, comparable and consistent over time; and
c) it must be relevant, reliable and comprehensible.

The Company's Reporting and Disclosure Policy follows these requirements and principles and the full requirements of the Solvency II Directive as they relate to the SFCR.
The SFCR is subject to the external audit requirements currently set out in the NBB circular 2017_20, and requires the Board of Directors to approve this report prior to submission.

Version: 2020

Data as at: 31 December 2019

Currency: the Company's functional reporting currency is Euro.

Consistency: This report contains information which is consistent with the Annual Report for the year ended 31st December 2019.

Materiality principle: The information disclosed in the solvency and financial condition report is considered as material if its omission or misstatement could influence the decision-making or the judgement of the users of that document, including the supervisory authorities.

Company Information

Registered Office: Nerviërslaan 85,
B-1040 Etterbeek (Brussels)

Company Registered Number: 0403 274 332

Regulator:

1. National Bank of Belgium (NBB)
   14 Boulevard de Berlaimont, B-1000 Brussels
2. Financial Services and Market Authority (FSMA).
   12-14 Rue du Congrès, B-1000 Brussels

NBB / FSMA Registered Number: 0124

External Auditors:
KPMG Bedrijfsrevisoren/Réviseurs d'Entreprises, a Belgian civil CVBA/SCRL , represented by Karel Tanghe and Jean-François Kupper, Luchthaven Brussel Nationaal 1K, 1930 Zaventem, Belgium

Summary

1. Background

Alpha Insurance NV ("Alpha" or the "Company") is authorised and regulated in Belgium by two insurance regulatory bodies, the National Bank of Belgium (NBB) and the Financial Services and Market Authority (FSMA). It is ultimately owned by Enstar Group Limited ("Enstar"), a company domiciled in Bermuda and which is publicly quoted on the NASDAQ stock exchange in the USA under symbol ESGR. The Bermuda Monetary Authority ("BMA") is the Group Supervisor for Enstar and its subsidiaries.

The principal activity of the Company is the conduct of general insurance business. The Company is in run-off, having voluntarily ceased to underwrite new business in 2015. Following approval from the NBB, the Company transferred its life insurance portfolio to Monument Assurance Belgium on the 31st of May 2019. As from then onwards the Company only conducts general insurance business.

2. Performance

The Company's results for the year are shown below in section A Business and performance.

The BEGAAP result as reported in the Company's audited financial statements is a net profit of 1,29 m€ compared to a profit of 0,76 m€ in 2018. The Non-Life result amounts to -5,24m€ and the Life result amounts to 6,53m€.

For both Life and Non-Life the very positive investment results were driven by good performance of the equity markets in 2019 and the realisation of gains by disposing of investments.

The technical result of the Non-Life business was negative due to an increase in ULAE due to a revised methodology following the Life transfer, with a net P&L impact of -5,2 m€.

The net result was positively impacted by the net profit on the Life transfer.

The Solvency II Company's Own Funds decreased to 25,0 m€ as per 31 December 2019 compared to 48,2 m€ in the previous year, mainly explained by a capital reduction.

During the course of 2019 the solvency ratio decreased slightly from 245% to 223%.

We observed the following movements:

- Total assets decreased from 184,6 m€ at year-end 2018 to 70,0 m€ at year-end 2019 which can be attributed to the payment of claims/maturities and expenses, the life transfer and the capital reduction.
- The liabilities decreased from 136,4 m€ in 2018 to 45,0 m€ in 2019 mainly due to the transfer of the Life portfolio. The Life Technical Provisions were taken off the balance sheet and the allocation of all remaining expenses to the Non-life segment resulted in a net increase in the Non-Life Technical Provisions despite the run-off. Compared to 2018 the Non-Life Best Estimate liabilities increased from 37,9 m€ at year-end 2018 to 39,3 m€ at year-end 2019.
- Alpha realised a statutory profit of 1,29 m€ as per 31 December 2019.
- The Company did not pay any dividend to its shareholders during the year. However, funds were distributed to the shareholders following a capital reduction of 21,4 m€.

Whilst Alpha no longer issues new business, it does continue to service the remaining in-force business and open claims. Alpha's operations focus on efficient client servicing & claims management and ensure that service levels to existing policyholders are maintained. The result of the company depends on changes in actuarially determined ultimate claims reserves, which reflect the results of claims development throughout the year including claims related legal matters (Non-Life), release of old, redundant reserves, in line with regulation, internal policies and procedures, changes in bad debt provisions, investment performance and expense management.
The main geographical area where the company carries out its activities is Belgium.

On 10 October 2018 the Company signed a business transfer agreement with Monument Assurance Belgium NV ("Monument") for the transfer of the entire Life business from Alpha to Monument. Both entities submitted a file to the National Bank of Belgium ("NBB") and received approval. The transfer became effective on 31 May 2019.
The transaction significantly impacted the balance sheet total as the total Life reserves have been taken of the balance sheet. The investments also decreased for a similar amount. In addition, the transaction had an impact on the staff, which decreased by 6 employees or 5,5 FTEs. The Company is now a 100% Non-Life run-off business and the growth of the company will be achieved through external growth by acquisition of new Non-Life run-off portfolios.

3. Solvency position

The Company considers that the Standard Formula methodology, prescribed by EIOPA, is an appropriate basis for the calculation of the Company's Solvency Capital Requirement (SCR). Using this methodology, the Company's SCR is calculated to be 11,2 m€ (2018: 19,7 m€).

in m€	**2019**	**2018**	**Δ**
Market risk	4,1	11,1	-7,0
Counterparty default risk	0,6	1,2	-0,6
Non-life risk	7,9	8,0	-0,1
Life risk	0,0	6,6	-6,6
Diversification	-2,5	-8,6	6,1
Operational risk	1,1	1,4	-0,3
LAC DT	0,0	0,0	0,0
SCR	**11,2**	**19,7**	**-8,5**

The continued run-off activities and the transfer of the life portfolio with reduction of the Life reserving risk to 0 explains the decrease of the SCR.

The following table shows the Company's solvency position as at 31 December 2019, with a comparison to the prior year.

in m€	**2019**	**2018**	**Δ**
Total eligible own funds to meet the SCR	25,0	48,2	-23,2
Total eligible own funds to meet the MCR	24,8	47,2	-22,4
Solvency Capital Requirement	11,2	19,7	-8,5
Minimum Capital Requirement	3,7	6,0	-2,3
Ratio of Eligible own funds to SCR	223%	245%	-21%
Ratio of Eligible own funds to MCR	670%	787%	-117%

Following the Life transfer, there was a significant increase of the solvency ratio to 308% at Q2 quarter-end. To manage capital efficiently, the shareholder decided to reduce Alpha's equity to bring the Solvency ratio back to a lower level while still meeting the NBB requirements and respecting the Risk Appetite Framework. In the event of an acquisition at the level of Alpha, the equity could be increased again as needed by means of a capital injection. An adequate conservative approach was applied. Following approval from the NBB and validation by the Board, it was prudently decided to proceed with a capital reduction of 21,4 m€. The capital was released in Q4 2019 and the solvency ratio at year-end 2019 still had a comfortable level of 223,5%.

The Company uses the volatility adjustment to calculate its Solvency position. Without volatility adjustment, the Solvency ratio would be 221% (QRT S.22.01). The Company does not use the matching adjustment or any other transitional arrangements.

The eligible amount of own funds to cover the SCR and MCR is fully classified as unrestricted Tier 1.

Further details of the Company's Own Funds and SCR are provided in section E.

4. System of Governance

The Company's business is limited to the settlement of Non-Life insurance liabilities. The system of governance is proportionate to the nature, scale and complexity of these activities.

The Company has a unitary Board comprised of a combination of executives, non-executives, and independent non-executives. All Board members are selected on the basis of their skills, competence and experience.

The Company considers the following key functions:

- Finance function: dealing with finance & investments
- Claims function: dealing with claims & reinsurance
- Actuarial function: dealing with reserving & capital modelling
- Risk management: dealing with the risk management and internal control systems
- Compliance: dealing with, regulatory, administration and supervisory compliance
- Internal Audit function: dealing with the evaluation of the adequacy and effectiveness of the internal control system and other elements of the system of governance.

It is the responsibility of the key function owners to maintain the appropriate policy and procedures documentation which incorporate the function's responsibilities for operations, risk management, internal control, internal audit, outsourcing and reporting. All governance documentation is reviewed

on a regular basis by either the management committee or the Board according to its nature. Section B provides a more detailed overview of the Company's system of governance.
There have been no significant changes to the Company's system of governance during the year and the system is compliant with the Belgian SII Supervision Law of 13 March 2016.

5. Risk Profile

The Company is no longer subject to Life reserving risk following the transfer of the Life portfolio. Apart from this, the Company's business model and risk profile hasn't materially changed over the reporting period compared to the previous year. The other risks remained the same in nature, but their relative importance increased with lower risk tolerance thresholds as a result. The fact that the size of the business decreased, logically makes the business more sensitive to various risks. This is also enforced by the significant loss of diversification as a result of the transferred Life business.

The following represents a summary of the key risks:

- Underwriting Risk:
  - Non-Life Reserving Risk
  - Non-Life Claims Management Risk

- Market Risk
- Liquidity Risk
- Credit Risk
- Operational risk

Alpha Insurance's capital risk profile is dominated by Non-Life underwriting) risk and market risk. These risk categories are extensively reported through Alpha's ORSA.

These risks are discussed in more detail in section C below.

6. Other significant events during SFCR review period having a material impact on the Company on a forward looking basis

The World Health Organization ("WHO"), on 11 March 2020, declared the coronavirus, COVID-19, outbreak as a global pandemic. The Company is closely monitoring the outbreak and actively assessing the potential impact to all stakeholders. The Company has a formal business continuity plan which is being continually reviewed in light of current developments and being actively deployed as events require, which includes office closures where required. From an employee wellbeing and business continuity perspective the Company, supervised by Enstar, is proactively monitoring this outbreak by maintaining continuous dialogue regarding its status and issuing periodic updates and guidance to all staff on preventative measures to maintaining good health. The local Business Continuity Team convened on March 5 and as from March 16 it was decided to have all Alpha employees work from home. All business functions remain fully operational, while management continues to monitor the situation to appropriately adjust measures as needed.

As the situation evolves the Company is regularly assessing the impact on solvency capital in line with established risk metrics and in compliance with the Company's risk appetite, including the impact following the recent volatility in the financial markets. The company actively participates in the regular requests for information from the NBB, the results of which are also shared with the Board of Directors. Despite the fact that the longer-term impact of this unprecedented situation is difficult to estimate, the analyses performed so far have not indicated that it poses a major threat for the future of the company. On 17 April 2020, using the most recent available market values and EIOPA risk free interest rates, the estimated Solvency II ratio was still 180% which remains at a comfortable level well above the regulatory requirements. While the ratio is significantly lower than the 223% reported at year-end 2019, the impact of the shock was well absorbed by the Company’s excess of assets over liabilities and is in line with the previous stress scenarios simulated by management in the ORSA. Due to the nature of Alpha Insurance's Non-Life insurance activities in run-off, the impact on both liquidity and technical results is extremely limited. The only significant impact on profitability, as is the main reason for the lower Solvency ratio, is related to the investment portfolio which was exposed to extreme volatility in March 2020. However, Alpha Insurance has an investment portfolio with a low risk profile, which as at year-end 2019 consisted primarily of 82% investment grade bonds, 9% equities and 5% riskier bonds (high yield corporate and emerging market government). While equities (-22,0%) and riskier bonds (-13,6%) saw a sharp decline in market value in the first quarter, investment grade bonds held up well (-1,7%).

The total decrease in the market value of the investment portfolio in the first quarter of 2020 amounted to 2,7 m€. Regarding profitability under Belgian GAAP, after application of the valuation rules the unrealised losses booked in the first quart of 2020 amounted to 1,3 m€.

The Company maintains a very robust financial and operational position to deal with the current pandemic. The impact as described above does not threaten the continuity of the Company and the going concern assumption remains appropriate. In line with the internal capital management policies and the recommendations of EIOPA and the NBB, no distributions will be made to shareholders until further notice.

The significant changes in the economic conditions, mainly the valuation of the investments, occurred as a result of events arising after the reporting date. As the going concern of the Company is not threatened by the COVID-19 situation, as illustrated above, management considers this to be a non-adjusting subsequent event and neither the financial statements nor the Solvency II figures required adjustment. Instead, the nature of the event and the estimate of the financial impact is disclosed here above.

A. Business and Performances

A.1 Business

Alpha Insurance NV is authorised and regulated in Belgium by two insurance regulatory bodies, the National Bank of Belgium (“NBB”) and the Financial Services and Market Authority (“FSMA”). The Company is ultimately owned by Enstar Group Limited (“Enstar”), a company domiciled in Bermuda and which is publicly quoted on the NASDAQ stock exchange in the USA (ticker ESGR). The Bermuda Monetary Authority (“BMA”) is the Group Supervisor for Enstar and its subsidiaries.

The Company was acquired by Enstar on 13 November 2015. Enstar acquired the Company (previously a subsidiary of the Nationale Suisse Group) from the Helvetia Group.

The incorporation of the Company into Enstar was done after the transfer of three line of business of the insurance company Compagnie Européenne d'Assurance des Marchandises et des Bagages SA (“Européenne”) which was also a subsidiary of the Nationale Suisse Group.

On 31 May 2019, after obtaining regulatory approval from the NBB, the Company transferred the entire Life business to Monument Assurance Belgium NV under a business transfer agreement. The transaction had a significant impact on the balance sheet total as the total Life reserves were taken off the balance sheet, with the investments decreasing by a similar amount. The transaction was followed up by a capital decrease of 21.4 m€ in the second half of 2019, to adapt the capital position of the Company to the decreased capital requirements.

Since the transfer of the Life business, the principal activity of the Company is the conduct of general (Non-Life) insurance business. The Company is in run-off, having voluntarily ceased to underwrite new business as from March 2015. Whilst Alpha no longer issues new business, it does continue to service the remaining in-force business. Alpha’s operations focus on efficient client servicing & claims management and ensure that service levels to existing policyholders are maintained.

The material geographical area where the company carries out its activities is Belgium.

The Company does not engage in reinsurance activities (only direct business).

The Company’s ultimate parent, Enstar Group Limited, is supervised in Bermuda by the Bermuda Monetary Authority that is located at BMA House, 43 Victoria Street, Hamilton, Bermuda. The name and contact details of the Company’s external auditor is shown in the section with company information.

The main trends and factors that contribute to the development, performance and position of the Company include:

- For Non-Life insurance activities, changes in actuarially determined ultimate claims reserves, which reflect the results of claims development throughout the year.
- For Life insurance activities, up to the transfer date of 31 May 2019: the amount and frequency of the surrenders and the actual mortality rate compared to the expected.
- Changes in bad debt provisions
- Investment performance
- Expense management

Non-Life summary of results on a Belgian GAAP basis

The Non-Life business was generated through a broker channel on one side and through underwriters on the other side (the main underwriters are Vander Haeghen and Arena).

Non-Life Result	**12/2019**	**12/2018**
Net earned premiums	398	482
Investment income	3.289	1.061
Net other technical income	61	1.158
Net claim expenses	-6.566	299
Net operating expenses	-1.553	-1.048
Investment expenses	-866	-731
Net other technical expenses	0	-3
Variation in equalization provision	50	37
Net technical result - Non-Life	**-5.186**	**1.256**
Corporate tax	-49	-17
Net result - Non-Life	**-5.235**	**1.239**

- Further decrease of the net earned premiums due to the run-off as few policies remain in force. The earned premiums consist mostly of the release of unearned premiums.
- The significant increase in investment income is due to:
  - 1,9 m€ of total gains (realised and unrealised) by the disposal of investments to free up cash for the capital decrease, and write-backs of previous value reductions which were no longer needed.
  - 1,3 m€ of regular investment income such as interest income from bonds and dividends from the equity fund. This exceeds the prior year amount as the residual Life assets were reallocated to Non-Life as from June 2019.
- As part of the acquisition by Enstar, the Company earned replacement right fees on renewal business since entering run-off until mid-2018. This explains the decrease in other technical income in 2019.
- There is an adverse net claims expense despite a stable actuarial ultimate loss. The 6,6 m€ expense is mainly explained by a revised methodology of the Unallocated Loss Adjustment Expenses (ULAE) provision. In absence of future premiums, the provision now considers all future expenses in the calculation rather than just the internal claim handling expenses. As a result, the ULAE provision increased by 5,2 m€ in 2019 which is the main driver of the net loss of the Non-Life segment. In addition, the internal claim handling expenses of the year amounted to 1,1 m€.
- The slight increase in operating expenses, despite an overall decrease in expenses, is explained by the Life transfer. As from June, all expenses are allocated to the Non-Life segment.

Life summary of results on a Belgian GAAP basis

The Life business was composed of a traditional products portfolio (in run-off since 2010) and of a credit product portfolio being long term covers linked to mortgage loans and short-term covers linked to consumer loans. Both credit product lines had been placed into run-off since 2015.

Life Result	**12/2019**	**12/2018**
Net premiums	1.129	3.271
Investment income	10.269	3.481
Net other technical income	486	1
Net claim expenses	-2.080	-6.773
Variation in other technical reserves	15.338	3.931
Net operating expenses	-462	-1.804
Investment expenses	-464	-2.570
Net other technical expenses	-18.346	-4
Variation in funds for future dotations	706	0
Net technical result - Life	**6.576**	**-466**
Corporate tax	-49	-17
Net result - Life	**6.527**	**-483**

- As a general comment, the accounting year 2019 only included 5 months of Life insurance activities up to the business transfer on 31 May 2019.
- The impact of the run-off was slower for Life activities as many contracts are very long term and with a regular premium. There was however a decline in number of policies and therefore in the net premiums in the first months of 2019.
- The significant investment income in 2019 is explained by the investments which were used to pay for the Life transfer, realising the previously unrealised gains on bonds.
- Other technical income of 0,5 m€ is the result of a balance sheet cleaning exercise performed after the transfer of the Life business.
- Net claim expenses were slightly lower than the pro rata of previous year. While death claims and surrenders were in line, the number and amount of maturities is generally lower in the first months of the year as many contracts mature at the end of the year.
- Significant variation in other technical reserves equals the release of the flashing light provision (no longer required after the Life transfer) for an amount of 14,1 m€ and the evolution of the mathematical reserves in the first 5 months of 2019 for 1,2 m€.
- The decrease in operating expenses compared to the pro rata of 2018 reflects the decrease in the overall expenses of Alpha.
- The significant other technical expenses reflect the difference the between price of the business transfer (calculation based on Solvency II principles) and the statutory value of the transferred mathematical and claims reserves.
- The net profit for the Life segment is driven by the realised investment gains and the release of the flashing light provision which more than offset the accounting loss on the transferred reserves.

A.2 Underwriting performance

Non-Life

The following table analyses the technical result by line of business as presented in QRT S.05.01. There is no accepted reinsurance and all business is in the EEA (all in Belgium except for a minor portion in the Netherlands).

2018

amounts in k€	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Miscellaneous financial loss	Total
Premiums written									
Gross	-1	12	-34	18	-35	0	0	-78	**-119**
Reinsurers' share	0	0	0	9	0	0	0	0	**9**
Net	-1	12	-34	8	-35	0	0	-78	**-128**
Premiums earned									
Gross	-1	12	-33	501	-35	533	0	-62	**916**
Reinsurers' share	0	0	0	419	0	0	0	14	**433**
Net	-1	12	-33	82	-35	533	0	-76	**482**
Claims incurred									
Gross - Direct Business	-616	-224	-150	-589	-470	1.060	-66	-701	**-1.757**
Reinsurers' share	0	82	0	673	4	0	0	146	**905**
Net	-616	-306	-150	-1.262	-474	1.060	-66	-847	**-2.662**
Expenses incurred	870	39	144	312	315	216	1	2	**1.899**

2019

amounts in k€	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Miscellaneous financial loss	Total
Premiums written									
Gross	-1	0	-1	3	-1	0	0	-25	**-24**
Reinsurers' share	0	0	0	0	0	0	0	0	**0**
Net	-1	0	-1	3	-1	0	0	-25	**-24**
Premiums earned									
Gross	-1	0	-1	123	-1	398	0	-23	**495**
Reinsurers' share	0	0	0	96	0	0	0	2	**98**
Net	-1	0	-1	27	-1	398	0	-25	**398**
Claims incurred									
Gross - Direct Business	-947	-98	-44	-232	1.287	21	-40	371	**319**
Reinsurers' share	0	-50	0	122	0	0	0	6	**79**
Net	-947	-49	-44	-354	1.287	21	-40	365	**240**
Expenses incurred	1.407	46	65	294	541	393	0	19	**2.765**

Gross claims paid in the run-off business are below budget. The remaining claims are the more complex cases and the timing of pay-out is difficult to estimate. Since the motor claim reserves were strengthened in 2017 there has been favourable development in both 2018 and 2019 on claims that were closed. The main Line of Business (LOB) with adverse development in 2019 was General Liability, due to two large losses in particular where either the reserve evaluation was increased or the court settlement exceeded the reserve evaluation.

Life

The following table analyses the technical result for Life activities as presented in QRT S.05.01, again covering just the period until the Life transfer on 31 May 2019. There was only one line of business and all business was in Belgium.

amounts in K€	Other life insurance	
	2019	2018
Premiums written		
Gross	1.149	3.277
Reinsurers' share	20	6
Net	1.129	3.271
Premiums earned		
Gross	1.149	3.277
Reinsurers' share	20	6
Net	1.129	3.271
Claims incurred		
Gross	1.786	5.543
Reinsurers' share	0	12
Net	1.786	5.531
Changes in other technical provisions		
Gross	-15.338	-3.945
Reinsurers' share	0	-14
Net	-15.338	-3.931
Expenses incurred	803	3.207
Total amount of surrenders	502	842

Important results:

- The decrease in premiums in in line with the comments on the Belgian GAAP figures.
- The costs of claims paid in in line with the comments on the Belgian GAAP figures, the difference being the administration expenses.
- The significant decrease of the other technical provisions is the same as in the Belgian GAAP figures.
- Decrease in expenses as only 5 months are included and due to the lower overall costs.

A.3 Investment result

The Company holds all of its investments in Euro. The main asset classes are government and corporate bonds but as from 2017 there has also been invested in equity and bond funds following the revised investment strategy based on the annual ALM study. There are no investments in real estate.

The following tables give an overview of the investment results in k€ as presented in QRT S.09 for 2018 and 2019.

2018

Asset category	Dividends	Interest	Rent	Net gains and losses	Unrealised gains and losses	Total
Government bonds		2.031		34	-1.511	554
Corporate bonds		1.697		234	-1.885	46
Equity instruments	3			10	0	13
Collective Investment Undertakings	269			165	-2.597	-2.162
Cash and deposits		-46		0	0	-46
Mortgages and loans		206		0	-102	104
Total	**272**	**3.889**	**0**	**443**	**-6.096**	**-1.491**

2019

Asset category	Dividends	Interest	Rent	Net gains and losses	Unrealised gains and losses	Total
Government bonds		1.453		2.687	-14	4.126
Corporate bonds		888		2.307	120	3.315
Equity instruments	1			0	0	1
Collective Investment Undertakings	135			1.266	2.014	3.415
Cash and deposits		-55		0	0	-55
Mortgages and loans		145		0	88	233
Total	**135**	**2.430**	**0**	**6.260**	**2.209**	**11.034**

The total investment result for 2019 shows a significant profit. The main reasons for this are:

- Significant realised gains on several asset classes as Alpha disposed of assets on two occasions in 2019, to pay for the Life transfer to Monument and to pay the cash dividend to the shareholder. Most assets were carried at a book value lower than the market value.
- Favourable market conditions in 2019 which increased the market value of investment funds, mainly the equity fund but also bond funds (high yield and emerging markets).
- A decrease in the interest income as the portfolio became smaller and investments that matured where replaced with investments with a lower return.

A.4 Result of other activities

The Company did not engage in any material other activities in 2019. All income and expenses are attributed to the insurance activities as described in the previous sections, including the transfer of the Life business to Monument on 31 May 2019.

A.5 Any other information

The World Health Organization (“WHO”), on 11 March 2020, declared the coronavirus, COVID-19, outbreak as a global pandemic. The Company is closely monitoring the outbreak and actively assessing the potential impact to all stakeholders. The Company has a formal business continuity plan which is being continually reviewed in light of current developments and being actively deployed as events require, which includes office closures where required. From an employee wellbeing and business continuity perspective the Company, supervised by Enstar, is proactively monitoring this outbreak by maintaining continuous dialogue regarding its status and issuing periodic updates and guidance to all staff on preventative measures to maintaining good health. The local Business Continuity Team convened on March 5 and as from March 16 it was decided to have all Alpha employees work from home. All business functions remain fully operational, while management continues to monitor the situation to appropriately adjust measures as needed.

As the situation evolves the Company is regularly assessing the impact on solvency capital in line with established risk metrics and in compliance with the Company’s risk appetite, including the impact following the recent volatility in the financial markets. The company actively participates in the regular requests for information from the NBB, the results of which are also shared with the Board of Directors. Despite the fact that the longer-term impact of this unprecedented situation is difficult to estimate, the analyses performed so far have not indicated that it poses a major threat for the future of the company. On 17 April 2020, using the most recent available market values and EIOPE risk free interest rates, the estimated Solvency II ratio was still 180% which remains at a comfortable level well above the regulatory requirements. While the ratio is significantly lower than the 223% reported at year-end 2019, the impact of the shock was well absorbed by the Company’s excess of assets over liabilities and is in line with the previous stress scenarios simulated by management in the ORSA. Due to the nature of Alpha Insurance's non-life insurance activities in run-off, the impact on both liquidity and technical results is extremely limited. The only significant impact on profitability, as is the main reason for the lower Solvency ratio, is related to the investment portfolio which was exposed to extreme volatility in March 2020. However, Alpha Insurance has an investment portfolio with a low risk profile, which as at year-end 2018 consisted primarily of 82% investment grade bonds, 9% equities and 5% riskier bonds (high yield corporate and emerging market government). While equities (-22,0%) and riskier bonds (-13,6%) saw a sharp decline in market value in the first quarter, investment grade bonds held up well (-1,7%).

The total decrease in the market value of the investment portfolio in the first quarter of 2020 amounted to 2,7 m€. Regarding profitability under Belgian GAAP, after application of the valuation rules the unrealised losses booked in the first quart of 2020 amounted to 1,3 M€.

The company maintains a very robust financial and operational position to deal with the current pandemic. The impact as described above does not threaten the continuity of the company and the going concern assumption remains appropriate. In line with the internal capital management policies and the recommendations of EIOPA and the NBB, no distributions will be made to shareholders until further notice.

The significant changes in the economic conditions, mainly the valuation of the investments, occurred as a result of events arising after the reporting date. As the going concern of the Company is not threatened by the COVID-19 situation, as illustrated above, management considers this to be a non-adjusting subsequent event and neither the financial statements nor the Solvency II figures required adjustment. Instead, the nature of the event and the estimate of the financial impact is disclosed here above.

B. Governance system

B.1 General Information about the governance system

B.1.1. Board of Directors

Alpha Insurance is managed by a Board of at least eight members, all natural persons, appointed for three or six years by the General Assembly of Shareholders. The Board convenes at least four times per year to fulfil its responsibilities effectively and prudently.
The current Alpha Board consists of:

- Four executive directors;
- Three non-executive directors; and
- Two independent non-executive directors.

The Alpha Board consists of an appropriate mix of Executive Directors and Non-Executive Directors. Two Non-Executive Directors fulfil the criteria of Independence as set out in the Belgian Company Code. The majority of the Board members are Non-Executive Directors.
In carrying out the duties of the Board, Directors act in accordance with all relevant and applicable legislative and regulatory rules.
The Board has adopted corporate governance practices and policies to promote the effective functioning of the Board.

Directors attend all Board meetings unless they are unable to attend due to circumstances beyond their control. Attendance and eligibility to vote at each meeting is evidenced in the minutes of each meeting.

The Chief Executive Officer ("CEO") and Company Secretary are responsible for maintaining the Board meeting calendar, invitations and for the circulation of relevant material in advance of Board meetings.

The roles of Chairman of the Board and CEO are undertaken by different Board members.

The Company Secretary is responsible for taking minutes each meeting.
Alpha is, represented by two Directors, acting collegially in accordance with the Articles of Association of the Company.

a) Strategy, Goals of the Company and Internal Control/Risk Management

The Board is the decision-making body for all matters material to Alpha in strategic, financial and reputational terms. The Board approves expenditure over certain limits and has overall responsibility for management of the business and affairs of the Company, the establishment of strategy and capital raising and allocation.

The Alpha Board has the responsibility to ensure that management maintain a system of internal control that provides assurance of effective and efficient operations, risk management and internal controls and compliance with applicable regulations and laws.

The Board is also responsible for creating and sustaining shareholder value through management of Alpha's business and its risk appetite. It is Alpha's policy to strive to achieve the highest level of professional and ethical standards in the conduct of its business affairs. Alpha and the ultimate parent Enstar Group place importance upon its reputation for honesty, integrity and high ethical standards.

b) Supervision

The Board monitors and oversees Alpha's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of risk management and internal control and for compliance with statutory and regulatory obligations.

The Board has an active role in overseeing management of risks faced by Alpha. The Board regularly reviews information regarding (re)insurance (including reserving), operations, credit, liquidity, finance and investments and the risks associated with each.

Standing agenda items are listed at each Board Meeting on a quarterly basis.

B.1.2. Management Committee

The Company has a management structure that guarantees effective and prudent management, taking into account the nature, scale and complexity of the risks inherent to the company's business model and activity. There is a clear division between the senior management of the insurance company and the supervision of this management in accordance with article 42, § 1, 1° of the Solvency II Law. There is a distribution of competences at the highest level between:

- the Board of Directors, which (i) determines the overall business strategy as well as the risk policy and (ii) supervises activities;
- the Management committee/Meeting ("MM")., which is responsible for the specific management of the insurance company's activity.

To enable the Board to carry out its objectives, authority and terms of reference are delegated to the Management Committee/Meeting ("MM").
The MM consists of persons who exercise a direct and decisive influence on the management of Alpha's business.

In accordance with 1.3.4 of the Solvency II Governance Circular MM undertakes the following responsibilities as a collegial body:

a) Implementation of the strategy of the Board
b) Implementation of the Risk Management System
c) Set-up, follow-up and assessment of the organisational and operational structure
d) Reporting to the Board of Directors and the National Bank of Belgium

In addition, MM discusses, validates and approves the quarterly Quantitative Reporting Templates (QRTs) in accordance with the articles 80 §5, and 202 of the Belgian Solvency II-Law of 13 March 2016.

Members of MM have day-to-day responsibility for risk management and establishing risk management practices within key functions.
To meet the requirements of the Belgian Solvency II Law (The Law of 13 March 2016 on the legal status and supervision of insurance or reinsurance companies) of ensuring a direct link with the Board of Directors all members of MM participate as an Executive Director in the Board of Alpha.

MM membership consists of:

Kim Torbeyns	Chief Executive Officer(“CEO”)	Chairman of MM
Gregg Delforge	Deputy Chief Executive Officer (“Deputy CEO”)	Chairman of MM
Maxime Ronsmans	Chief Finance Officer (“CFO”)	Member of MM
David Matthys	Compliance Officer/Chief Risk Officer (“CRO”)	Member of MM

Both CEO and Deputy CEO assume the same responsibilities as Chair of the management committee and person tasked with the day-to-day management. No co-signature is required for the execution of this day-to-day management.

All meetings of the MM are minuted.

B.1.3. Audit/Risk/Remuneration Committees

As Alpha employs less than 250 employees and has an annual net turnover of less than 50 m€ the establishment of a local Alpha audit/risk/remuneration committee is not required.
The Board of Directors performs all the tasks in accordance with the Belgian Solvency II Law.
The Internal Audit Function as well as the Risk Management Function report directly to the Board of Directors and they submit detailed reports on a quarterly basis.

B.1.4. Remuneration Policy

a) Principles

- Independent Non-Executive Director (“INED”)
  INEDs are remunerated by the Company to which they provide services to under the terms of a service agreement. INEDs are expected to attend, quarterly Board Meetings and conduct their duties in accordance with the criteria of independence as set out in the Belgian Company Code. Their remuneration is set by the Board and their appointment is approved by the National Bank of Belgium. The INEDs are not subject to the Remuneration Policy and their remuneration only consists of a fixed amount.
- Non-Executives Director (“NED”)
  The appointment of a NED is approved by the National Bank of Belgium. NEDs are remunerated by the Company they are contracted to. The contracting company may recharge Alpha for the time and costs of the Non-Executive Directors.
- Executives, Independent control functions and employees

The remuneration of the local Executive Directors and all employees including the ones responsible for independent control functions is set by EGL, and is not linked to the financial performance of the Belgian regulated entity in any way. Every employee shall have a contract of employment. Every Executive Director shall have a contract based on a self-employed status.

The Remuneration policy is based on the principles as set out in art. 275; a), b), c), d), e), f), g) and h) of the Solvency II Delegated Act 2015/35

b) Fixed and variable parts

As the remuneration scheme includes both fixed and variable components, such components are balanced so that the fixed or guaranteed component represents a sufficiently high proportion of the total remuneration to avoid employees or Executive Directors being overly dependent on the variable components and allowing the undertaking to operate a fully flexible bonus policy, including the possibility of paying no variable component.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package. The four remuneration components are:

- fixed remuneration (including fixed supplements)
- performance-based remuneration (variable salary)
- pension schemes
- other benefits

The fixed remuneration is determined based on the role and position of the individual employee/Executive Director, including professional experience, responsibility, job complexity and local market conditions.

c) Collective/individual criteria

Bonuses, payable to employees are entirely discretionary based upon the success and financial performance of Enstar Group as a whole and the individual employee's contribution to that financial performance. The employee's or Executive Director's contribution will be measured (Yearly Appraisal Process) on individual realisation of objectives and Key Performance Indicators and is not related to the success of any individual Belgian regulated entity.

Performance based remuneration is disbursed as a cash bonus. As the Group is primarily involved in run-off insurance business the time horizon of the business is short, bonuses are settled once approved by the EGL Board.

d) Supplementary pension schemes

The Company collaborates with an insurance company to organise the pension scheme. Company and employee contributions are defined in the pension scheme plan.

e) Share Plan

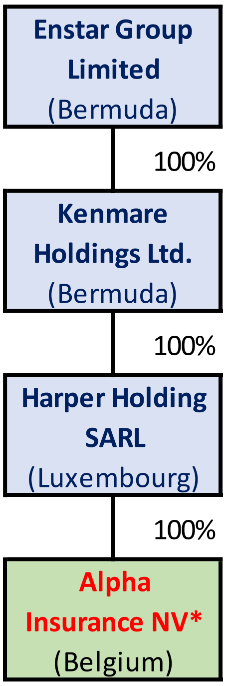
All employees are entitled to participate in the company's share plan. In accordance with the latest plan, employees can choose to transfer a maximum of 15% of their gross remuneration to buy Enstar Shares with a 15% discount.

f) Early retirement

Two types of early retirement options are available:

- Firstly, the right of an employee to leave after a career of 40 years without having reached the age of 65. At present the Company has no employees or former employees that have applied for this option.
- Secondly is the scenario where the Company dismisses an employee, where, dependent on meeting certain criteria, the dismissal can take the form of an early retirement. There are currently 8 former employees who have met this criteria and provisions have been made to meet the obligations of the Company in respect of their retirement.

B.1.5. Shareholders



** One share in Alpha Insurance NV is held by Enstar (EU) Limited (UK)*

Alpha is a subsidiary of Enstar Group Limited.

Enstar Group Limited ("EGL") registered in Bermuda (EC 30916), is a Bermuda based holding company formed in 2001. EGL is a multi-faceted insurance group that offers innovative capital release solutions and specialty underwriting capabilities through its network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia and other international locations. Enstar is listed on the NASDAQ Global Select Market under the ticker symbol « ESGR ». The Bermuda Monetary Authority ("BMA") is the Group Supervisor for Enstar and its subsidiaries.

A copy of the EGL Financial Statements can be found on the EGL website at:
https://investor.enstargroup.com/annual-reports

Kenmare Holdings Ltd.("Kenmare"), registered in Bermuda (EC 30917) is an intermediate holding company for Alpha and other EGL subsidiaries. Kenmare is a private company incorporated under the laws of Bermuda to acquire and manage insurance and reinsurance companies in run-off, and to provide management, consulting and other services to the insurance and reinsurance industry. Kenmare also operates active underwriting businesses, including the Atrium group of companies, which manage and underwrite specialist insurance and reinsurance business for Lloyd's Syndicate 609, and the StarStone group of companies, an A-rated global insurance group with multiple global underwriting platforms.

Harper Holdings SARL ("Harper") – is a "société à responsabilité limitée" incorporated under the laws of Luxembourg on October 15, 2004. Harper is incorporated for an unlimited period. The Company has its registered address at 25C Boulevard Royal, L-2449 Luxembourg and is registered at the Luxembourg Commercial Register under number R.C,S Luxembourg Mo B 103670. The purpose of the Company is the holding of participations, in any form whatsoever, in Luxembourg and foreign companies and any other form of investment, the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or otherwise of securities of any kind and the administration, control and development of its portfolio. Harper may further guarantee, grant loans or otherwise assist the companies in which it holds a direct or indirect participation or which form part of the same group of companies as the company. Harper may carry out any commercial, industrial or financial activities which it may deem useful in accomplishment of this purpose.

EGL actively supports good corporate governance practices. Sound principles of corporate governance are critical to obtaining and retaining the trust of investors and to Enstar's goal of performance with integrity. The Board of Directors of EGL has adopted corporate governance practices and policies to promote the effective functioning of its own Board of Directors, its committees, as well as for group subsidiary Boards of Directors and all employees.
All group employees are required to comply with the EGL Code of Conduct at all times.

B.2 Fit and proper requirement

B.2.1. Description of the required skills

The Company expects all employees to meet the Company's internal and regulatory requirements applicable to their professional qualifications and integrity in accordance with NBB Circular NBB_2018_25 (This circular relates to the "fit and proper" requirements of persons who hold or wish to hold key positions within financial institutions).

The Company implemented a local Fit and Proper Policy of which the wide scope also covers the persons highlighted in the Overarching Circular on System of Governance NBB_2016_31. This Policy specifically applies to the Company's Directors and Officers[1], including personnel undertaking those roles for regulated companies under a services or other agreement (collectively referred to as "Covered Persons").
A Covered Person should have the necessary qualities, competencies and experience to perform his/her duty and carry out the responsibilities required of his/her position in an effective manner. Each Covered Person must meet the criteria outlined below, as well as any additional criteria relevant to local jurisdictions, to be deemed fit and proper.
Each Covered Person shall:

- possess the necessary competencies, skills, experience, knowledge, expertise, diligence and soundness of judgement to undertake and fulfil the particular duties and responsibilities of the role;
- demonstrate the appropriate character, competence, honesty and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of their current duties;
- demonstrate sufficient knowledge of and a willingness to comply with legal obligations, regulatory requirements, professional standards and fiduciary obligations;

[1] A "Senior Manager" or "Officer" is defined as an employee who effectively runs a business unit or who undertakes, or is involved in, any of the following activities to the extent that they materially affect the Group's business or financial standing:
  - has the authority to make, or has substantial influence in making, decisions that affect the whole, or a substantial part of the company;
  - is principally accountable or responsible, whether solely or jointly with other persons for implementing and enforcing strategies and policies approved by the Board;
  - has primary or significant responsibility for key controls and/or functions
  - is principally accountable or responsible, whether solely or jointly with other persons, for developing and implementing systems that identify, assess, manage or monitor risk in the company.

- be aware of and be able to effectively ensure implementation and compliance with the underlying principles of laws, regulatory requirements and license obligations applying to the relevant entity; and
- be able to identify and appropriately manage any conflicts of interest, in accordance with the conflict of interest policy.

No Covered Person shall:

- have (or have been involved with an entity that has) been refused admission, reprimanded, disqualified or removed by a professional or regulatory body due to matters relating to such Covered Person's honesty, integrity or business conduct;
- have been terminated, resigned or asked to resign from a position as a director or manager or professional service provider to an entity in circumstances which reflected adversely on their honesty or integrity in discharging their responsibilities in that role; have been the subject of civil or criminal proceedings or enforcement action, in which such Covered Person was determined in a final judgment to lack honesty or integrity; or
- have intentionally hindered, obstructed or misled, or failed to be truthful with a regulatory agency.

B.2.2. Fit & proper assessment process

With the assistance of the HR department, each Covered Person is assessed against the Fit & Propriety criteria outlined in the policy.
The Board takes all reasonable steps to ensure that each Covered Person is aware of, and understand this Policy and their obligation to continue to meet the fit & proper requirements on an on-going basis.
Candidates for Covered Person positions will be pre-assessed prior to joining the Enstar Group using the following process:

- individuals applying for Covered Person positions, including in an interim capacity, must be assessed with the assistance of the HR department against the Fit & Proper Policy and the NBB circular;
- references and proofs of industry/ professional qualifications are sought and retained; and
- background checks to include criminal records check are sought and retained.

Where a candidate for a Covered Person position is assessed as not fit & proper for a position, the candidate shall not be appointed to the position.
In particular, regarding the Fit & Proper assessment by the National Bank of Belgium, when a new person is deemed fit by the Company, authorisation from the NBB will follow where applicable, taking into account variables in the assessment and the characteristics of the institution in question. For the purposes of its own assessment the NBB will primarily consider the information supplied by the institution (through standard forms) and by the person in question as a basis. The Company is best placed to determine which knowledge, experience and skills are required for a given position at the Company. The NBB expects the institution to carry out this exercise thoroughly, and analyses the responsibilities relating to a given position and the knowledge. Assessments of suitability carried out by the NBB are based firstly on all of the information which must be sent by the company and the person who is to be assessed, and the NBB has designed a standard form for this purpose. This form allows financial institutions to inform and document the NBB, consistently and uniformly, about the expertise and professional integrity of persons who fall within the scope of the law.

Human Resources and Compliance continue to monitor any staff changes or business activities that could have an impact upon roles and ensure that processes are in place to confirm ongoing fitness & propriety.

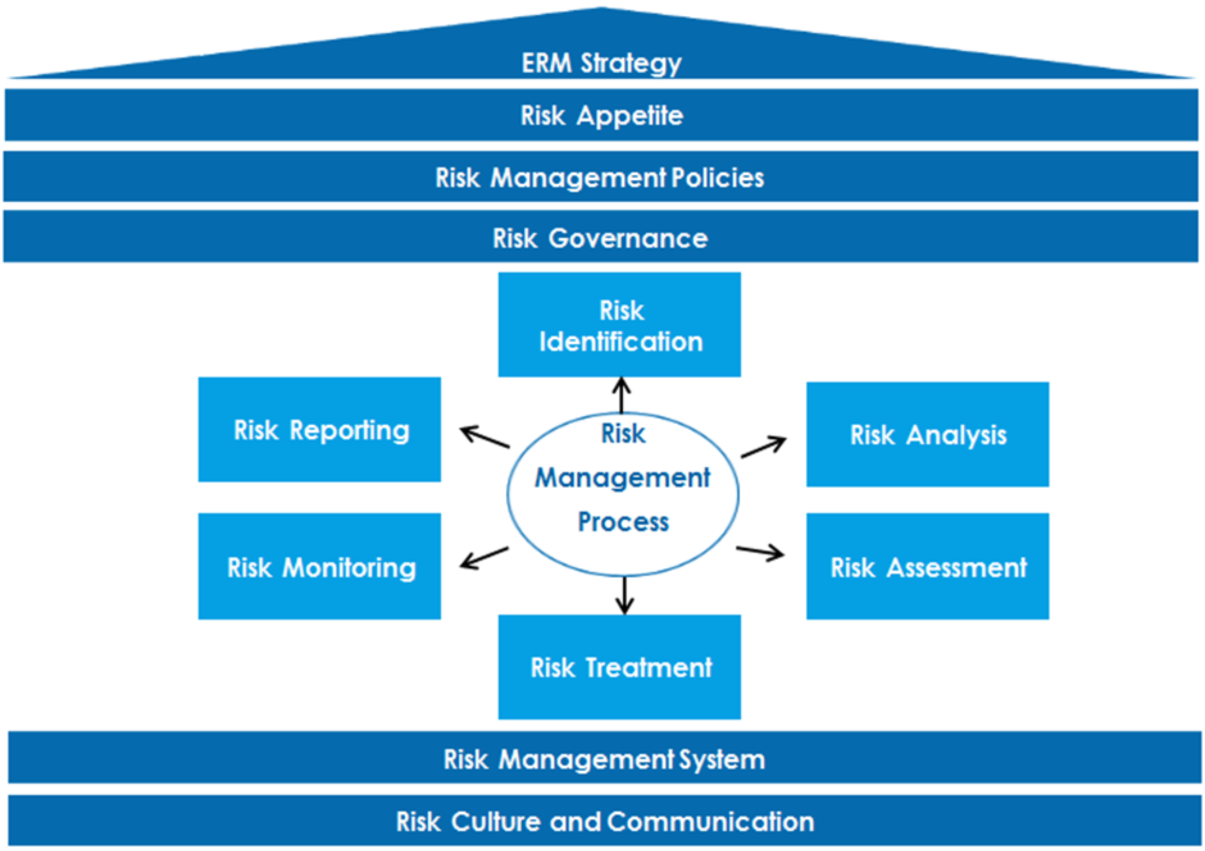
A Covered Person must immediately inform his/her local Compliance or HR Department of any event that may result in them no longer being able to meet the Fit & Proper criteria. Where it has been assessed by the institution or the BNB the appropriate party that a Covered Person is no longer fit & proper for a position, the Board shall take reasonable steps to remove the person from such position as soon as practicable possible and in the interim, institute necessary measures to mitigate risks associated with the person continuing to hold the position and inform the NBB.

B.3 Risk management system including the internal risk and solvency assessment

B.3.1. Principles

The Company has designated the risk management function as a key function.
The risk management function is a group function with a designated local team responsible for the Company and reporting to its management and BoardThe Company has a local CRO, who is supported by the Group Risk Management function.

The Company's approach to risk management is to draw together its risk strategy in conjunction with the wider group and to encourage good practice through a strong risk management culture across all operations. This approach is illustrated in the following schematic:



The main responsibilities of the risk management function are:

- To assist the Board in maintaining an appropriate risk management;
- To maintain an infrastructure for risk management processes for identifying, assessing, managing and monitoring risk for the Company;
- To develop, maintain and report on the Company's risk appetite framework;

- To integrate risk management with strategy setting and business planning and provide guidance and direction to the Company and its Board on risk management matters;
- To review and oversee the risk reporting process ensuring appropriate information is presented to senior management and Board;
- To assist in the Company's ORSA process.

On a quarterly basis the Board receives a risk management report which is discussed with the local CRO and the group risk management function. Minutes of the discussions at Board level are circulated and actions included in future minutes.

B.3.2. Own Risk and Solvency Assessment

The Board of Alpha is actively involved in the ORSA process as described in its policy, directing and challenging the performance and outcomes where appropriate.

The Board engages in the process of assessing all of the risks inherent in the Alpha's business and determines the corresponding economic capital required to meet regulatory and strategic business objectives.

Alpha is using the Standard Formula ("SF") approach to calculate its solvency capital requirement ("SCR") in the Solvency II context. The use of the Standard Formula approach is considered appropriate in view of the limited size and complexity of the business.

The ORSA is both quantitative and qualitative. The Board is aware of all material risks faced by the company, whether these risks are covered by:
- the SF SCR,
- ORSA quantitative results, or
- an assessment using qualitative information (e.g. operational risk and reverse stress testing).

The scope of the Alpha run-off business activities is significantly more limited than those of a 'live' underwriting business. The ORSA process is proportional to the nature, scale and complexity of the risks inherent in each entity.
Within this framework the key elements of the ORSA include:
- the overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy of the undertaking;
- the compliance, on a continuous basis, with relevant capital requirements and with the requirements regarding technical provisions;
- the significance with which the risk profile of the undertaking concerned deviates from the assumptions underlying the Solvency Capital Requirement calculated with the standard formula;
- the own-risk and solvency assessment shall be an integral part of the business strategy and shall be taken into account on an ongoing basis in the strategic decisions of the undertaking;
- a reassessment referred to in without any delay following any significant change in the risk profile;
- risks the undertaking is or could be exposed to, taking into account potential future changes in its risk profile due to the business strategy or the economic and financial environment, including operational risks;
- the nature and quality of own fund items or other resources appropriate to cover the risks identified;
- valuation and recognition bases that are appropriate for the business and risk profile;
- periodic reporting to the supervisory body;
- the internal control and risk-management systems and approved risk tolerance limits;

- assessment whether the business activities and associated solvency needs are properly determined and matched at the relevant time horizons.

Alpha is required to comply with the principles as set out in the NBB circular 2019_30 of 3 December 2019 on the Own Risk and Solvency Assessment. In addition to the ORSA report, the Company is required to submit a template which is populated with information about the five most material risks affecting the business.

The ORSA is an ongoing process with periodic reporting. An ORSA Report will be monitored at least annually or as determined by the Board.

The ORSA basis is based on the Business Plan which is approved by the Board. The Business plan is representative of the business strategy.

The ORSA Report will include analysis of the updated year- or quarter-end SF SCR and Risk Management position. The ORSA Report also includes a 3-year forward looking assessment of the capital requirements to support the prospective business goals.

An ORSA is re-run for an entity in full in the event of a material change in the:
- underlying risk profile.
- to the system of governance
- market or macroeconomic conditions

The requirement for this is determined by the Board based on a change with is expected to move the SF SCR significantly.

The type of change and impact is evaluated and documented including the effect on the SF SCR and the impact of this change is justified on both a quantitative and qualitative level.

The Alpha ORSA policy and process sets out the keys steps which would need to be undertaken to meet the requirements:

- Risk Assessment
- Capital Assessment
- Solvency Assessment
- Forward Looking Assessment
- Stress & Scenario Testing
- Governance

B.4 Internal control system

B.4.1. Principles

The Company has an effective internal control environment which is established and governed through the Internal Control Policy and Procedures. The purpose of this policy is to provide a mechanism for the implementation, monitoring and reporting on the internal controls of the Company.

The internal control system focuses on key financial reporting, operational and compliance controls. The system encompasses the policies, processes and activities that contribute to the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with laws and regulations and ultimately meet the business objectives. Non-adherence to such controls may cause the entities to fail to meet these objectives or to materially increase the costs or risks of operation.

There are a number of components to the internal control system which operate alongside the risk management system. Internal controls operate at many different points in the Company's business but can be summarised as follows:

- Each key function is required to document its operational procedures; these are owned by the relevant function heads, reviewed at least annually and approved by an executive body.
- Each key process across all key functions are required to have process flow documentation which is owned and approved by the function head in which the relevant process is located.
- All relevant controls are documented within the arrangements above and then recorded in the internal control library (which is within the risk management system) and given a control owner (who will usually be reporting to the function head). All of these controls are then matched to the risks described in the risk register.
- On a quarterly basis at least control owners assess the operation and effectiveness of the controloperation and make an attestation which is recorded and filed. The control owner is encouraged to make any relevant comments about the control and may record its operation as 'effective', 'partially effective' or 'ineffective'. Any record of the control not being effective requires a narrative explanation as well as the assessment.
- The Internal Audit function may, from time to time, assess the operation of the controls and raise a report that suggests improvements can be made to the internal control environment. These are raised by way of an open action which is also recorded in the risk management system. An annual audit plan is agreed between the Company and the internal audit function. Over the several iterations of the audit plan, all key functions will be audited.
- The operation and effectiveness of internal controls is fundamental to the accurate assessment of the risks facing the Company; which is done both before ('inherent') and after ('residual') internal control operation. Alpha therefore can assess the impact of internal control problems or failures (if any) on the risk profile.
- Each quarter there is a process which starts with internal control attestation followed by risk attestation by which the risk owners can see the internal control operation prior to risk sign off. The data is then fed through to a series of dashboards through the risk management system and this is then included in the reporting to the Board together with risk and solvency information.

B.4.2. Risk management system 'Magique-Galileo'

The Company's risk and control registers are maintained and managed in the risk management system 'Magique-Galileo' which records:

- Key business activities/processes: identified in discussion with management and recorded in process flow/policy documentation;
- Risks associated with those business processes and the relevant risk owners;
- Controls that are in place to mitigate those risks and the relevant control owners;
- Risk assessments: inherent (gross) risk and residual (net) risk;
- Emerging risk;
- Action generated and their status: includes interaction with Internal Audit;
- Incidents and near misses;
- Risk tolerance levels/risk appetite (qualitative- in terms of impact and likelihood);
- Recommendations from Internal Audit Reviews.

B.5 Internal Audit Function

The Internal Audit function of Alpha Insurance is managed and organised by the Enstar group.

The Company's Internal Audit function is provided through the Group function and overseen by the Group head of Internal Audit.
The Group head of Internal Audit has specific responsibility for leading the Internal Audit function for the Group and for Alpha. An Internal Audit Report is submitted to and presented at the occasion of each quarterly Alpha Board meeting.

Scope of responsibilities:

- To review, assess and report on the adequacy and effectiveness of the organisation's internal risk management and control environment through audit review and consultancy work;
- To assist the Audit Committee in discharging its responsibilities in respect of governance;
- To liaise with the External Auditors to foster a co-operative and professional working relationship, optimise audit coverage while as far as possible avoiding the duplication of audit efforts;
- To ensure that the function retains or has access to sufficiently skilled resource to complete each task undertaken.
- The Internal Audit function's activities are free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.
- Internal Auditors have no direct operational responsibility or authority over any of the activities they review. Accordingly, they do not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.
- The Internal Audit function annually assesses whether the purpose, authority, and responsibility, as defined in its charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives. This is completed in the form of an annual review of the Internal Audit function against the IIA Definition of Internal Auditing, the Code of Ethics and the Standards. An external review of the Internal Audit function is completed at least once every five years by an independent body.

B.6 Actuarial Function

Alpha Insurance operates its Actuarial function with reporting lines to the local Alpha Board and the Management Committee.

The Actuarial function has been outsourced to the Group, Enstar (EU) Ltd represented by David Bishop. The Actuarial function was previously outsourced to and taken up by an external Milliman consultant.

In accordance with the Solvency II requirements on outsourcing, the Company appointed a local person with overall responsibility for the outsourced independent control function ('contact person responsible'), Maxime Ronsmans. This contact person responsible possesses the required expertise to put the performance and results of the service provider to the test. Both David Bishop and Maxime Ronsmans have knowledge of actuarial and financial mathematics commensurate with the nature, scale and complexity of the risks inherent in Alpha, and they are able to demonstrate their relevant experience with applicable professional and other standards.

The Company has put in place an Actuarial function terms of reference.

For the purpose of the carrying out this role the terms of reference are:

- to coordinate the calculation of technical provisions;
- to ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- to assess the sufficiency and quality of the data used in the calculation of technical provisions;
- to compare best estimates against experience;
- to inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- to oversee the calculation of technical provisions; and
- to cooperate on a group wide basis with functions set out in the system of governance (risk management, actuarial, compliance, internal audit);
- to assess the adequacy of reinsurance agreements.

B.7 Outsourcing

B.7.1. Main elements of the Outsourcing Policy

The Belgian Solvency II Law requires the company to treat outsourced functions within the Enstar group in the same way as outsourced functions to an external provider.

New outsourcing agreements (intragroup as well as external) are required to be executed in full compliance with the Alpha Procurement and Outsourcing Procedures policy and the requirements of the Belgian Solvency II Law.

The Company has a number of outsource arrangements which are managed according to the Outsourcing Policy & Procedures ("OSP").The purpose of the Outsourcing Policy & Procedures is to set out and explain the steps and actions that need to be performed by the Company to ensure that a common set of procedures are performed in all relevant jurisdictions to govern the selection, acceptance, maintenance and on-going monitoring of contractual relationships with suppliers and outsource service providers whilst ensuring compliance with our internal control framework and reporting requirements.

The objective is to set out the procedures necessary to ensure that:

- an objective and consistent framework is used when assessing potential and selecting preferred suppliers and outside service providers;
- outsourcing decisions are based on sound risk management processes;
- conflicts of interest are identified, managed and where possible avoided;
- compliance with all applicable legal and regulatory outsourcing obligations (including prior regulatory approval, if necessary); and
- the appropriate level of governance, internal control environment, performance review and management practices are established on an on-going basis.

Management is responsible for ensuring that:

- each supplier/outsourcing relationship supports the Company's overall requirements and strategic plans;
- the supplier/provider has sufficient expertise to oversee and manage the relationship;
- the prospective suppliers/providers are evaluated based on the scope and criticality of the services;
- the risks associated with the use of suppliers/outsource service providers for the Company's critical operations are fully understood and appropriately managed;
- an oversight program is in place to monitor contractual performance that is proportionate to the assigned composite risk score;
- that potential conflicts of interest are identified, managed and mitigated; and
- that the supplier/outsource provider understand their broader responsibilities.

B.7.2. Identification of all outsourced critical or important functions or activities

Most of Alpha's critical functions are managed within the Belgian entity.

In view of the run-off status of the Company some functions have been (partly) outsourced to other Enstar Group entities and other external providers/suppliers. With respect to the intragroup outsourced functions it should be noted that the critical functions within the Enstar group meet the highest standards: Enstar is a multi-faceted insurance group that offers innovative capital release solutions and specialty underwriting capabilities through its network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Enstar is a market leader in completing legacy acquisitions, having acquired over 100 companies and portfolios since its formation in 2001.

B.8 Other information

No other information is considered relevant to report.

C. Risk profile

Introduction

Alpha Insurance is a Belgian insurance undertaking being part of the Enstar group. The insurance portfolio consists of Non-Life underwriting. Since 2015, the business is entirely in run-off.

The Non-Life underwriting business includes the following lines of business:

- Motor vehicle liability insurance
- Other motor insurance
- Marine, aviation and transport insurance
- Fire and other damage to property insurance
- General liability insurance
- Credit and suretyship insurance
- Legal expenses insurance
- Miscellaneous financial loss

Alpha Insurance operates a risk management framework which explicitly aligns risk measurement with capital in order to provide a consistent approach for the separate risks and allows the risk profile to be the driver of the solvency and any own economic capital requirement (see Section B.3). Where risk is considered to be excessive Alpha Insurance may mitigate that risk. The primary risk mitigation tool used by Alpha Insurance is effective claims management. All claims matters are reviewed regularly, with all material matters reviewed and authorised by management prior to any action being taken.

Risks in Alpha Insurance's risk profile are grouped into the Solvency II risk types. Because of Alpha Insurance's business the concentration profile is dominated by reserving risk and market risk.

The following extract from QRT form 25.01 summarizes the Solvency Capital Requirement for each type of risk as at 31 December 2019.

Risk	Value in k€
Life Underwriting	-
Non-Life Underwriting	7.936
Health Underwriting	-
Market Risk	4.097
Counterparty Default Risk	646
Diversification	***-2.536***
Intangible assets	-
Basic Solvency Capital Requirement	**10.144**
Operational Risk	1.051
Loss Absorbing Capacity Deferred Taxes	-
Solvency Capital Requirement	**11.195**

Table 1: Risk components (x 1,000 EUR)

The table here above shows that Alpha Insurance's capital risk profile is dominated by Non-Life Underwriting risk, market risk and operational risk. These risk categories are extensively reported through Alpha Insurance's ORSA.

A further discussion of Alpha Insurance's management of the risks is given below.

C.1 Underwriting risk

C.1.1 Non-Life underwriting risk

In accordance with the article 105 of the Solvency II directives, the underwriting risk is defined as “the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions”.

For Non-Life underwriting, the article distinguishes (a) the premium and reserve risk described as “the risk of loss or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity on insured events, and the timing and amount of claim settlements”, and (b) the catastrophe risk described as “the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme.”

The table below shows Non-Life underwriting risk components. Note that the lapse risk has been set to 0 as the Non-Life business of Alpha Insurance is in run-off since March 2015 and only few insurance contracts are still in force.

Risk	Value in k€
Premium and reserve risk	7.878
Lapse risk	-
Catastrophe risk	218
Diversification	**-160**
SCR Non-Life underwriting risk	**7.936**

Table 2: Non-Life underwriting risk components (x 1,000 EUR)

Alpha Insurance Non-Life business is in run-off since March 2015 and therefore no new business is written since this date. However, Alpha Insurance must assure that it has adequate reserves to cover its liabilities for insurance policies that were written in prior years. To achieve this:

- The actuarial Non-Life team uses statistical methods including industry benchmarking methodologies to estimate appropriate Incurred But Not Reported (“IBNR”) reserves for Alpha Insurance various exposures. These methods are based on comparisons of Alpha Insurance loss experience on its various exposures relative to industry loss experience for comparable exposures.
- Alpha Insurance has implemented effective claims management and administration procedures. To ensure that claims are appropriately handled and reported accordingly (including with the Belgian regulatory requirements in this matters), all claims matters are reviewed regularly, with all material matters reviewing and authorized by management prior to any action being taken. The table below shows the gross best estimate liability by Solvency 2 lines of business determined by Alpha Insurance as at year-end 2019.
- The solvency capital requirement and the technical provisions for Non-Life underwriting of Alpha Insurance are at least calculated and monitored on a quarterly basis to ensure that the company can meet its obligations.
- Following the Life transfer in the second quarter of 2019, the allocation of all expenses to the non-life segment resulted in an increase in the Non-Life Best Estimate Liabilities and the Non-Life risk margin.

Solvency 2 lines of business	Gross best estimate in k€
Motor vehicle liability insurance	18.712
Other motor insurance	1.185
Marine, aviation and transport insurance	1.566
Fire and other damage to property insurance	3.874
General liability insurance	5.696
Credit and suretyship insurance	2.890
Legal expenses insurance	63
Miscellaneous financial loss	1.056
Total gross best estimate liability	**35.041**

Table 3: Technical provisions per solvency 2 lines of business (x 1,000 EUR).

C.1.2 Life underwriting risk

The Life underwriting risk module reflects the risk arising from the Life insurance obligations, in relation to the perils covered and the processes used in the conduct of business.

Since the second quarter-end of 2019, there is no Life risk any more as the Life portfolio has been transferred to Monument Assurance Belgium.

C.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or investment will fluctuate because of changes in market prices. The market risk module shall reflect the risk arising from the level or volatility of market prices of financial instruments which have an impact on the value of the assets and liabilities of the undertaking. It shall properly reflect the structural mismatch between assets and liabilities, in particular with respect to the duration thereof.

A significant proportion of the risks that Alpha Insurance as a company potentially runs, arises from the way in which the assets invested are dealt with. The management of the investments is partially outsourced to Candriam, a pan-European asset management company, and partially insourced to the financial department of Alpha Insurance.

The management consists of advising on and implementing the investment policy, management and investment of assets, administration, (legal) reporting, performance measurement and risk management. Alpha Insurance's objective in managing its market risk is to ensure risk is managed in a sound and prudent manner in line with Alpha Insurance's risk profile and risk appetite and regulatory requirements. Alpha Insurance's policies and procedures for managing market risk have been developed within the Solvency II regulatory framework which requires sensitivities to risk to be identified and measured. Alpha Insurance manages market risk using a Value at Risk ("VaR") approach that reflects interdependencies between market risk types across the entire investment portfolio.

The assets in portfolio consist of investments like equity, bonds, collective investment undertakings and deposits other than cash, loans and mortgages, receivables and cash. Alpha Insurance does not hold any complex financial instruments such as derivatives or swaps and has no material off balance sheet positions subject to market risk. The cash flows from the investments therefore mainly consist of the coupon receipts, interest and repayments.

The solvency capital requirement ("SCR") that Alpha Insurance is maintaining for the market risk consists of the following components:

Risk	Value in k€
Interest rate	288
Equity	2.140
Property	-
Spread	2.041
Currency	-
Concentration	455
Diversification	**-826**
SCR Market risk	**4.097**

Table 5: Market risk components (x 1,000 EUR)

- **Interest rate*:*** the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest. The capital requirement for the risk of a change in the term structure of interest rates is equal to the loss in the basic own funds that would result from that change in the basic risk-free interest rates at different maturities. Interest rate risk arises if the interest rate sensitivity of the assets and the liabilities are not completely matched. If the market interest rates change, this is reflected in changes in the result and / or the capital position. Interest rate risk exists for all assets and liabilities whose equity is sensitive to changes in the interest rate term structure or the interest rate term volatility. All fixed income investments and loans in the portfolio of Alpha Insurance are sensitive to the interest rate risk. The interest rate risk is applicable to the bonds (43,0 m€), mortgage loans (1,0 m€) and the Non-Life Best Estimate Liability (35,0 m€). This risk is mitigated by controlling the duration structure of the assets in function of the liabilities.
- **Equity:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities. The capital requirement for equities is equal to the loss in the basic own funds that results from an instantaneous decrease in the market value of the equity. Alpha Insurance is exposed to the equity risk by applying the look-through on the collective investment funds. The market value of all equities in the funds is equal to 5,5 m€ and mainly consists of type 1 equity. Alpha Insurance is not applying the equity transitional. This risk is mitigated by imposing strict exposure limits to this asset class.
- **Property:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate. The capital requirement for property risk is equal to the loss in the basic own funds that result from an instantaneous decrease of 25 % in the value of immovable property. Alpha Insurance is not exposed to any property risk.
- **Spread:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. The capital requirement for spread risk is equal to the sum of:
  - the capital requirement for spread risk on bonds and loans;
  - the capital requirement for spread risk on securitization positions;
  - the capital requirement for spread risk on credit derivatives

  As Alpha Insurance has no securitizations or derivatives, it is only exposed to the spread risk on the bonds (43,0 m€) and loans other than mortgage loans (1,5 m€). The capital requirement for spread risk on bonds and loans is equal to the loss in the basic own funds that results from an instantaneous relative decrease in the value of each bond or loan. This risk is mitigated by placing limits on its exposure to a single counterparty and by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by prominent rating agencies. Alpha Insurance has a policy of investing in mainly investment grade assets (i.e. those rated BBB and above). Any bonds with a rating below investment grade are those included in collective investment funds, which is acceptable due to the level of diversification and the low monetary value.

- **Currency:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates. The capital requirement for the risk of an increase in value of a foreign currency against the local currency is equal to the loss in the basic own funds that results from an instantaneous increase of 25 % in the value of the foreign currency against the local currency. Since all investments are valued in EUR, Alpha Insurance is not exposed to the currency risk. Any foreign currencies in the collective investment undertakings are fully hedged against currency risk within the fund.
- **Concentration:** additional risks to an insurance or reinsurance undertaking stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers. The capital requirement for market risk concentration is calculated on the basis of single name exposures and equal to the loss in basic own funds that result from an instantaneous decrease in the market value of the assets. Alpha Insurance is exposed to the concentration risk via its bonds (43,0 m€), equity (5,5 m€) and loans other than mortgage loans (1,5 m€). The concentration risk is managed by Alpha Insurance by maintaining an appropriate mix of investment instruments. The 0,5 m€ concentration risk is related to a single large counterparty in the loans other than mortgage loans.

On a forward-looking basis, the outbreak of the COVID-19 virus in the first quarter of 2020, will mostly impact the asset side. The impact is being closely monitored. Alpha Insurance has engaged in regular discussions with the external asset manager as well as with the Enstar Group Finance/Investment team since the COVID-19 crisis has emerged.

C.3 Credit risk

Credit risk means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.

The capital for counterparty risk takes into account potential losses due to unexpected default or deterioration of the creditworthiness of the counterparties and debtors of insurance and reinsurance undertakings in the following 12 months. The key areas of exposure to credit risk for Alpha Insurance are in relation to its cash and deposits (4,6 m€), reinsurance program (1,7 m€), mortgage loans (1,0 m€) and amounts due mainly from policyholders and intermediaries (2,2 m€).
The objective of Alpha Insurance in managing its credit risk is to ensure risk is managed in line with the Alpha Insurance's risk appetite. Alpha Insurance has established policies and procedures in order to manage credit risk and methods to measure it.
There are no material off balance sheet positions subject to credit risk and no risk transfer transactions with special purpose vehicles.
There were no material changes in Alpha Insurance's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

Credit risk management

Type 1:

Alpha Insurance limits the amount of cash and cash equivalents that can be deposited with a single counterparty and maintains an authorised list of acceptable cash counterparties.

Counterparty	Recoverable	Rating
ING	1.310	A
BNP Paribas	2.849	A
RES	64	Unrated
Investments Funds	392	AAA
Total deposits and cash	**4.615**	

Table 7: Cash and deposits (x 1,000 EUR)

Type 2:

Alpha Insurance has debtors arising from direct insurance and ceded reinsurance operations and may make a provision for non-recovery after undertaking an assessment of the counterparty's financial position and likelihood of recoverability.
An overview of the investments can be found in the Solvency II balance sheet in Chapter D.

C.4 Liquidity risk

Alpha Insurance follows an appropriately conservative investment strategy designed to emphasize the preservation of its invested assets and provide sufficient liquidity for the prompt payment of claims as they fall due and settlement of commutation and policy buyback payments. As Alpha Insurance is in run-off, future premiums do not materially impact its liquidity position.

Liquidity risk is therefore the risk that Alpha Insurance cannot dispose of its investments and other assets in order to meet its obligations associated with insurance contracts and financial liabilities as they fall due. Alpha Insurance has adopted an appropriate liquidity risk appetite and monitoring process for the management of the liquidity requirements.

Alpha Insurance manages liquidity risk by maintaining banking facilities and continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities such that it will always have sufficient liquidity to meet its liabilities when they fall due. In practice, most of the assets are marketable securities which could be converted into cash when required.

There were no material changes in the liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

On a forward-looking basis, following the outbreak of the COVID-19 crisis, the liquidity position remains safe and no assets need to be realised. Instead, planned bond redemptions can answer the liquidity needs in 2020 and beyond.

C.5 Operational risk

Operational risk means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. The key operational risk factors facing the business are as follows:

- Alpha Insurance is dependent on its executive officers, directors and other key personnel and the loss of any of these individuals could adversely affect the business.
- Alpha Insurance has a number of internal systems and processes that rely on people and technology. These are not immune from potential failure. Alpha Insurance monitors operational risk through its risk management and internal control system.
- If outsourced service providers such as investment managers were to breach obligations owed to the Company, the business and results of operations could be adversely affected.
- If Alpha Insurance experiences difficulties with its information technology assets or cyber security, its business could be adversely affected.

Operational risk is mitigated through implemented policies and procedures and the robust system of internal control and compliance processes operating within Alpha Insurance and as documented in the risk management framework and system. Controls which are executed throughout the Alpha Insurance's operations, to mitigate against their associated risks crystalizing, are assessed on a quarterly basis.

Enstar Group maintains a business continuity plan outlining the process to minimize the financial, legal, reputational, operational and other material consequences arising from a natural or unscheduled disruption. Besides this documented Business Continuity Framework, Enstar has a Pandemic Plan (owned and maintained by Risk Management). The Pandemic Plan is designed to ensure that we are prepared for and ready to respond to a pandemic, and associated health risks, to both our permanent and temporary employees and consultants. In addition, details of the local Brussels Continuity Team are available in the appendix to the business continuity plan.

Enstar has:

- A Crisis Oversight Committee, chaired by the Group COO. Group level Committee with representation from all regions and segments. Oversee and provide direction, make decisions, approve initiatives.
- Office Response (Core Team), IT DR Team and Cyber Incident Response Team to cascade and coordinate a consistent response
- Dedicated Business Continuity Teams in each office location
- Regional / Segment Exec and COC Members oversee local responses
- Each Business Continuity Team have roles and responsibilities for dealing with an incident (pandemic being one scenario)
- The plan includes detailed steps to take in preparing for and/ or managing potential business continuity events, including Pandemic
- Communications are agreed by members of the Crisis Oversight Committee

In the Company's ORSA "Potential for business disruption from infectious disease affecting global population" has been identified as an emerging risk. Following the outbreak of the COVID-19 virus the plan has been actively deployed and the local Brussels Business Continuity Team has taken appropriate measures in order to ensure business continuity.

The capital requirement for operational risk shall reflect operational risks to the extent they are not already reflected in the previous risk modules. The operational risk for Alpha Insurance amounts to 1,1 m€.

C.6 Other material risks

Outsourcing and Conduct Risk:

There are processes in place to ensure that Alpha Insurance efficiently manages third parties. Related agreements generally set forth the duties of the third party, limits of authority, indemnification language designed for Alpha Insurance's protection and various procedures relating to compliance with laws and regulations. These arrangements are also subject to review by relevant departments, and these third-party service providers are monitored on an ongoing basis.

Conduct risk is the risk that Alpha Insurance's activities result in poor outcomes for policyholders. Alpha Insurance has in place compliance arrangements that ensure customers interests are respected in accordance with FSMA requirements.

Regulatory & Reputational Risk:

The key regulatory and reputational risk factors facing the business are as follows:

- If it fails to comply with applicable insurance laws and regulations, Alpha Insurance may be subject to disciplinary action, damages, penalties or restrictions that may have a material adverse effect on our business.
- Insurance laws and regulations restrict Alpha Insurance's ability to operate, and any failure to comply with these laws and regulations, or any investigations by government authorities, may have a material adverse effect on Alpha Insurance's business.
- Political, regulatory and industry initiatives could adversely affect Alpha Insurance's business by increasing the amount of regulation faced or changing the nature of the regulations that apply in operating insurance businesses or acquiring new insurance businesses.
- Alpha Insurance's directors and executive officers may have ownership interests or other involvement with competing entities, and conflicts of interest might prevent Alpha Insurance from pursuing desirable acquisition, investment and other business opportunities.
- Changes in current accounting practices and future pronouncements may materially impact Alpha Insurance's reported financial results.

Alpha Insurance's appetite for reputational risk is low and this permeates throughout its operational activities via Alpha Insurance's objectives and strategies. Alpha Insurance places high importance on its reputation for honesty, integrity and high ethical standards.

Alpha Insurance manages reputational risk through a focus on compliance with laws and regulations, adherence to Company policies and procedures (including a Code of Conduct) and internal controls, an established corporate governance framework and practices, and communication and engagement with external stakeholders.

Group Risk:

Alpha Insurance is part of the Enstar Group (See Section A). Enstar is a Bermuda-based holding company, formed in 2001, that offers innovative capital release solutions and specialty underwriting capabilities through its network of Group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Enstar is listed on the NASDAQ Global Select Market under the ticker symbol "ESGR". Enstar focuses on the acquisition and

management of insurance and reinsurance companies in run-off, and the acquisition and management of portfolios of insurance and reinsurance business in run-off.
Alpha Insurance's arrangements with Enstar Group companies are conducted on an arm's length basis within certain Group strategic objectives that relate to the effective management of the business. The main areas of interaction are through the shared services model which principally applies to:

- Group Risk Management Function
- Group Actuarial Function
- Group Internal Audit Function
- Certain intra-group reinsurance arrangements

All such arrangements are conducted in accordance with the relevant internal policies and procedures and subject to the approval of Alpha Insurance's board of directors which includes independent non-executive directors. The arrangements by which the Enstar Group may have influence on the operations of Alpha Insurance and its risk environment have been considered in the Governance Map which is provided to the regulator.

C.7 Other information

Adjustment for the loss-absorbing capacity of deferred taxes

The adjustment for the loss-absorbing capacity deferred taxes reflects potential compensation of unexpected losses through a simultaneous decrease in deferred taxes. That adjustment takes into account the risk mitigating effect provided by future discretionary benefits of insurance contracts, to the extent insurance and reinsurance undertakings can establish that a reduction in such benefits may be used to cover unexpected losses when they arise.

Alpha Insurance has a deferred tax asset (DTA) on the economic balance sheet. There is no Deferred Tax Liability (DTL) due to the fact that the Solvency II basic own fund position, excluding the DTA, is lower than the accounting own fund position. The DTA is due to the fact that Alpha Insurance has large losses carried forward from the past, but expects to make fiscal profits in the future. The deferred tax positions on the economic balance sheet result in a loss absorbing capacity for Alpha Insurance which is equal to zero, being the minimum of zero and the net deferred tax position. As the fiscal profits were mainly related to the life segment previously, the DTA decreased significantly in 2019 due to the life transfer.

Lower risk tolerances and materiality

Following the Life transfer, the Life underwriting risk was reduced to zero and other the risks remained the same in nature. However, their relative importance increased with lower risk tolerance thresholds as a result. The fact that the size of the business decreased, logically makes the business more sensitive to various risks. This is also enforced by the significant loss of diversification as a result of the transferred Life business.

The materiality represents the level at which the Statutory Auditor believes misstatements could reasonably influence users of the company's financial statements. Similar to the lower risk tolerance applied internally, the materiality levels set by the external auditor also decreased significantly following the Life transfer.

D. Valuation for solvency purposes

The structure of Alpha’s balance sheet at 31 December 2019 is the following:

Amounts in k €	**Solvency II value**	**Statutory value**
Intangible assets		0
Deferred tax assets	245	0
Investments	57.913	53.271
Holdings	0	0
Equities	25	25
Government bonds	25.535	22.047
Corporate bonds	17.441	16.567
Collective Investments Undertakings	14.492	14.213
Deposits similar to cash	420	420
Mortgage loans and other loans	2.543	1.711
Share of the reinsurers in the TP non-life	1.664	1.674
Share of the reinsurers in the TP life	0	0
Receivables from insurance operations	44	1.326
Receivables from reinsurance operations	8	8
Other receivables	1.794	1.794
Cash and cash equivalents	1.374	1.374
Other assets	4.416	3.558
Total assets	**69.999**	**64.716**
Gross technical provisions non-life	39.341	34.061
Best Estimate non-life	35.041	
Risk margin non-life	4.300	
TP calculated as a whole non-life	0	
Gross technical provisions life	0	0
Best Estimate life	0	
Risk margin life	0	
TP calculated as whole life	0	
Other technical provisions	0	63
Provisions other than technical	881	881
Provisions for pension benefits and other advantages	169	169
Deposits reinsurers	37	37
Deferred tax liabilities	0	0
Liabilities from insurance operations	1.397	1.397
Liabilities from reinsurance operations	138	138
Payables (trade, not insurance)	1.328	1.328
Other liabilities	1.690	
Total liabilities	**44.980**	**38.074**
Excess of assets over liabilities	**25.019**	**26.642**

For comparison, the balance sheet at 31 December 2018 was the following:

Amounts in k €	**Solvency II value**	**Statutory value**
Intangible assets	0	147
Deferred tax assets	1.024	0
Investments	171.660	161.660
Holdings	0	0
Equities	25	25
Government bonds	72.293	65.507
Corporate bonds	67.765	64.574
Collective Investments Undertakings	27.205	27.182
Deposits similar to cash	4.372	4.372
Mortgage loans and other loans	4.415	3.486
Share of the reinsurers in the TP non-life	1.781	1.894
Share of the reinsurers in the TP life	172	12
Receivables from insurance operations	254	2.033
Receivables from reinsurance operations	389	389
Other receivables	577	577
Cash and cash equivalents	2.106	2.106
Other assets	2.207	4.089
Total assets	**184.585**	**176.392**
Gross technical provisions non-life	37.916	35.133
Best Estimate non-life	34.088	
Risk margin non-life	3.828	
TP calculated as a whole non-life	0	
Gross technical provisions life	93.270	88.524
Best Estimate life	88.951	
Risk margin life	4.319	
TP calculated as whole life	0	
Other technical provisions	0	114
Provisions other than technical	1.436	1.436
Provisions for pension benefits and other advantages	301	301
Deposits reinsurers	38	38
Deferred tax liabilities	0	0
Liabilities from insurance operations	1.385	1.385
Liabilities from reinsurance operations	130	130
Payables (trade, not insurance)	1.902	1.902
Other liabilities		
Total liabilities	**136.377**	**128.962**
Excess of assets over liabilities	**48.208**	**47.429**

The following sections provide an explanation of the bases, methods and assumptions used for the solvency II valuation purposes for the main balance sheet categories including explanations of important differences between the BEGAAP financial statements and the Solvency II balance sheet.

D.1 Assets

The valuation method of the assets other than technical provisions depends on the classification:

- Intangible assets: valued at 0 for solvency purposes as no active market exists.
- Deferred tax assets: the Company has significant tax losses carried forward of about 26,8 m€ at the end of the reporting year. For Solvency purposes, the Company performs a recoverability test to assess its ability to actually use the available tax losses. At this stage in the Non-Life run-off, DTA are calculated using the forecasted fiscal results of the next 2 years and the applicable corporate tax rate. The projected income tax that is expected to be offset by tax losses, is presented as DTA.
- Investments: the investments of Alpha are traditional non-complex financial instruments (i.e. no derivatives or other alternative investments) and are mostly listed on active stock markets. There are no investments listed in foreign currency, and any collective investment undertakings holding assets in foreign currency are fully hedged against currency risk. The major part of the investment portfolio is managed by an external asset manager. The market value and other relevant information provided by the asset manager is challenged and compared with independent sources. Note that the Company uses mid-prices for the market values of listed investments, as this results in consistent valuations regardless of market liquidity (bid-ask spread).
    - Listed equities: market value.
    - Unlisted equities: market value (internal valuation).
    - Bonds: market value including accrued interests. All bonds are investment grade.
    - Deposits: nominal value.
    - Mortgage loans and other loans: market value (internal valuation) based on future contractual cash flows net of any impairment.
- (Re)insurance and other receivables: valued at nominal value minus impairment, i.e. at their statutory value. The estimated recoveries on paid claims are not presented as an asset for solvency purposes, but considered in the gross best estimate calculation.
- Cash and cash equivalents: valued at nominal value, i.e. at their statutory level.
- Other assets: valued at their statutory level, except for:
    - Accrued interests which are valued at 0 for Solvency II as already included in the investment or loan value. Amount to 0,7 m€ in the statutory accounts.
    - Real estate and equipment assets for 1,6 m€ which have been presented as from 2019 in line with the new IFRS 16 guidelines. Not accounted for in the statutory accounts.

The main difference with BEGAAP valuation is the investment portfolio (including mortgage loans and other loans), which is valued at amortised cost under BEGAAP.

There were no material changes to the methodology of asset valuation during the reporting period other than the real estate and equipment assets as per the new IFRS 16 guidance.

D.2 Technical provisions

Non-Life activities

For the Non-Life activities, the products are attached to the line of business as defined by the Solvency II regulation. A second level of segmentation is defined for the projection of the cash flows by distinguishing the broker activities broker and the business through underwriters.

For most of the Non-Life insurance activities, the contract boundary is limited to one year with exception of the caution (credit insurance) activities for which the clients have paid a single premium for the whole term of the cover which is linked to the repayment schedule of underlying mortgage loans. This portfolio is in run-off since 2012.

Life activities

On 31 May 2019, the Life business was transferred to Monument Assurance Belgium through an asset deal, which was approved by the regulator. The sale price of the asset deal was calculated using Solvency II principles, as mentioned in section A. The price was paid by means of the transfer of an agreed investment portfolio of about 69,2 m€ in market value plus an additional cash transfer. Following the Life transfer, the remaining Life investment portfolio of 35,4 m€ was reallocated at book value to Non-Life together with all other non-technical remaining Life assets and liabilities.

Following the transfer of the Life business, Alpha's own funds significantly exceeded the required Solvency II capital requirement at Q2 and Q3 2019. As a consequence, there has been a decrease in the paid-in capital in Q4 2019 of 21,4 m€ by means of a payment towards the shareholders on the 23rd of December, which was approved by the regulator.

The above explains the significant fluctuations in investments, Life technical provisions and excess of assets over liabilities.

Valuation

The technical provisions are valued in compliance with the requirement of the Solvency II directive. There is no application of valuation of technical provisions "as a whole".

For all Non-Life activities, the best estimate of the liabilities is calculated as the discounted value of the future (from the valuation date) cash flows related to the contracts.

These future cash flows are including :
- The expected claims payments
- The expenses for the claim management and for the administration of the contracts
- The commissions to be paid (none in run-off)
- The future premiums by reference to the contract boundaries definition (none in run-off)

These projections are performed gross of reinsurance.

The cash flows of the ceded reinsurance are also projected allowing for the calculation of the ceded best estimate liability.

The projected cash flows are then discounted based on the pertinent yield curve defined by EIOPA (including the volatility adjustment). Alpha is not using other transitional measures as allowed by the regulation.

The Non-Life risk margin is calculated by projecting the SCR for future years and discounting using the basic risk free interest rate, after which a 6% cost of capital is applied.

The provision for equalisation and catastrophe of the statutory balance sheet is not considered in the solvency II balance sheet.

After the Life transfer there are no remaining Life liabilities that require valuation. In the first 5 months of 2019 until the transfer date, there were no changes to the valuation methodology either.

D.3 Other liabilities

Liabilities other than technical provisions are valued at their statutory level for solvency purposes which is considered appropriate given the expected timing of outflows.

Provisions other than technical contain provisions for other risks and charges. Provisions for pensions benefits and other advantages are all related to early retirement (i.e. no defined benefit of defined contribution pensions plans).

Deferred tax liabilities (DTL) are calculated using the net difference in valuation between solvency II and the statutory reporting, to which the assumed average tax rate is applied. The resulting DTL has been 0 € in both 2018 and 2019.

Other liabilities consist of real estate and equipment lease liabilities accounted for as per new IFRS 16 guidelines.

There were no significant changes to the methodology of liability valuation during the reporting period other than the real estate and equipment liabilities as per the new IFRS 16 guidance. Given the composition of the balance sheet and the applied valuation methods, Alpha does not make any assumptions having a material impact on the valuation of liabilities other than technical provisions.

D.4 Alternative valuation methods

Alpha does not use alternative valuation methods for solvency purposes.

D.5 Other information

No other material information on valuation for solvency purposes.

E. Capital management

E.1 Own funds

One of Alpha's key objectives is to manage its business on a sound and prudent basis in accordance with regulatory expectations. Alpha has ceased underwriting and is placed into run-off which means Alpha has cancelled all contracts for the Non-Life business. The Life business has been transferred to Monument Assurance Belgium on the 31st of May 2019. Prior to the transfer and since the run-off, Alpha had ceased to accept new Life business, continued to earn premiums on its in-force business up till the moment of the transfer as per end of May.

Thus a key risk mitigation for Alpha is the maintenance of adequate capital. For business planning, Alpha uses a 3-year period in its Medium Term Capital Plan.

Alpha's capital structure is non-complex and is presented as follows under Solvency II, exclusively unrestricted Tier 1, except for the deferred tax assets presented as Tier 3:

in k€	Q4 2019	Q4 2018	Change during period
Ordinary share capital	20.000	41.374	-21.374
Surplus funds	0	706	-706
Reconciliation reserve	4.775	5.105	-330
Deferred tax assets	245	1.024	-779
Total basic own funds after deductions*	25.019	48.208	-23.189
Total eligible own funds to meet the SCR	**25.019**	**48.208**	**-23.189**
Total eligible own funds to meet the MCR	**24.775**	**47.185**	**-22.410**

Alpha does not make use of any transitional arrangements.

The evolution of own funds during the reporting period can be explained by the transfer of the Life business and the decrease of the paid-in capital. As mentioned above, Alpha significantly exceeded the required Solvency II capital requirement after the Life transfer. Consequently, there has been a decrease in the paid-in capital in Q4 2019 of 21,4 m€ by means of a payment towards the shareholders on the 23rd of December, which was approved by the regulator.

Alpha's statutory financial statements as per 31 December 2019 show a net equity of 26,6 m€ which is 1,6 m€ higher than the excess of assets over liabilities as calculated for Solvency II purposes. This is mainly explained by:

- Investments which are valued at amortised cost for statutory reporting (in accordance with Belgian GAAP) but at market value under Solvency II. The impact under Solvency II is +4,4 m€.
- Non-Life Technical provisions which are lower under Solvency II, for an impact of -5,3 m€. For solvency purposes they are composed of the best estimate of the liabilities (claims reserve and premium reserve, which is the discounted value of the future expected cash flows for claims and all expenses) and a risk margin as required by the regulation. For statutory purposes, the unearned premium reserve is calculated on a pro rata temporis basis and the claims provision consists of a claim provision plus IBNR (with risk margin) and a provision for future costs (ULAE). Since Alpha is in run-off, profits in future premiums cannot be considered to cover future administration expenses. As such, ULAE should be sufficient to cover all future costs.

A Liability Adequacy Test (LAT) was performed for the Non-Life business to justify any difference with the SII expense provision.

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

At the end of the reporting period, Alpha's MCR amounted to 3,7 m€, implying a ratio of eligible own funds to MCR of 670%. At the end of 2018, the MCR amounted to 6,0 m€ for a ratio of 787%. The decrease in MCR is explained by the business being in run-off and the transfer of the Life business, resulting in a decrease of technical provisions.

The SCR split by risk module, exclusively calculated using the standard formula, amounted to:

in k€	Q4 2019	Q4 2018	Change during period
Market risk	4.097	11.066	-6.969
Default risk	646	1.198	-552
Non-Life risk	7.936	8.049	-114
Life risk	0	6.590	-6.590
Diversification	-2.536	-8.646	6.110
BSCR	**10.143**	**18.258**	**-8.114**
Operational risk	1.051	1.423	-372
LAC DT	0	0	0
SCR	**11.195**	**19.680**	**-8.486**
Ratio of eligible own funds to SCR	**223,50%**	**244,96%**	**-21,46%**

The evolution during the reporting period is consistent with the transfer of the Life business and the decrease of the paid-in capital as set out in the previous section. The main variations are:

- The decrease in market risk, which is logical as the investments decreased following the transfer of the Life business. Subsequent to the transfer, Alpha decreased the paid-in capital by 21,4 m€. Investments were sold in order to meet liquidity needs for both transactions.
- A decrease in counterparty default risk due to a decrease in both the Life receivables and cash positions following the Life transfer.
- A decrease in Non-Life underwriting risk which is in line with the decrease in gross technical provisions.
- No remaining Life underwriting risk as per Q4 2019 following the transfer of the Life business.

Alpha does not use undertaking-specific parameters for the standard formula.

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

Not applicable, Alpha does not use the duration-based equity risk sub-module in the calculation of the SCR.

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

Not applicable, Alpha does not use any internal or partial internal model for the calculation of the SCR.

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

Alpha has complied with both the MCR and SCR throughout the reporting year.

In the context of the non-adjusting subsequent event, the COVID-19 pandemic disclosed in section A.5, we would like to emphasise that during the SFCR review period the Company also maintained compliance with both the MCR and SCR at all times despite very volatile markets and significant negative returns.

E.6 Other information

No other material information on capital management.