Solvency and Financial Condition Report

Ark Life Assurance Company dac

Company Number 158762

For the year ended 31 December 2017

A. BUSINESS AND PERFORMANCE 4
A.1 Business and external environment 4
A.2 Performance from underwriting activities 6
A.3 Performance from investment activities 7
A.4 Performance of other activities 8
A.5 Any other disclosures 8
B. GOVERNANCE 9
B.1 General Governance Arrangements 9
B.2 Remuneration policy and practices 12
B.3 Fit and Proper Policy 14
B.4 Risk Management System, including ORSA 15
B.5 Internal Control System 20
B.6 Internal Audit 22
B.7 Actuarial Function 23
B.8 Outsourcing 26
B.9 Any Other Disclosures 27
C. RISK MANAGEMENT 28
C.1 Measures used to assess risk 28
C.2 Underwriting Risk 28
C.3 Financial Market Risk 30
C.4 Credit Risk 31
C.5 Liquidity Risk 32
C.6 Operational Risk 33
C.7 Other Material Risk 34
D. VALUATION FOR SOLVENCY PURPOSES 35
D.1 Valuation of assets for solvency purposes 35
D.2 Valuation of Technical Provisions for solvency purposes 38
D.3 Valuation of other liabilities for solvency purposes 43
D.4 Alternative methods of valuation 45
D.5 Any other material information 46
E. CAPITAL MANAGEMENT 47
E.1 Own Funds 47
E.2 SCR and MCR 49
E.3 Non-compliance with the MCR and non-compliance with the SCR 51
E.4 Any other material information 51
F. APPENDICES 52

Executive Summary

Ark Life Assurance Company dac ("the Company"), is a life assurance and pension business company incorporated in the Republic of Ireland.

The ultimate parent company is Swiss Re Ltd which is incorporated in Switzerland. The direct parent company is ReAssure Limited, a limited liability company incorporated and existing under the laws of England and Wales.

The Company's existing business mix contains conventional non-profit and unit-linked business. Furthermore, all the business is closed-book business.

The purpose of this report is to satisfy the public disclosure requirements under S.I. No. 485 of 2015 European Union (Insurance and Reinsurance) Regulations 2015. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

The Company has performed well during the year ended 31 December 2017 and has recorded profits after tax for the year per the Financial Statements of €11.0m (2016: €17.4m).

In preparation for Solvency II, in place since 1 January 2016 the Company put in place significant measures to strengthen the corporate governance framework, including the risk management function. The governance and risk frameworks are detailed further in this report. There have been no significant changes in the reporting period.

The Company has continuously complied with all aspects of the Solvency II regulations from the date of first implementation on 1 January 2016. The Company has own funds of €202m (2016: €291m) compared to a solvency capital requirement of €111m (2016: €128m). The final amount of the solvency capital requirement in respect of both the Group and the Company remains subject to supervisory assessment.

As part of the Swiss Re Group, the Company's strategy is to provide excellent customer service and security to policyholders while prudently managing the run-off of the closed book of life assurance business.

The Company will continue to operate as a standalone entity within the Swiss Re Group. As the Group strategy delivers future consolidation opportunities, the Company plans to benefit by generating extra revenue and sharing costs and continues to seek opportunities which offer a good return on solvency capital.

Ann Kelleher
Chief Executive Officer

A. BUSINESS AND PERFORMANCE

A.1 Business and external environment

A.1.1 Name and legal form

The Company is a life assurance and pension business company incorporated in the Republic of Ireland, with registered office at College Park House, Nassau Street, Dublin 2 D02 VY46, as a limited liability Company under Irish Company law under number 158762, on 11 May 1990.

A.1.2 Name and contact details of the Company's Supervisory Authority

The Company is authorised by the Central Bank of Ireland (CBI) to conduct life insurance and pension business.

Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1.
D01 F7X3
Tel: +353 1 2244000
Fax: +353 1 6715550
www.centralbank.ie

A.1.3 Name and contact details of the ultimate parent company's supervisor

The ultimate parent company is Swiss Re Ltd, which is incorporated in Switzerland. For the purposes of this report, the ultimate parent company and all its subsidiaries are referred to as Swiss Re or the Swiss Re Group. The Group supervisor is the Swiss Financial Market Supervisory Authority.

Financial Market Supervisory Authority
27 Laupenstrasse
CH – 3003 Berne
Switzerland
Telephone: +41 31 327 91 00
Fax: +41 31 327 91 01
www.finma.ch

A.1.4 Name and contact details of External Auditor

The external auditor appointed by the shareholder of the Company is PricewaterhouseCoopers.

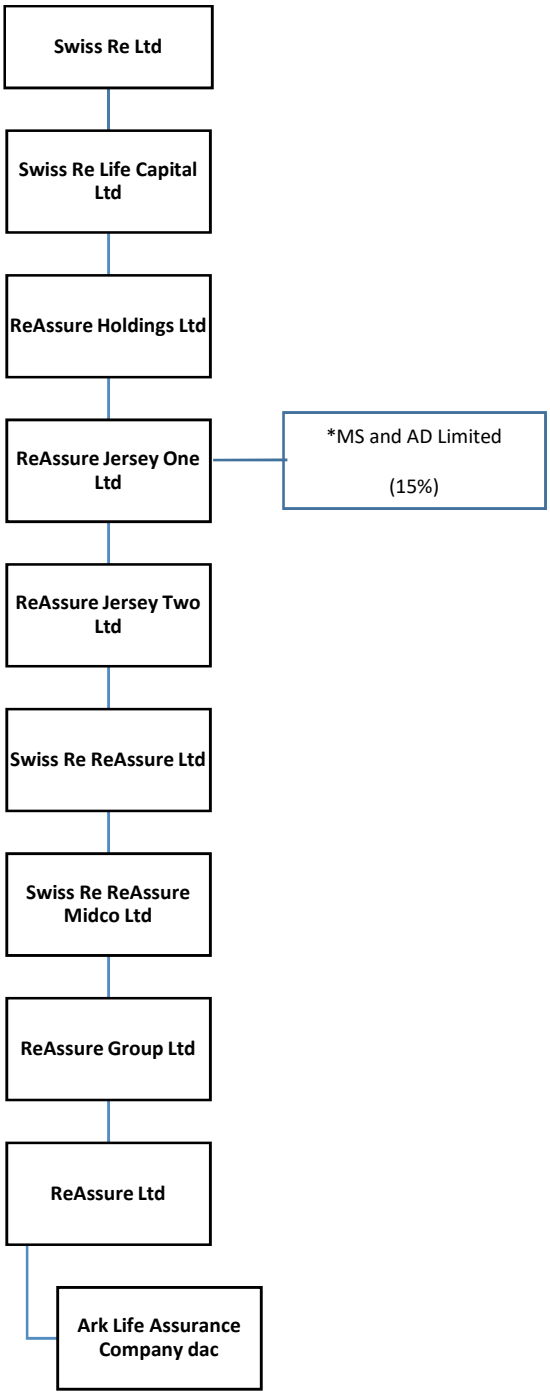
PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin, 1
Ireland
Telephone: + 353 1 792 6000
Fax: +353 1 792 6200
www.pwc.ie

A.1.5 Description of the holders of qualifying holdings in the Company

The direct parent company of the Company is ReAssure Limited, a limited liability company incorporated and existing under the laws of England and Wales, with registered office at Windsor House Ironmasters Way, Town Centre, Telford, Shropshire, England, TF3 4NB, registered with the Registrar of Companies for England Wales under number 754167.

A.1.6 Details of the Company's position within the Swiss Re Group legal structure

The position of the Company within the legal structure of the Swiss Re Group is shown in the structure chart below.



*During the year Reassure Holdings reached agreement to sell up to 15% of ReAssure Jersey One Limited to MS and AD, a Japanese Life Insurance Company. An initial Agreement was reached for

MS and AD to acquire a 5% holding with the agreement closing in 2018. During Q1 2018 the MS and AD shareholding increased its holding to 15%.

A.1.7 Material lines of business – geographical area

The Company's existing business mix contains conventional non-profit business and unit-linked business. Furthermore, all the business is closed-book business.

The material lines of business for the year ended 31 December 2017 were as follows:

- Index-linked and unit-linked life insurance.
- Other life Insurance.
- Health insurance.

The material geographic area for the year ended 31 December 2017 was the Republic of Ireland.

A.1.8 Significant business or other events

On 6 January 2016, Swiss Re Limited became the Company's new ultimate parent as outlined above.

A.1.9 Details of material related undertakings

As at 31 December 2017, the Company did not have any subsidiaries or investments in related undertakings.

A.2 Performance from underwriting activities

A.2.1 Underwriting performance

The underwriting performance, by material lines of business, for the year ended 31 December 2017 was as follows:

€'000	Index-linked and unit-linked insurance	Other life insurance	Health insurance	**Total**
Net earned premiums	3,355	15,575	164	**19,094**
Fee income	19,289	-	-	**19,289**
Net claims incurred	(108,713)	(713)	(760)	**(110,186)**
Change in Technical Provisions	2,257	9		**2,266**
Net expenses incurred	(11,338)	(10,363)	(1,244)	**(22,945)**
Underwriting performance	(95,150)	4,508	(1,840)	**(92,482)**

for the year ended 31 December 2016:

€'000	Index-linked and unit-linked insurance	Other life insurance	Health insurance	**Total**
Net earned premiums	3,666	13,178	3,619	**20,463**
Fee income	19,744	-	-	**19,744**
Net claims incurred	(640,619)	(629)	(786)	**(642,034)**
Change in Technical Provisions	489,897	8		**489,905**
Net expenses incurred	(12,233)	(13,217)	(1,229)	**(26,680)**
Underwriting performance	(139,545)	(661)	1,604	**(138,601)**

For unit-linked business, the underwriting performance does not show the full profitability picture when viewed in isolation. This is because the positive unit-linked investment performance (€110.3m) experienced in 2017 negatively impacts the technical provisions (i.e. it increases the level of reserves required) and this element is only reflected in the underwriting performance. The actual investment return itself is not part of the underwriting performance and is recorded in section A.3.1. The investment return combined with the underwriting performance above gives rise to the overall IFRS Profit after Tax of €11m.

The underwriting performance by material countries, for the periods ended 31 December, was as follows:

€'000	2016	Underwriting performance **2017**
Ireland	(138,793)	**(92,645)**
Other	193	**163**
Total	(138,601)	**(92,482)**

The underwriting performance for 2017 resulted in a loss of €92.5m, which was in line with management's expectations.

A.3 Performance from investment activities

A.3.1 Income and expenses arising from investments by asset class

The value of the investments by asset class as at 31 December 2017 is provided below, along with the income earned during 2017.

	2017			2016		
	Assets	**Inv Inc**	**Gains/ Losses**	**Assets**	**Inv Inc**	**Gains/ Losses**
Equities	**1,250.5**	**34.8**	**60.4**	1,247.5	36.4	83.7
Bonds	**377.9**	**6.8**	**(8.3)**	447.7	8.8	(0.1)
Trackers	**-**	**-**	**.2**	40.2		7.5
Unit Trusts	**252.4**	**-**	**15.4**	302.7		15.0
Property	**10.5**	**0.8**	**(0.5)**	14.3	1.2	(1.0)
Cash and cash equivalents	**260.9**	-	**-**	356.7	(1.6)	
Derivatives	**(.5)**	**-**	**5.7**	0.6		4.1
Exchange Gains/Losses			**(4.7)**			3.3
Total	**2151.7**	**42.4**	**68.2**	**2,409.7**	**44.8**	**112.4**

For the year ended 31 December 2017, investment management expenses were incurred of €2.1m (2016: €1.9m).

A.3.2 Gains/losses recognised directly in equity

The Company does not recognise any gains or losses directly in equity.

A.3.3 Information about investments in securitisation

The Company does not have any investments in tradable securities or other financial instruments based on repackaged loans.

A.4 Performance of other activities

A.4.1 Other operating revenue and costs

No other material income and expenses were incurred during the period ended 31 December 2017.

A.4.2 Material leasing arrangements

The Company does not have any material financial or operating leasing arrangements.

A.5 Any other disclosures

A.5.1 Any other material disclosure

There is no other material information to report for 2017.

B. GOVERNANCE

B.1 General Governance Arrangements

B.1.1 Overview of Governance Structure

The governance and organisational structure of the Company is set out in the Company's Terms of Reference and charters. These define the responsibilities and authority of the members of the Board and Committees. The following chart outlines the Company's structure at both the Board and Management levels:

Ark Board		
Board Committees	Audit Committee	Risk Committee
Management Committees	Ark Life Management Group	

The Board are fully engaged and actively involved in the oversight of the business.
The business is compliant with the requirements of the CBI Corporate Governance Code and the governance requirements of Solvency II.

Committees

The following table provides a brief outline of the role of each committee and where it falls within the three lines of defence model:

Structure Group	Board / Committee / Forum / Group	Committee Role Overview	Line of Defence		
			1st	2nd	3rd
Board	Board	The Company Board is a regulated entity and is a subsidiary of Reassure Limited. The Board is comprised of two Executive Directors and four Non-Executive directors, three of which are independent. The Board's role includes defining the Company's business strategy, risk appetite, right compliance, policies, capital adequacy and solvency frameworks and to ensure that all policies and functions take full account of Irish law and regulations and the supervisory requirements of the CBI.	✔	✔	✔
Committee	Risk Committee	The Risk Committee provides oversight, advice and assurance across the Company's business. The Risk Committee is comprised of three Non-Executive Directors and is attended by the relevant executive team members. Its duties include the setting of risk appetite and future risk strategy, assessing risk tolerance and exposure, overseeing the risk management framework, reviewing whistleblowing, fraud prevention and detection procedures and assessing the adequacy of the compliance function.	✘	✔	✘
	Audit Committee	The Audit Committee performs oversight and independent assurance over the effectiveness of systems of internal control. The Audit Committee is comprised of three Non-	✘	✘	✔

Structure Group	Board / Committee / Forum / Group	Committee Role Overview	Line of Defence		
			1st	2nd	3rd
		Executive Directors and is attended by the relevant executive team and internal audit and external audit representatives. Its duties include reviewing the internal audit remit and effectiveness, reviewing and challenging the Company's financial statements and regulatory returns and assessing the effectiveness of the external audit process. The Committee is also responsible for overseeing the relationship with the external auditor.			

The Company's system of governance meets all regulatory requirements and is the subject of periodic reviews, therefore it is management's view that it is appropriate taking into account the nature, scale and complexity of the risks inherent in the business.

B.1.2 Key Functions

There is a clear separation between the risk-taking and risk controlling (assurance) roles. The role of the Assurance functions defined as key or critical under the Solvency II framework, i.e. Risk Management, Compliance, Internal Audit and Actuarial (referred to as "key functions"), is as follows:

Risk Management

The Company's Risk Management function led by the Chief Risk Officer (CRO) is responsible for designing and implementing the Company's Risk Management Framework (including the Company's risk appetite and risk policies).

The CRO provides risk reporting to the Board Risk Committee on a quarterly basis and is responsible for the Own Risk Solvency Assessment (ORSA) process. The CRO is supported by a team of risk professionals and has access to external support where required.

The Risk Management function is not involved in any of the business areas for which it for provides oversight. The Risk Management function attend the main management committees and has a reporting line to the Board Risk Committee.

Compliance

The Company's Compliance function is principally responsible for overseeing the Company's (i) compliance with applicable laws, regulations, rules and the Code of Conduct, and (ii) management of the risk of civil, criminal or regulatory sanctions resulting in a financial loss, loss of ability to conduct business or loss of reputation as a result of a failure to do so.

The Compliance function is led by the Compliance Officer who is supported by a number of compliance professionals and has access to external support where required. The Compliance Officer reports quarterly to the Board Risk Committee and the annual compliance plan, prepared by the Compliance Officer is approved by the Board Risk Committee.

The Compliance function is not involved in any of the business areas for which it provides oversight. The Compliance function attend the main management committees and have a reporting line to the Board Risk Committee.

Internal Audit

The Company's Internal Audit function's main task is to provide independent, objective assurance to the Board. The goal is to perform audit activities designed to assess the adequacy and effectiveness of the Company's internal control systems, and to add value through improving the Company's operations.

The audit function is led by the Head of Internal Audit who is supported by a number of audit professionals (both internal and external). The Head of Internal Audit reports quarterly to the Board Audit Committee and the annual audit plan, prepared by the Head of Internal Audit is approved by the Board Audit Committee.

The Audit function is not involved in any of the business areas for which it provides oversight. The Audit function attend the main management committees and have an independent reporting line to the Board Audit Committee.

Actuarial

The Company's Actuarial Function led by the Head of Actuarial Function (HOAF) is responsible for calculating and monitoring the ongoing solvency of the Company on all applicable regulatory bases. The function is responsible for delivering the requirements of Article 48 of the SII directive, including determining the adequacy of the technical provisions and giving an opinion on the overall underwriting policy and adequacy of the reinsurance arrangements. Other ancillary responsibilities include;

- Oversight of the company's reinsurance arrangements;
- Providing advice, challenge, and analysis to management on actuarial matters

As part of reporting to the regulator, the responsibilities of the Actuarial Function also include coordination and oversight of the technical provisions calculation:

- Ensuring the appropriateness of methodologies and underlying models used;
- Ensuring appropriateness of assumptions made;
- Assessing sufficiency and quality of data used;
- Comparing best estimates against experience; and
- Informing the Board as to their adequacy.

The Actuarial Function contributes to the effective implementation of the risk management system and is responsible for calculating the Solvency Capital Requirement and supporting the Risk Management Function in preparing the ORSA.

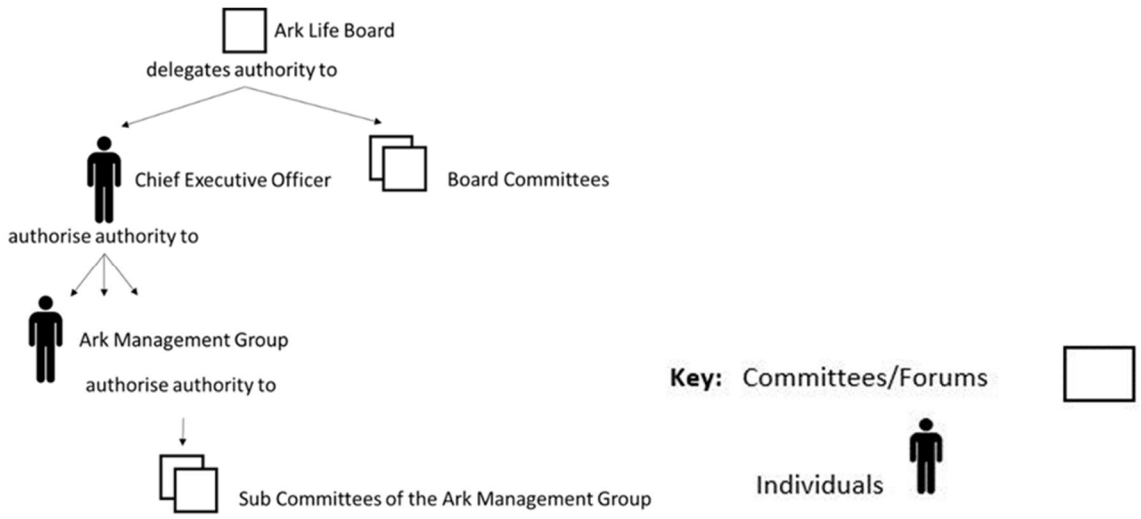
The Actuarial Function is led by the Head of Actuarial Function who is supported by a number of qualified and student actuaries and has access to external support where required. The Head of Actuarial Function attends the Board and Board Committee meetings and produces a number of formal reports for the Board and Board Audit Committee.

The HOAF attends the main management committees and has an independent reporting line to the Board Audit Committee. Operational independence is ensured by a segregation of responsibilities and periodic external peer review of key reports.

B.1.3 Delegation of responsibilities, reporting lines and allocation of functions

To facilitate its effective discharge of activities, the Board has made designated delegations of authority to its Board committees and the Chief Executive Officer (CEO).

To support the fulfilment of CEO delegations from the Board, the CEO has authorised authority to the Ark Management Group. The Ark Management Group have authorised management forums to support the discharge of these authorised authorities. The flow of authority across the Company is represented as follows:



B.2 Remuneration policy and practices

B.2.1 Remuneration policy and practices

The Company adopted the Swiss Re Group Compensation Policy. Swiss Re's compensation framework is designed to attract, motivate, and retain the qualified talent the Group needs to succeed globally, as well as creating a tangible link between performance and pay. The aims are to provide compensation that is competitive in local labour markets while ensuring that employees focus on delivering outstanding results as well as supporting appropriate and controlled risk-taking. A balanced compensation package is complemented by competitive benefits. This approach contributes to the success of the business by:

- supporting a culture of high performance with a strong focus on risk-adjusted financial results;
- ensuring alignment of compensation to business results, individual contribution and compliance;
- supporting Swiss Re's commitment to attract, motivate and retain key talent;
- aligning the interests of employees with those of Swiss Re's shareholders; and

- fostering compliance and supporting appropriate and controlled risk-taking.

Swiss Re's compensation framework comprises core components such as base salary, pensions and benefits, as well as a combination of short-and long-term incentives. These incentive programmes reflect the long-term nature of the business: both the Value Alignment Incentive as the deferred part of the Annual Performance Incentive and the Leadership Performance Plan aim to reward sustained performance rather than short-term results.

Overview of the compensation components

Fixed compensation

Base salary

The base salary is the fixed compensation that is paid to employees for carrying out their role and is established based on the following factors:

- scope and responsibilities of the role, as well as qualifications required to perform the role;
- market value of the role in the location in which Swiss Re competes for talent: and
- skills and expertise of the individual in the role.

Variable compensation

Annual Performance Incentive

The Annual Performance Incentive is a discretionary, variable component of compensation. Combined with the base salary, it provides competitive total cash compensation when both business and individual performance targets are achieved. When the total Annual Performance Incentive level for an employee exceeds a pre-defined amount, the award is split into two components, an immediate cash incentive payment (cash Annual Performance Incentive) and Value Alignment Incentive (deferred Annual Performance Incentive).

The Target Annual Performance Incentive is set in advance for each eligible employee based on multiple factors, including market benchmarks and an analysis of the role that an individual performs. Payout is linked both to Swiss Re's financial results (based on US GAAP, Economic Value Management, economic net worth and return on equity measures), qualitative criteria and individual performance.

Participation plans

Incentive Share Plan

The Incentive Share Plan provides employees with an opportunity to receive some or all of their immediate cash Annual Performance Incentive in the form of Swiss Re shares subject to a one-year blocking period. The Incentive Share Plan encourages alignment with shareholders' interests. At the end of the one-year period, the employee assumes full ownership of the shares.

Global Share Participation Plan

Swiss Re offers its employees an opportunity to directly participate in the long-term success of the Group by purchasing Swiss Re Ltd shares (up to a maximum of CHF 7 000 per year) through the Global Share Participation Plan. The Company provides a 30% match on the number of shares held by employees at the end of the three-year plan cycle. The match is subject to forfeiture rules in

case of termination of employment before the end of the plan cycle. The Global Share Participation Plan has the same core design in all locations.

Compensation framework for the Board

Compensation structure for non-executive directors

The non-executive members of the Board and Board Committees of the Company receive 100% of their fees in cash. The payments are made on a monthly basis. The fees are determined in advance at the start of the financial year and are approved at the Swiss Re Group level. The fee level for each member is reviewed periodically and reflects their differing levels of responsibility and time commitment.

Compensation structure for executive directors

Executive directors receive no additional fees for their services as members of the Board.

B.2.2 Supplementary Pension or Early Retirement Schemes

The Company does not have a policy of offering supplementary or enhanced early retirement to key individuals.

B.2.3 Material transactions

During 2017, there were no material transactions with shareholders, with persons who exercise a significant influence on the Company, or with members of the administrative, management and supervisory bodies.

B.3 Fit and Proper Policy

B.3.1 Skills, knowledge and expertise requirements of persons managing the business

The Company have in place an effective system of governance which provides for sound and prudent management of the business. This includes a transparent organisational structure with a clear allocation and appropriate segregation of responsibilities, proportionate to the nature, scale and complexity of the business.

Part 3 of the Central Bank Reform Act 2010 provides that a person performing a controlled function must have a level of fitness and probity appropriate to the performance of that particular function. All control functions are required to adhere to the Central Bank Fitness and Probity Standards, which are consistent with the behavioural standards expected by the Company.

All control functions shall be fit and proper to fulfil their role taking into account the following factors:
(a) Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and
(b) They are of good repute and integrity (proper).

Control functions within the Company should collectively possess appropriate qualification, experience and knowledge in respect of:

- insurance and financial markets;

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

Principles for assessing the fitness and propriety of persons managing the business

Certain prescribed information is obtained as part of the assessment of the individual at recruitment, and on an ongoing basis to demonstrate the individual is, and remains fit and proper to perform the role. The following key principles set out how the Company meet the fit and proper requirements:

- Apply the regulatory criteria for the assessment of the fit and proper requirements before an individual is appointed as a new control function.
- Obtain approval for a pre-approved control function in line with regulatory requirements.
- Assess competence and undertake the checks required, including adherence to the Fitness and Probity Standards on an ongoing basis.
- Assessments are conducted professionally, fairly and with integrity.
- Inform the CBI of any changes impacting the pre-approved control functions.

B.4 Risk Management System, including ORSA

B.4.1 Risk management strategies, processes and reporting procedures

Risk Management System

The Company embeds a risk management system based on the Swiss Re Group Risk Policy, which articulates the core risk management and capital structure principles that govern risk management practices throughout the Swiss Re Group. Risk policies, standards and guidelines established at Group and Business Unit level form a large part of the Company's risk management system; they are reviewed for appropriateness by the Company and subsequently adopted. The Company establishes additional risk governance where needed, to address the specific circumstances of the Company, as an addendum to the respective Group or Business Unit governance.

Risk Strategy

The Company's strategic objective is to run-off its in-force book of business whilst ensuring strong security of benefit payments to its policyholders, together with timely and accurate customer service.

The Company aims to target a high quality approach for the management of its book of business, including risk and capital optimisation, investment excellence, efficient operations and strong financial controls. The Company maintains strong capital policies.

Processes & Reporting Procedures

	Identify	Monitor & Measure	Managing	Reporting
Life Insurance Risk (including Mortality, Morbidity, Persistency, Expenses)	Life insurance risk is identified by: -Reviewing the key risk register -Emerging risk horizon scanning -2nd and 3rd line assurance activities	Life insurance risk is measured by: -Stress and scenario testing -Carrying out experience analysis Life insurance risk is monitored: -Against risk appetite -Against plan	Life insurance risk is managed by: - Reinsurance - Controls such as underwriting and expense management -Holding appropriate levels of capital	Life insurance risk is reported to: -The Board -Management Committees Reporting outlines: -The position against risk appetite and plan -The results of stress and scenario testing.
Financial Market Risk (including Equity, Property, Currency, Interest Rate)	Financial market risk is identified by: -Reviewing the key risk register -Emerging risk horizon scanning -2nd and 3rd line assurance activities	Financial market risk is measured by: -Stress and scenario testing Financial market risk is monitored: -Against risk appetite -Against plan	Financial market risk is managed by: -Putting an appropriate investment strategy in place -Mandates are put in place with investment managers to give effect to the investment strategy - Limits within the risk appetite statement in respect permissible assets, the level of diversification required and the credit quality of counterparties	Financial market risk is reported to: -The Board -Management Committees Reporting outlines: - There is reporting of position against risk appetite and against plan. - The results of stress and scenario testing - The performance of shareholder and unit linked funds

	Identify	Monitor & Measure	Managing	Reporting
			- External investment managers are subject to 1st and 2nd line management oversight. -Holding appropriate levels of capital	
Credit Risk	Credit risk is identified by: -Reviewing the key risk register -Emerging risk horizon scanning -2nd and 3rd line assurance activities	Credit risk is measured by: -Stress and scenario testing Credit risk is monitored: -Against risk appetite -Against plan	Credit risk is managed by: -Putting an appropriate investment strategy in place -Mandates are put in place with investment managers to give effect to the investment strategy - Limits within the risk appetite statement in respect permissible assets, the level of diversification required and the credit quality of counterparties -Holding appropriate levels of capital - External investment managers are subject to 1st and	Credit risk is reported to: -The Board -Management Committees Reporting outlines: - There is reporting of position against risk appetite and against plan. - The results of stress and scenario testing

	Identify	Monitor & Measure	Managing	Reporting
			2nd line management oversight.	
Operational Risk	Operational risk is identified by: -Reviewing the key risk register -Emerging risk horizon scanning -The risk and control self - assessment - Risk event reporting (incl. root cause analysis)	Operational risk is measured by: - Stress and scenario testing Operational risk is monitored: -Against risk appetite	Operational risk is managed by: - Controls are put in place against significant operational risks -Remediation plans are put in place by the risk owner when operational risk is outside appetite. - Outsource service providers are subject to 1st and 2nd line management oversight. -Due diligence is carried out in advance of putting material outsource service arrangements in place - Hold capital	Operational risk is reported to: -The Board -Management Committees Reporting outlines: - The position against risk appetite and against plan. - The results of stress and scenario testing - Significant operational risk events
Liquidity Risk	Liquidity risk is identified by: -The Company projects its liquidity position on a quarterly basis allowing for all known material cash-flows on both a best	Liquidity risk is measured by: Stress and scenario testing Liquidity risk is monitored: -Against risk appetite	Liquidity risk is managed by: -Putting an appropriate investment policy in place - Limits within the risk appetite statement in respect of the	Liqudity risk is reported to: -The Board -Management Committees Reporting outlines:

	Identify	Monitor & Measure	Managing	Reporting
	estimate and stressed basis.		minimum level of liquid assets to be held.	- The position against risk appetite. - The results of stress and scenario testing

The quarterly CRO report provides an aggregate view of the risks that the Company faces.

The ORSA considers the risks on an aggregate basis including stress and scenario testing and an overall solvency needs assessment.

B.4.2 Implementation of the risk management function

The risk function in the Company is organised as follows:

The CRO sits on the Ark Life Management Group, the Operational Risk & Compliance Sub-Committee and the Asset Liability Sub-Committee and attends the Board and Board Risk Committee.

The Financial and Operations Risk Manager sits on the Asset Liability Sub-Committee and the Operational Risk & Compliance Sub-Committee.

The CRO prepares a report for the Risk Committee and the Financial and Operational Risk Manager produces reports for review by the Asset Liability Sub-Committee and Operational Risk & Compliance Sub-Committee respectively.

In addition, there is risk management representation on significant project steering groups as required by the Project Oversight Framework. The risk management function provides independent reporting to the steering group of the project.

The risk management function leads the production of the ORSA.

Additionally, the risk management function carries out second line assurance reviews of key items including:

- Dividend plan.
- Business plan.
- Investment strategy.
- Assumption setting.
- Ad-hoc risk assurance investigations.

The output of these reviews is considered and is taken into account in the final plan.

B.4.3 ORSA Process

The ORSA is an ongoing process, with critical risk control and reporting activities being carried out on a regular basis, typically annually.

The ORSA is an iterative process within the annual business planning exercise and is used to assess the risks inherent in the plan and resilience of the Company balance sheet over a 5-year horizon. The future solvency position is assessed including identifying any significant changes in risk profiles. Stress and scenario testing is used to provide insights into the strength of the balance sheet and assess future potential solvency positions. The CRO maintains operational responsibility for reviewing the ORSA process and delivering ORSA reports to the Board.

B.4.4 Frequency of ORSA review and approval

The ultimate responsibility for the ORSA rests with the Board, who reviews and approves the results of the ORSA process at least annually. The Company defines triggers for conducting an ORSA outside of the regular time-scales within the ORSA policy.

B.4.5 Integration of the ORSA into the decision-making process

The ORSA is used as an input by the Board in making strategic decisions such as setting the Company's capital management policy and deciding on risk mitigation actions to be undertaken.

B.4.6 Solvency assessment

Based on the planned risk profile, the standard formula is used to determine capital requirements. The Company sets aside capital to cover its quantifiable risks in accordance with its capitalisation policy (which may involve a buffer to allow for risk not allowed for within standard formula).

The risk-based capitalisation position of the Company is monitored on a frequent basis by the Company CRO and CFO against target capital with a number of options if risk and capital develop out of pre-defined control ranges.

The plan is stressed by scenarios within the ORSA process and mitigations considered to ensure that the calculated target capital still holds under those scenarios.

B.5 Internal Control System

B.5.1 Overview Internal Control System

The Internal Control policy sets out the business requirements for internal control; which includes that an appropriate culture ("tone from the top") is required, an organisational structure is implemented which facilitates the system of internal control, a risk management framework is implemented and that there are effective controls for each core business process. Several sub committees exist which cover a broad spectrum of business risks and issues through scheduled management reporting and/or ad hoc escalations (to the extent these are relevant). Outside of formal committee structures, management are accountable to the Board for monitoring internal control systems on a day to day basis, and for providing assurance that this has taken place via regular reporting. The whistle blowing process also provides a formal procedure for all employees to report suspected improper conduct.

The Company follows the risk management principles of controlled risk taking, clear accountability, an open risk culture and the presence of an independent risk controlling function. To support the implementation of its risk management principles, The Company uses an effective internal control system which allows the business to provide Management and the Board with required assurance that the business operates within the defined risk appetites.

B.5.2 Key Internal Control System procedures

Within the internal control system procedures there are a combination of forward looking and current controls. Key stages control system procedures are as follows:

- Risk Assessment – Existing risks are captured in the Risk catalogue. A variety of risk indicators will be used to assist Management and governing bodies in assessing the level of risk faced by the business. Emerging risks are identified and monitored via the Emerging Risk Panel to ensure completeness of Risk Assessment.
- Control Environment – The control environment establishes the foundation for the internal control system by providing fundamental discipline and structure. Delivered via a principle and policy structure, the Company ensures that its business complies with Group Policies, Board approved Risk Appetite, CBI Regulations and principles, and regulations prescribed by bodies such as Revenue and the Pension Authority.
- Control Activities – Control activities are recorded in a structured suite of documentation with a graduated level of detail, tailored to the requirements and level of responsibility of the intended audience. These ensure management objectives are achieved and risk mitigation strategies are carried out. The primary tool for recording and managing the completeness of Control Activities is the Risk and Control Self-Assessment process.
- Information and Communication – Information and communication supports all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allows people to carry out their duties.
- Monitoring – Monitoring covers the oversight of internal controls by management or other parties outside the process, namely the “three lines of defence” model.

B.5.3 Implementation of the Compliance Function

The scope of the compliance function is defined by compliance risk related laws, regulations and standards which are specific to the financial services industry and issued by Regulatory Bodies and the Company policies. The scope does not extend itself to all laws, regulations or standards. The responsibilities of the Compliance Function are delineated in the Company’s Three Line of Defence model. The Compliance Function provides second line support to the business in delivering effective and appropriate management of regulatory compliance risk, whereas ownership of these risks is the responsibility of the first line; as part of the three lines of defence approach.

Regulatory Compliance Risk is defined as the risk of legal or regulatory sanctions, material financial loss or loss to reputation which the Company may suffer as a result of a failure to comply with the laws, regulations and codes which relate to the Company’s regulated insurance services activities, i.e. those activities which the Company is licenced to conduct.

B.5.4 Compliance Policy

Details of the Compliance Policy for the Company was approved by the Risk Committee on the 22nd September 2017.

The Company is committed to achieving a high level of compliance with relevant legislation and regulatory obligations to ensure the highest standards of integrity in all our business dealings and adherence to our corporate values. We believe that the success of our business is based on the Company's reputation for quality, strength and stability. Our consumers trust the Company to protect what is important to them. Key to this trust are the standards by which we conduct our business.

Regulatory compliance (i.e. ensuring that all applicable financial services regulation is complied with) is the responsibility of all the Company employees. Outsourcing is key to the Company's business and we remain liable for failings on the part of our outsourcing service partners for regulatory breaches arising in respect of the Company's business. The Board and senior management establish and maintain appropriate systems and controls to meet the requirements of applicable financial services regulation and legislation and codes. The Compliance, Risk and Internal Audit teams monitor compliance with those systems and controls. Specialist external advice is sought when required. All employees must take responsibility for adhering to these systems and controls and for acting with integrity in their dealings on behalf of the Company.

The Company Compliance Framework incorporates all relevant regulation within the remit of the Compliance team. By making sure that we comply with the framework we aim to:

- protect the reputation and integrity of the Company.
- protect our consumers.
- create and maintain trust in our dealings with consumers and business partners
- ensure that we avoid adverse publicity associated with non-compliance and the cost of having to "put things right".
- treat our consumers and colleagues fairly.
- set a standard sufficient to pass all regulatory inspections and maintain positive relationships with all regulatory bodies.
- protect the business and assets of the Company.
- develop a culture that embodies Swiss Re's values (Integrity, Customer Centricity, Passion to Perform, Team Spirit and Agility).

The Company aspires to meet all regulatory requirements and uses all reasonable endeavours to avoid regulatory fines or censure. The Company aims to maintain positive relationships with all regulators through open and transparent communications and trust built over time.

B.6 Internal Audit

B.6.1 Implementation of the internal audit function

Group Internal Audit assists the Board to protect the assets, reputation and sustainability of the Company. Group Internal Audit performs audit activities designed to assess the adequacy and effectiveness of the Company's internal control systems, and to add value through improving the Company's operations.

Group Internal Audit provides written audit reports, identifying issues and management actions to the Board, senior management and external auditor on a regular basis. Group Internal Audit monitors and verifies that management's actions have been effectively implemented. Significant issues, and issues that have not been effectively corrected, are highlighted to the Board.

B.6.2 Independence of the internal audit function

Group Internal Audit performs its internal audit activities with independence and objectivity. Activities are coordinated with the other assurance functions. Group Internal Audit has no direct operational responsibility or authority over any of the activities it reviews.

Authority is granted for full, free and unrestricted access to any and all of the Company's property and personnel relevant to any function under review. All employees are required to assist Group Internal Audit in fulfilling their duty.

Group Internal Audit staff shall govern themselves by adherence to The Institute of Internal Auditors' "Code of Ethics." The Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing" shall constitute the operating guidance for the department. In addition, Group Internal Audit will adhere to the Group's guidelines and procedures, and Group Internal Audit's organisation and processes, manuals and guidelines.

B.7 Actuarial Function

B.7.1 Implementation of the Actuarial Function

The Actuarial Function is headed by the Head of Actuarial Function who is a Fellow of the Society of Actuaries in Ireland and is the holder of Pre-Approved Controlled Function 48 under the CBI Fitness and Probity Regime.

The Actuarial Function is organised into two main areas as follows:

- Financial Reporting – production of all financial reporting submissions, including calculation of Technical Provisions and Solvency Capital Requirement.
- Actuarial Operations - provision of support activities, including product governance and oversight of reinsurance arrangements.

B.7.2 Activities undertaken by the Actuarial Function

The Actuarial Function is responsible for providing actuarial services and information on all actuarial matters concerning the Company's life and pension business. During 2017, this has included the following:

<u>Methods and assumptions</u>

The Actuarial Function is responsible for recommending the methodology and assumptions to be used to value Technical Provisions for all the financial measures.

<u>Risk and Solvency monitoring</u>

The Available Capital and Required Capital of ReAssure are estimated on a monthly basis under the Standard Formula.

Risk management

The Actuarial Function provides support to the Risk Function and also advises the Board on risk matters. The Actuarial Function ensures its policies are updated as appropriate and that controls are in place and complied with. In conducting its work the Actuarial Function ensures it complies with relevant professional and regulatory requirements.

Financial reporting

The production of all actuarial elements of Financial Reporting, including analysis of variance in respect of the financial results.

Experience monitoring

The analysis of the demographic experience of the Company's business including mortality and lapses.

Business planning

Financial business planning, including five year projections, of the financial results for key financial metrics. This includes stress and scenario testing for use in the ORSA.

Management information

The provision of the actuarial aspects of the management information required by Senior Management and the Board in running the business.

Reinsurance oversight

The monitoring and oversight of the Company's external reinsurance arrangements.

Data quality

Establishing appropriate governance and processes to ensure on-going data quality to enable decision making as well as meeting Solvency II data quality standards. By ensuring that data quality is maintained/improved this minimises the risks of data errors impacting on policyholders and/or financial reporting.

Product Governance

The review of policies on the Company's policy administration system to ensure that they are administered in line with the policy conditions and relevant regulation.

B.7.3 Role of the Head of Actuarial Function

The Head of Actuarial Function has responsibility to advise the Board on all actuarial matters in order to achieve the approved Business Strategy. In this capacity the Head of Actuarial Function is expected:

- To lead the Actuarial Function to enable the business to deliver according to the agreed business strategy;

- To fulfil the regulatory role of Head of Actuarial Function and Pre-Approved Control Function 48;
- To analyse business performance and report internally on all key measures;
- To ensure that all capital and funding requirements are understood, whether in respect of business as usual or in respect of new acquisitions;
- To advise the Board immediately of any matter likely to have a material adverse effect on the Company or its operations;
- To support the Board in ensuring that the Company remains legally solvent at all times and that customers are treated fairly;
- To support the Board in ensuring that the Company is compliant with all law and regulations affecting its business, its policyholders and its staff, including fulfilling regulatory obligations;
- To support the Board in initiatives designed to create shareholder value and to advise the Board immediately of any matter likely to affect shareholder value adversely;
- To motivate and manage the Actuarial Function including recruiting and retaining key staff; and
- To ensure that adequate, relevant communication exists to policyholders, the shareholder, the Board and the employees of the Company.

B.7.4 Role of the Head of Actuarial Function

The Actuarial Function contributes to the effective implementation of the Company's risk management system in the following main areas:

Business planning

Together with the Finance function, the Actuarial Function provides a significant contribution to the business planning process by assessing the impact of five year business plans on the projected balance sheet, profits, embedded value and solvency. This includes stress and scenario testing on different business plan assumptions including those for expenses and investment strategy. These inputs form an integral part of managing the business and assessing the risks to profitability and solvency.

ORSA, stress and scenario testing and reverse stress testing

The ORSA process is led by the Risk Function with the Actuarial Function playing a significant role through performing capital modelling, providing inputs in developing scenarios, performing stress and scenario testing calculations, inputs to reporting, as well as interactions with the Board.
This includes stress and scenario testing for use in the ORSA.

Investment strategy

The Actuarial Function supports the Finance Function to inform investment strategy.

Risk appetite

The Actuarial Function is also responsible for ensuring that the business remains within risk appetite for the key insurance risks of mortality, morbidity, and persistency, through its contribution to risk appetite reporting.

Risk policies and standards

The Actuarial Function ensures policies owned by the Head of Actuarial Function and the Actuarial Function are updated as necessary and that controls are in place. The main standard for the Actuarial Function is the Life and Health Risk Management Standard used to manage mortality, morbidity, and persistency risk.

Product Governance

The Head of Actuarial Function oversees the Company's product governance programme. This includes the review and assessment of whether policies have been administered in line with policy conditions.

B.8 Outsourcing

B.8.1 Description of outsourcing policy

The Company has adopted Swiss Re's comprehensive global outsourcing policy and has further specified the oversight framework which is approved by the Board.

The policy covers two types of outsourcing arrangements:

- external outsourcing, where the mandate is given to an external service provider; and
- intra-group outsourcing using designated Swiss Re Shared Service locations or between Swiss Re entities.

The Company's local outsourcing policy defines the approval process for critical or important outsourcing arrangements based on the pre-defined due diligence selection process and requires a set of standard terms to be included in the outsourcing agreement, and requirements for post-approval control and monitoring, documentation and reporting.

The Board approves the outsourcing of critical and important outsourcing arrangements on recommendation of senior management. Senior management approves outsourcing of non-critical and important functions and activities. Outsourcing managers are appointed by senior management to steer approval and governance processes and exercise appropriate oversight.

The critical or important operational functions outsourced are as follows:

Description of Functions or Activites	**Jurisdiction**
Policy administration and general ledger accounting	Ireland
Investment management services for the unit linked funds	Ireland
Investment management services for the shareholder assets	Switzerland
IT outsourcing services including desktop support, telephony and storage	Ireland
Internal Audit services to the Company	Ireland

The critical or important services relate to policy administration and policyholder investment management services provided by unrelated external third parties are located in Republic of Ireland and shareholder investment management services provided by other entities in the Swiss Re Group are located in Europe.

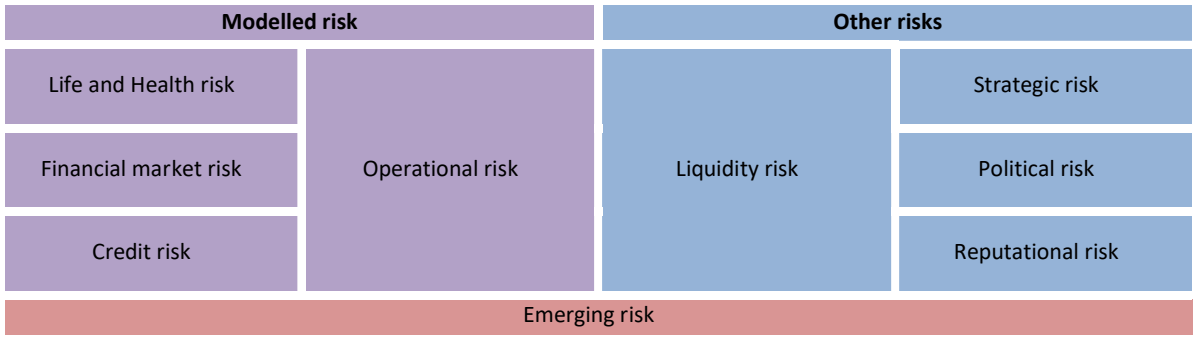
B.9 Any Other Disclosures

A system of governance gap analysis was carried out in December 2015 which indicated that governance systems were generally adequate, with some recommendations made for improvement.

There is no other material information to report for 2017.

C. RISK MANAGEMENT

The Company is subject to a broad range of risks. These include risks for which capital is held and risks for which capital is not directly held but other mitigation techniques are adopted.



C.1 Measures used to assess risk

The Company currently uses the Solvency II Standard Formula approach to assess all modelled risk categories and derive the Solvency Capital Requirement (SCR). Risks not covered by the SCR (liquidity risks, strategic risks, regulatory, political risks and others) are considered and assessed on a qualitative basis with various monitoring and review mechanisms in place. These qualitative assessments are conducted on a regular basis.

In line with the definition of Solvency II, the SCR of the Company measures the capital requirement at a 99.5% Value At Risk, which measures the loss likely to be exceeded in one out of two hundred years.

The Company undertakes an annual assessment of the Appropriateness of the Standard Formula. For risks where the Standard Formula does not fully capture the risk profile, the ORSA process is used to assess a suitable capital buffer.

C.2 Underwriting Risk

Life Underwriting Risk contributed €80m (2016: €97m) and Health Underwriting Risk contributed €6m (2016: €8m) to the Company's undiversified SCR as at 31/12/2017.

The key underwriting risks to which the company is exposed are set out below:

Lapse risk

The Company is exposed to the risk of lapse rates being higher than expected. It is also exposed to mass lapse – an instantaneous one-off shock lapse event.

The higher than expected lapses arises on contracts where future profit is expected to emerge. A mass lapse event would mean that the profit cannot emerge on policies that have lapsed.

Mortality

The Company is exposed to the risk of mortality experience being higher than expected leading to higher incidence of claims from policies providing death cover. The impact is that claims outgo is higher than expected.

Morbidity

The Company is exposed to the risk of morbidity being higher than expected. Higher morbidity leads to higher incidence of claims from serious illness and income protection plans. The impact is that claims outgo is higher than expected.

Expense

The Company is exposed to the risk that future expenses are higher than anticipated.

C.2.1 Assessment and risk mitigation techniques used for underwriting risks

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

- The Company makes extensive use of reinsurance to reduce its exposure to mortality and morbidity risk. The Company monitors its exposure to its reinsurance counterparties as well as a number of measures of their financial soundness on a monthly basis.
- The Company carries out investigations into its lapse experience monthly and into its mortality and morbidity experience annually.
- The Company holds a monthly forum to consider its lapse experience

C.2.2 Risk Concentration

The Company has a significant exposure to a small number of reinsurance counterparties (including its ultimate parent Swiss Re). The Company manages this risk by only placing reinsurance with highly rated counterparties and monitoring the credit quality of its reinsurers.

C.2.3 Sensitivity analysis and stress testing

As part of the ORSA process, the Company carries out stress and scenario testing which includes stress testing for underwriting risks. For the 2017 ORSA, the solvency position at 31st December 2016 and the projected solvency position over the business planning period were re-calculated following adverse stresses of a 25% shock lapse, a mortality pandemic and a significant increase in expenses. The analysis indicated that the Company can withstand these severe shocks.

C.2.4 Material risk developments over the reporting period

There were no material developments over the reporting period.

C.2.5 Special Purpose Vehicles

The Company did not use any Special Purpose Vehicles.

C.3 Financial Market Risk

Financial market risk contributed €47m (2016: €47m) to the Company's undiversified basic SCR at year end 2017.

The key financial market risks to which the company is exposed are set out below:

Equity risk

The Company is exposed to the risk of the price of equities held within the unit linked funds falling. A fall in equity prices would lead to a reduction in the value of unit linked assets and the expected future charges that will accrue to the Company in respect of these funds.

Interest rate risk

The Company is exposed to a fall in interest rate. The company provides a guarantee on certain cash funds that the unit price will not fall. As interest rates decline the cost of providing this guarantee increases.

Currency risk

The Company is exposed to the risk of non-Euro currencies falling in value against the Euro. A reduction in the value of non-Euro assets in Euro terms would lead to a reduction in the value of unit linked assets and the expected future charges that will accrue to the Company in respect of these funds.

Property risk

The Company is exposed to the risk of a fall in the value of properties held within the unit-linked funds. A reduction in the value of properties held within the Company's unit linked funds would lead to a reduction in the value of unit linked assets and the expected future charges that will accrue to the Company in respect of these funds.

Spread risk

The Company is exposed to the risk of spreads on the credit assets held within the unit-linked funds widening. Widening spreads would result in a reduction in the value of bonds held within the Company's unit linked funds would lead to a reduction in the value of unit linked assets and the expected future charges that will accrue to the Company in respect of these funds. In addition the Company holds Euro government (including supranational) bonds in the shareholder assets. A widening of spreads on the bonds would reduce the value of the portfolio.

C.3.1 Prudent person principle

Unit linked assets have been invested in line with the mandate communicated to policyholders. As at year end shareholder assets were materially invested in highly rated Euro government bonds and cash deposits of appropriate durations. The Company has restrictions in place in respect of the asset in which investments may be made and has concentration limits in place in respect of both bond and cash counterparties.

C.3.2 Assessment and risk mitigation techniques used for financial market risks

The Company monitors and controls financial market risks using the following methods:

- The company sets its investment strategy in order to mitigate its exposure to financial market risk
- The carries out oversight on its asset managers to ensure that they are managing the company's assets in line with mandate.
- The company monitors its financial market risk on a monthly basis

C.3.3 Risk Concentration

The Company has limits in place to limit its exposure to individual counterparties.

C.3.4 Sensitivity analysis and stress testing

As part of the ORSA process, the Company carries out stress and scenario testing which includes stress testing for financial market risks. For the 2017 ORSA, the solvency position at 31st December 2016 and the projected solvency position over the business planning period were re-calculated following adverse stresses of a 50% fall in equity values, parallel shifts in interest rates of 1% up and down as well as a number of combination stresses. The analysis indicated that the Company can withstand these severe shocks.

C.3.5 Material developments over the financial reporting period

There were no material developments in relation to financial market risk over the reporting period.

C.4 Credit Risk

Credit risk constituted €7m (2016: €14m) of the Company's undiversified basic SCR at year end 2017.

The key credit risks to which the company is exposed are set out below:

Default or downgrade of the Company's reinsurance counterparties

The Company mitigates its underwriting risk by putting reinsurance arrangements in place. Were the counterparties to these arrangements to default this would result a negative impact on the Company.

Default or downgrade of the institutions in which the company has placed deposits

The company places shareholder and policyholder assets on deposit with financial institutions. Were the counterparties to these arrangements to default this would result a negative impact on the Company.

C.4.1 How assets have been invested in line with the prudent person principle

The Company's assets were materially invested in highly rated Euro government bonds and cash deposits of appropriate durations. The Company has concentration limits in place in respect of both bond and cash counterparties.

C.4.2 Risk Concentration

The Company has a significant exposure to a small number of reinsurance counterparties. The company manages this risk by only placing reinsurance with highly rated counterparties and monitoring the credit quality of its reinsurers. The Company limits its concentration risk in respect of deposit counterparties by specifying minimum diversification requirement within its investment mandates.

C.4.3 Assessment and risk mitigation techniques used for underwriting risks

The Company monitors and controls credit risk using the following methods:

- The company sets its investment strategy in order to mitigate its exposure individual counterparties
- The company sets out criteria for the financial strength of its counterparties in its risk appetite statement
- The company monitors its counterparty risk on a monthly basis

C.4.4 Sensitivity analysis and stress testing

As part of the ORSA process, the Company carries out stress and scenario testing which includes stress testing for credit risks. For the 2017 ORSA, the solvency position at 31st December 2016 and the projected solvency position over the business planning period were re-calculated following an adverse stress of the default of the company's largest investment counterparty. The analysis indicated that the Company can withstand this severe shock.

C.4.5 Material developments over the financial reporting period

There were no material developments in relation to credit risk over the reporting period.

C.5 Liquidity Risk

The Company does not hold capital against liquidity risk however there is a framework to ensure sufficient liquid assets are held at all times. The Company's key liquidity risk metric is the liquidity coverage ratio defined liquid assets at the start of the month divided by the expected monthly outflow. This is calculated in both a base and stressed scenario and projected over the next 12 months. The Company stressed liquidity coverage ratio was in excess of 100% over 2017.

The Company's primary sources of liquidity risk include:

- Payment of dividends
- Shareholder exposure in property funds
- Increase in mortality
- Operational risk event
- Non-recovery of reinsurance claims
- Reduced unit-linked charges

C.5.1 Risk Concentration

The Company manages its liquidity concentration risk by holding assets across a range of high quality counterparties.

C.5.2 Assessment and risk mitigation techniques used for underwriting risks

The Company monitors and controls liquidity risk using the following methods:

- The company sets its investment strategy in order to ensure that it has sufficient liquid assets available to meet its liabilities
- The company has monitors its liquidity coverage ratio monthly against risk appetite

C.5.3 Sensitivity analysis and stress testing

As part of the ORSA process, stress and scenario testing is conducted to assess the liquidity risk under stressed conditions. The Company's policy is to hold sufficient liquid assets to meet both expected and stressed operating liquidity demands within a specified time horizon.

C.5.4 Expected profits in future premiums (EPIFP)

This amounts to €22.3m (2016: €53.3m) at 31 December 2017.

C.5.5 Material developments over the financial reporting period

There were no material developments in relation to liquidity risk over the reporting period.

C.6 Operational Risk

Operational Risk contributed €6m (2016: €6m) to the Company's SCR at 31/12/2017.

Operational Risk represents the risk of losses incurred as a result of inadequate or failed internal processes, people and systems, or from external events (including legal risk).

In addition, operational risks are addressed and monitored qualitatively based on the Company's integrated assurance framework.

C.6.1 Assessment and risk mitigation techniques used for underwriting risks

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

- Logging of operational events with root cause analysis to improve processes.
- Forums to discuss Key Risks and Emerging Risks.
- Risk and Control Self-Assessment of the risks it is facing and the controls in place to manage them.
- Monitoring of Operational Risk Appetite metrics and Key Risk Indicators.
- Risk Assurance Reviews
- End user application controls
- Monthly operational risk reporting

C.6.2 Sensitivity analysis and stress testing

As part of the ORSA process, the Company carries out stress and scenario testing which includes stress testing in relation to Operational Risk events. For the 2017 ORSA operational risk stress tests included the failure of outsource service providers, the emergence of significant customer remediation issues, a cyber risk event and financial reporting errors. The analysis indicated that the Company can withstand these severe shocks.

C.6.3 Risk Concentration

The Company has a significant exposure to a small number of outsource service providers.

C.6.4 Material risk developments over the reporting period

Operational Risk has remained stable over the reporting period.

A project is in place to strengthen the IT Security controls in response to the elevated level of hacking and Cyber incidents in the wider industry.

C.7 Other Material Risk

It is not yet clear what the ultimate outcome of the Brexit withdrawal negotiations will imply for the Company since its direct parent is a UK based company. The Company is monitoring this development and will take appropriate action as this progresses.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Valuation of assets for solvency purposes

D.1.1 Methods applied for valuation of material assets

An analysis of the material assets on a Solvency II valuation basis as at 31 December 2017 were as follows: (Based on QRT Balance Sheet S.02.01):

€'000	Solvency II	IFRS financial statements	Difference
Deferred Acquisition Costs	-	31,445	(31,445)
Investments (other than assets held for index-linked and unit-linked funds)	193,413	193,413	-
Cash and cash equivalents	28,807	28,807	-
Assets held for index-linked and unit-linked funds	1,959,424	1,959,393	31
Reinsurance recoverables	345,914	541,574	(195,660)
Deferred tax assets	1,325	20	1,305
Total of all other assets not listed above	8,814	(997)	9,811
Total	**2,537,697**	**2,753,655**	**(215,958)**

Solvency 11 valuation basis at 31 December 2016:

€'000	Solvency II	IFRS financial statements	Difference
Deferred Acquisition Costs	-	36,050	(36,050)
Investments (other than assets held for index-linked and unit-linked funds)	271,528	271,528	-
Cash and cash equivalents	13,410	8,810	4,600
Assets held for index-linked and unit-linked funds	2,147,299	2,147,299	-
Reinsurance recoverables	307,169	490,652	(183,483)
Deferred tax assets	473	24	449
Total of all other assets not listed above	5,223	5,095	128
Total	**2,745,102**	**2,959,458**	**(214,356)**

Deferred Acquisition Costs

The Deferred Acquisition Cost asset recognised by the Company in the IFRS financial statements is amortised to the income statement on a systematic basis dependent on the underlying insurance or investment contract.

Under Solvency II, Deferred Acquisition Cost assets are considered to have an economic value of nil therefore such assets are excluded from the Solvency II balance sheet.

Investments (other than assets held for index-linked and unit-linked funds)
Investments mainly consist of shareholder short-term government bonds, investment funds and deposits that are valued at fair value determined to the extent possible by reference to observable market prices.

There is no difference between Solvency II and IFRS financial statements values for these investments.

Cash and cash equivalents
Cash and cash equivalents are valued at nominal value. There is no difference between Solvency II and IFRS financial statements values for such cash as the amount held under IFRS is a suitable approximation of fair value. This is based on the assessment of the nature of the balances held, the short term nature of the amounts held along with the counterparties with which the amounts are held.

Assets held for index-linked and unit-linked funds
Assets held for index-linked and unit-linked funds mainly consists of policyholder financials assets (debt securities, equity shares, unit trusts, trackers, investment properties and derivatives) that are valued at fair value through profit and loss ("FVTPL") in the IFRS financial statements determined in accordance with IFRS 13 *Fair value measurement*.

The overarching valuation principle under Article 75 (Article 75 (1) of Directive 2009/138/EC)) is that assets are required to be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. Solvency II requires that the valuation methods used should be compatible with International Accounting Standards ("IAS's") provided that such valuation methods are consistent with Article 75. The accounting standard for determining the fair value of financial assets is IFRS 13. The fair value of financial assets as determined by IFRS 13 is consistent with the Solvency II framework under Article 75.

Reinsurance recoverables
For Solvency II and IFRS financial statements valuation, reinsurance recoverable relate to the share of Technical Provisions for ceded business that is determined with reference to the contractual agreement and the underlying gross liability.

The difference between Solvency II and IFRS financial statement values is mostly attributable to different biometric assumptions, economic assumptions and reserving methodologies used between Solvency II and IFRS financial statements.

Other assets
Other assets consist of reinsurance receivables, insurance and intermediaries' receivables and trade receivables, which are held at an amount that is deemed to resemble the fair value.

There is no difference between Solvency II and IFRS financial statements values for other assets.

Assumptions and judgements applied for valuation of material assets

Investments are valued at market value, which is determined by reference to observable market prices. When observable market prices are not available, the Company follows the fair value measurement methodology. There are no major sources of estimation uncertainty when using judgments to determine valuations. Since Solvency II follows market valuation approach, the securities are not carried at more than recoverable amounts.

Changes made to recognition and valuation basis of material assets during the period

No changes have been made to the recognition and valuation basis or to estimation assumptions during 2017.

D.1.2 Methods and assumptions applied in determining the economic value

Quoted prices in active markets for identical or similar assets are used to determine the economic value for the majority of financial assets. Most financial asset prices are sourced from outsourced service providers. To ensure that financial assets are valued completely and accurately, the outsourced service providers have a number of controls in place over the asset valuations. These controls are outlined in the ISAE 3402 report. In addition, prices are reviewed by the Company's investment team on a monthly basis to ensure prices are accurate and valid. When quoted market prices are not available, a market price from an alternative source is selected.

As at 31 December 2017, the value of investments valued at quoted market prices in active markets, for the identical assets, were €1,448m (2016: €1,772m). The value of investments valued at quoted market prices in active markets, for the similar assets, were €432m (2016: €266m). The value of investments using alternative valuation method was €10m (2016: €14m).

D.1.3 Deferred Tax Asset

Deferred Tax Asset of €0.02m (2016: €0.02m) has been recognised in the IFRS financial statements for all deductible temporary differences and for the carry forward on unused tax losses and unused tax credits, to the extent that the realisation of the related tax benefit through expected future taxable profits is probable.

Deferred Tax Asset recognition on tax losses is determined by reference to the tax laws enabling such recognition on the same enacted or substantively enacted basis.

Solvency II requires that Deferred Tax Asset for Solvency II purposes are determined by the differences between the economic valuation of an asset or liability on the Solvency II balance sheet and its tax base.

Amount for which no Deferred Tax Asset is recognised

The amount of deductible temporary differences, unused tax losses and unused tax credits for which no Deferred Tax Asset is recognised in the Solvency II balance sheet is zero, because of tax loss carry forward restrictions. The expiry date, if any, for tax losses and tax credits, is dependent on the local tax law.

Projected future taxable profits

Deferred Tax Asset to be recovered after more than 12 months are €1.3m. Deferred Tax Asset to be recovered within 12 months are nil. The utilisation of Deferred Tax Asset depends on projected future taxable profits, including those arising from the reversal of existing taxable temporary differences.

Actual tax losses suffered by the Company

Under general circumstances, actual tax losses suffered by the Company in either the current or preceding periods, in the tax jurisdiction to which the Deferred Tax Assets are considered as a Deferred Tax Asset, are taken into account to the extent that future tax benefits utilising these tax losses are probable.

Due to materiality, actual tax losses have not been taken into consideration.

Tax rate during the period

The corporation tax rate in the Irish jurisdiction is 12.5%.

D.1.4 Lease assets and liabilities

As at 31 December 2017, the Company does not have any material financial or operating leasing arrangements.

D.1.5 Holdings in related undertakings

As at 31 December 2017, the Company does not have any holdings in related undertakings.

D.1.6 Intangible assets

The Company does not show any intangible assets on the SII balance sheet as at 31 December 2017.

D.2 Valuation of Technical Provisions for solvency purposes

The following table shows the value of life Technical Provisions by material class of business as at 31 December 2017:

€'m	Technical Provisions As A Whole	Best estimate	Reinsurance recoverables	Risk margin	Total net Technical Provisions
Index-linked and Unit-linked	1,930	-44	-	17	-27
Other Life	-	291 (+44)	297 (+24)	26	19 (+20)
Health SLT	-	15 (+1)	24 (+1)	3	-6 (+0)
Total	**1,930**	**262 (+45)**	**321 (+25)**	**45**	**-14 (+20)**

Note that the amounts relating to notified claims (shown in brackets) should be combined with the bracketed figures to give the totals shown in QRT S.12.01 (subject to rounding).

The value as at 31 December 2016 was:

€'m	Technical Provisions As A Whole	Best estimate	Reinsurance recoverables	Risk margin	Total net Technical Provisions
Index-linked and Unit-linked	2,115	-37	-	17	-21
Other Life	-	235 (+43)	268 (+20)	31	-2 (+23)
Health SLT	-	5 (+1)	18 (+1)	3	-11 (+0)
Total	2,115	202 (+44)	286 (+21)	51	-33 (+23)

D.2.1 Information on methodology and assumptions

Method used to calculate Technical Provisions

The Technical Provisions are intended to represent the premium at which the Company could pay another insurer or reinsurer to assume its liabilities. The Technical Provisions are the sum of the Technical Provisions calculated As a Whole, the Best Estimate liability and the Risk Margin less the Reinsurance Recoverables.

Technical Provisions calculated As a Whole and Best Estimate Liability

The Technical Provisions calculated As a Whole equal the unit fund for each policy. The Best Estimate liability is the sum of the present value of the benefits payable under each contract (net of the current unit fund) plus the expenses associated with administering that contract less any premiums receivable under that contract.

This is calculated by deterministically projecting each policy's cashflows monthly until the policyholder reaches a maximum age or until any earlier date at which the policy is due to mature or expire.

The present value of expenses not included in the policy projection is calculated using a monthly projection.

For Solvency II these projections are carried out using best-estimate assumptions. The projections used for the Technical Provisions reported in the Financial Statements are carried out using assumptions including Provisions for Adverse Deviation ("PADs"). In the IFRS Financial Statements, the Technical Provisions for each unit-linked policy or non-linked cohort must be at least as large as the surrender value. This requirement does not apply to the Solvency II Technical Provisions.

Reinsurance Recoverables

The present value of reinsurance claims less reinsurance premiums adjusted for the reinsurer's credit risk.

This is calculated by projecting each policy's reinsurance cashflows on the same basis as is used to calculate the Technical Provisions.

Although the reinsurance recoverables are very significant, the strength of the Company's reinsurance counterparties is such that the adjustment for default risk is not material.

Risk Margin

The risk margin is the cost of the capital that would be held by a reference undertaking, with no existing policy book, to support the Company's current policy book. The capital that the reference undertaking holds is the SCR for non-hedgeable risks. The cost of holding the capital is specified as 6% p.a. in excess of the risk free rate of return.

Simplifications have been applied when calculating the SCR at future time periods in order to calculate the Company's risk margin (Article 58 of Solvency II Delegated Acts).

Simplification used in the Technical Provisions calculation

There are a small number of policies and/or benefits that are not included in the calculation of the Technical Provisions on the grounds of materiality and for practical reasons:

- Income protection business.
- Reinsurance on mortality benefits for unit-linked protection policies.
- Waiver of premium rider benefit on unit-linked protection policies.

In the Risk Margin Calculation Risk Carriers are used to project the individual components of the SCR rather than making a full calculation of each future SCR. The choice of Risk Carriers is considered to be granular enough to capture the nature of the Company's business. This approach has been considered adequate given the nature, scale and complexity of the risks of the Company's business.

The effect of reinsurance on the SCR is split between reinsurers using the split of the modelled reinsurance recoverables. At present both main reinsurers have the same credit rating so it does not have a material effect on the capital requirement.

Assumptions

Investment returns & discount rates

The Technical Provisions in Solvency II use a yield curve specified by EIOPA. This is based on Euro swap rates, a deduction for credit risk and a long term rate of return specified by EIOPA. The rules require that a credit adjustment of between 10 and 35 bps is applied to the risk-free discount rate for each currency. An adjustment of 10 bps was applied by EIOPA to the euro discount rate at year end 2017 and at previous dates.

The Company do not apply matching adjustments or volatility adjustments to the discount rate used for Solvency II Technical Provisions.

The Technical Provisions for Insurance business in the IFRS Financial Statements use a single rate – the swap rate appropriate to the duration of the non-linked liabilities less a PAD of 0.5% at 31December 2017. This rate was 1.05% (2016: 0.77%) at 31 December 2017.

Mortality & morbidity assumptions

Mortality and morbidity assumptions are fixed proportions of proprietary tables and are set with regard to recent company experience and general industry trends. The assumptions used in the preparation of the financial statements also include a provision for adverse deviation.

Persistency assumptions

Lapse and PUP assumptions are set with regard to recent company experience and general industry trends. The assumptions used in the preparation of the financial statements also include a provision for adverse deviation.

Expense assumptions

Expense assumptions are set with regard to the Company's business plan. The assumptions used in the preparation of the financial statements also include a provision for adverse deviation but do not allow for the impact of diseconomies of scale as these are covered by income cash-flows which would not otherwise be recognised.

D.2.2 Uncertainty associated with Technical Provisions

As a closed book of business, the main areas of uncertainty are in relation to the Company's assumed persistency and expenses.

The Company's year-end 2017 persistency assumptions are set using experience from the previous 4-5 calendar years. Future developments (e.g. changes in the economic outlook in Ireland) could lead to actual persistency experience being higher or lower than that assumed.

The Company's expense assumption was set using a combination of the Company's current expenses and expert judgment on how these are likely to develop in the future as the Company's policy count declines. Future developments could lead to the Company's actual expenses being higher or lower than that assumed.

D.2.3 Material differences between Solvency II and statutory net life Technical Provisions

The following table shows the difference between net Technical Provisions in the IFRS Financial Statements and net Technical Provisions in Solvency II, by material class of business as at 31 December 2017:

€'m	IFRS Financial Statements	Solvency II	Difference
Non-linked Life	0 (+20)	19 (+20)	-19
Unit-linked	0	-27	+27
Non-linked Health	0 (+0)	-6 (+0)	+6

Additional provisions for notified claims shown on QRT S.12.01 are materially identical on both bases and shown in brackets.

The difference at 31 December 2016 was :

€'m	IFRS Financial Statements	Solvency II	Difference
Non-linked Life	0 (+23)	-2 (+23)	+2
Unit-linked	0	-21	+21
Non-linked Health	0 (+0)	-11 (+0)	+11

The PADs have an immaterial impact on the Technical Provisions in the IFRS Financial Statements. Therefore, almost all of the difference in the table above is attributable to the methodology differences outlined below.

Material differences in methods used for solvency and financial statements Technical Provisions valuation

Assumptions

Solvency II uses best estimate assumptions whereas the IFRS assumptions include provisions for adverse deviations. The IFRS expense assumption allows only for those expenses attributable to individual contracts whereas Solvency II assumptions allow for the full expected costs of the Company.

Minimum level of provisions

The Technical Provisions in Solvency II permit negative provisions at a policy level and at an overall level.

The Technical Provisions for non-linked business in the IFRS Financial Statements are calculated separately for each unit-linked policy and of four non-linked policy cohorts. None of these are permitted to hold a provision lower than the current surrender value. In addition, a non-unit reserve provision is calculated for every policy classed as Insurance business. This is not permitted to be negative and is calculated using a "cash reserve" method so that any projected strain not covered by preceding surplus is recognised immediately.

Contract boundaries

The Technical Provisions in Solvency II are calculated assuming that premium payments will cease at the first point at which they are not required to maintain the existing benefits. Policies with a conversion option are assumed to continue beyond the current expiry date.

The Technical Provisions for non-linked business in the IFRS Financial Statements are not calculated assuming any boundary assumption. Policies with a conversion option are not assumed to continue beyond the current expiry date.

Risk margin

The Technical Provisions in Solvency II are adjusted to reflect the cost for another insurance undertaking to provide an amount of eligible own funds equal to the SCR necessary to support the insurance obligations over the lifetime thereof were this undertaking to take over and meet these insurance obligations.

No such adjustment is applied in the IFRS Financial Statements.

D.2.4 Rationale behind material changes in assumptions since last reporting period

Solvency II assumptions are best-estimate and take regard of the Company's recent, current and expected future experience. In addition, a number of external environment factors including potential emerging trends that could impact on Technical Provisions and SCR are also considered as part of the assumption setting process.

The most significant assumption change was to the amount of the expense overlay which is reflective of changes to the Company's business plan.

D.2.5 Overview of material changes in the level of Technical Provisions since the last reporting period

The net Technical Provisions increased from -€33m at year-end 2016 to -€14m at year-end 2017. The most significant driver of the increase in Technical Provisions net of those calculated As a Whole was an increase in the Company's expense provision.

D.2.6 Transitional provisions/adjustments

The Company is not using any transitional measures in calculating its technical provisions.

D.3 Valuation of other liabilities for solvency purposes

An analysis of the material liabilities on a Solvency II valuation basis as at 31 December 2017 were as follows: (Based on QRT Balance Sheet S.02.01):

€'000	Solvency II	IFRS financial statements	Difference
Deferred tax liabilities	3,046	5,799	(2,753)
Reinsurance payables	5,802	5,802	-
Payables (trade, not insurance)	14,519	15,766	(1,247)
Deferred Front End Fees	-	9,145	(9,145)
Total of all other liabilities not listed above	11,430	372	11,058
Total	**34,797**	**36,884**	**(2,087)**

At 31 December 2016:

€'000	Solvency II	IFRS financial statements	Difference
Deferred tax liabilities	3,774	4,579	(805)
Reinsurance payables	6,129	6,129	-
Payables (trade, not insurance)	27,825	27,789	36
Deferred Front End Fees	-	10,359	(10,359)
Total of all other liabilities not listed above	4,944	252	4,692
Total	**42,672**	**49,108**	**6,129**

Deferred Tax Liability

Recognition of Deferred Tax Liability

The Company records a provision for Deferred Tax Liability on all material taxable temporary differences. The tax rates enacted, or substantively enacted at the statement of financial position date are used to determine the Deferred Tax Liability in accordance with IAS 12.

The current Deferred Tax Liability recognised by the Company under IFRS relates to tax payable in future periods on undistributed surplus transferred out of the long term business fund. In accordance with Irish taxation rules, the deferred liability on the undistributed surplus is restricted to 12.5% of the projected future income which is determined by actuarial specialists.

Solvency II requires that Deferred Tax Liability for Solvency II purposes are determined by the differences between the economic valuation of an asset or liability on the Solvency II balance sheet and its tax base.

Deferred Front End Fees

Investment contract policyholders are charged fees for mortality, policy administration, investment management, surrenders and other contract services. These fees are recognised by the Company as revenue in the period in which they are collected unless they relate to services to be provided in future periods in which case the fees are deferred and recognised as the service is provided.

Under Solvency II, there is no concept of deferring revenue to match the provision of services. Any day-one gain or loss on the provision of such services is recognised at inception. Consequently, under Solvency II the Deferred Front End Fee liability has an economic value of nil and thus should be excluded from the market value balance sheet.

Payables and all other liabilities

The reinsurance payables, payables (trade, not insurance) and other liabilities are currently held at the amount which the Company would be required to pay to transfer the liabilities being either fair value or cost (in which case cost approximates fair value).

D.3.1 Financial liabilities – the impact of changes in the Company's own credit risk rating

Other financial liabilities consist of other payables, including income tax payables and other tax payables. The change in the Company's own credit risk has no impact on the above financial liabilities.

D.3.2 Employee benefits

The Company does not operate a defined benefit scheme.

D.3.3 Provisions other than Technical Provisions and contingent liabilities

As of 31 December 2017 there were no other provisions/liabilities in addition to those described above.

D.3.4 Changes during the reporting period

No changes have been made to the recognition and valuation bases used or on estimations of liabilities during 2017.

D.3.5 Assumptions and judgements

No assumptions or judgments contribute materially to the valuation of other liabilities.

D.4 Alternative methods of valuation

Alternative methods of valuation applied by the Company to investment properties are outlined in valuation of assets D1 section.

Investment Properties are subject to AVM due to the absence of a tradable financial market for which identical or similar properties are frequently exchanged to provide common and credible market prices. Investment properties are valued by specialists equipped with a wealth of available resources, wide-ranging expertise, access to a large array of market sensitive information and an up-to-date knowledge base. The 'valuers' opinions of market values are primarily derived using recent and comparable market transactions on arm's length terms, where available. Chartered Surveyors must comply with both the professional valuation standards prescribed by the Royal Institution of Chartered Surveyors (RICS).

Assessment of valuation uncertainty surrounding mark to model techniques used

Investment properties are traded less frequently than assets such as listed equities and therefore a lack of liquidity increases the challenge to easily assess and attribute accurate prices. An independent valuer is appointed by the Company who has the expertise and market knowledge to value the portfolio of properties. Many factors must be considered when attributing a value and appropriate valuation models are applied. Inherent uncertainties prevail in any method of valuing property. While the main uncertainty of a surveyor's valuation typically concerns the condition of a property, it is assumed to be in a fair condition with no critical repairs. Surveyors can highlight issues which are considered essential repairs or breaches of good and marketable condition. The existence of a large number of similar property transactions at the valuation date mitigates valuation uncertainty. Although there is no recognised method of quantifying uncertainty, it is a consideration for the valuer in attaining an accurate market value. There are different types of uncertainty which include:

- Property valuations based on opinion which cannot be quantified
- Market conditions at the time of valuation (particularly in rapidly moving markets)
- Property-specific issues (e.g. will the tenant vacate at lease expiry or renew)
- Investment Approach

Comparison of the valuations against experience

Over time the Company had not experienced material detriment from the realisation of property below the valuation attributed in the balance sheet.

D.5 Any other material information

All material information regarding the valuation of assets and liabilities for Solvency II purposes have been described in the sections above.

E. CAPITAL MANAGEMENT

E.1 Own Funds

E.1.1 Objectives, policies and processes for managing own funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. The Company ensures that it is appropriately capitalised for the risks that it incurs. The capital structure and the level of capitalisation are determined by regulatory capital requirements, management's assessment of the risks and opportunities arising from business operations and by financial management considerations. The Company monitors the capitalisation level on a regular basis taking into account relevant developments in the risk landscape and in its business portfolio.

There have been no changes from the prior period in the objectives, policies and processes for managing own funds.

E.1.2 Business planning time horizon for own funds

The Company considers a five-year time horizon for its capital planning.

E.1.3 Own funds by tier

All of the Company's own funds are classified as Tier 1. The value of own funds, based on QRT Own Funds S.23.01, as at 31 December was as follows:

€'000	**2017**	2016	Change
Ordinary share capital	**18,750**	18,750	0
Share premium account related to ordinary share capital	**296**	296	(0)
Reconciliation reserve	**183,332**	271,585	(88,254)
Total	**202,378**	**290,631**	(88,254)

Ordinary Share Capital

This is the total amount of ordinary shares issued are fully paid, carry one vote per share and carry a right to dividends.

Share Premium account

On redenomination of its share capital from IR £ to €, the Company re-nominalised its share capital which resulted in a reduction of its share capital of €296K. In accordance with the Economic and Monetary Union Act 1998 this reduction was transferred from Ordinary Share Capital to a Capital Conversion Reserve Fund. For Solvency II reporting purposes, this balance was treated as Share Premium.

Reconciliation reserve

The reconciliation reserve is the amount of excess of total assets over total liabilities valued in accordance with Solvency II principles which remains once all identified required deductions have been made.

E.1.4 Analysis of significant changes in each tier over the reporting period

Tier 1 capital reduced following payment of a dividend of €68m during 2017, plus provision for a foreseeable dividend of €18m.

E.1.5 Ancillary own fund

There are no ancillary own funds in the Company.

E.1.6 Restrictions to available own funds

There are no restrictions to available own funds as at 31 December 2017.

E.1.7 Eligible amount of own funds to cover the SCR

The eligible amount of own funds to cover SCR for 2017 is €202m (2016: €291m), all of which is classified as tier 1.

E.1.8 Eligible amount of basic own funds to cover the Minimum Capital Requirement (MCR)

The eligible amount of basic own funds to cover the MCR for 2017 is €202m (2016: €291m), all of which is classified as tier 1.

E.1.9 Solvency ratio, calculated as eligible own funds as a percentage of the SCR & MCR

The solvency ratio expressed as eligible own funds as a percentage of the SCR as at 31 December 2017 was equal to 182% (2016: 226%).

The solvency ratio expressed as eligible own funds as a percentage of the MCR as at 31 December 2017 was equal to 729% (2016: 905%).

E.1.10 Difference between equity in Solvency II and IFRS financial statements

The material differences in equity as showed in the Company's financial statements and the excess of assets over liabilities under Solvency II as at 31 December 2017 were as follows:

€'000	**2017**	2016
Excess of assets over liabilities	**220,378**	290,631
Equity per IFRS financial statements	**224,246**	281,294
Difference	**(3,868)**	9,337

The difference is due to different valuations applied under Solvency II for reinsurance recoverable assets, DAC, Technical Provisions, Deferred Front End Fees and Deferred Tax Asset / Deferred Tax Liability.

€'000	**2017**	2016
Equity per IFRS financial statements	**224,246**	281,294
Deferred Acquisition Costs/Deferred Front End Fees with nil value under Solvency II	**(22,300)**	(25,691)
Changes in deferred tax under Solvency II	**4,089**	1,254
Replace IFRS reserves with Solvency II Technical Provisions	**210,003**	217,257
Changes in reinsurance recoverables under Solvency II	**(195,660)**	(183,483)
Excess of assets over liabilities	**220,378**	290,631

Further detail is provided in sections D1 Valuation of assets, D2 Valuation of Technical Provisions and D3 Valuation of other liabilities.

The Solvency II solo excess assets over liabilities of €220m agrees with the amount reported in QRT S.02.01 as at 31 December 2017. Other than as described above all net assets and liabilities have the same values under Solvency II as they do under IFRS.

E.1.11 Subordinated capital instruments in issue at period end

There are no subordinated capital instruments in the Company.

E.1.12 Hybrid instruments

Not applicable to the Company.

E.1.13 Basic own funds subjected to transitional arrangements

No own funds items are subject to transitional arrangements.

E.1.14 Key elements of the reconciliation reserve

The reconciliation reserve based on QRT Own Funds S.23.01 as at 31 December 2016 was as follows:

€'000	**2017**	2016	Change
Excess of assets over liabilities	**220,378**	290,631	(70,284)
Foreseeable dividends and distributions	**(18,000)**	**0**	(18,000)
Other basic own fund items	**(19,046)**	(19,046)	0
Reconciliation reserve	**183,332**	**271,585**	(88,284)

Excess of assets over liabilities

This amount is determined in the QRT Balance Sheet S.02.01.b and is valued in accordance with Solvency II principles (Article 75 of Directive 2009/138/EC).

Foreseeable dividend and distributions

A dividend or distribution is foreseeable at the latest when it is declared or approved by the administrative, management or supervisory body of the insurance undertaking and the other persons who effectively run the undertaking, regardless of any requirement for formal approval at the AGM. Therefore, the amount deducted from the excess of assets over liabilities will be the value of dividends declared or approved by the Board of the Company at the reporting date.

A dividend of €68m was paid in 2017 – this was not foreseeable at financial year end 2016.

E.2 SCR and MCR

As at 31 December 2017 the Company SCR was €111m and the MCR was €28m. The following table details the change in The Company's SCR over the course of 2017 (the Basic SCR includes diversification benefits from the underlying risk modules):

€'m	2016	**2017**
Basic SCR	126	**107**
Loss Absorbing Capacity of Deferred Tax	-3	**-2**
Operational Risk SCR	6	**6**
SCR	128	**111**

E.2.1 SCR split by risk categories

The Company uses the standard formula to measure its capital requirements. The following table details the breakdown of the Basic SCR along with the equivalent figures at the prior year end (note that risk modules include diversification benefits from their underlying submodules):

€'m	2016	**2017**
Market risk	47	**47**
Counterparty default risk	14	**7**
Life Underwriting risk	97	**80**
Health underwriting risk	8	**6**

E.2.2 Information on inputs used to calculate the MCR

The following table outlines the inputs into the Company's MCR:

€'m	2016	**2017**
SCR	128.4	**111.1**
Linear MCR	15.6	**14.3**
Combined MCR	32.1	**27.8**
Absolute floor of the MCR	3.7	**3.7**
MCR	32.1	**27.8**

The MCR is in line with MCR floor of 25% of the SCR as the linear MCR is below the floor on the MCR.

E.2.3 Material change to the SCR and MCR over the reporting period

The most significant changes to SCR are detailed below:

Change (€'m)	SCR
Expected change	-12
Operating experience	+4
Assumption changes	+2
Methodology reviews*	-15
Economic	+4

* Update to Lapse Risk capital calculation (-€10m) and change in the treatment of deposits (-€5m).

The MCR has decreased from €32m at 31 December 2016 to €28m at 31 December 2017, in line with 25% of the change to SCR.

E.2.4 Which risk modules and sub-modules of the standard formula are using simplified calculations

Simplifications have not been used in calculating the SCR.

E.2.5 Duration based equity risk sub-module

The Company is not using the duration based equity risk sub-module.

E.2.6 Undertaking specific parameters

The Company is not using undertaking specific parameters in calculating the SCR.

E.2.7 Capital add-on

No capital add-on has been imposed by the regulator on the company.

E.2.8 Compliance with the SCR and MCR

The Company has continuously complied with the SCR and MCR during the reporting period.

E.3 Non-compliance with the MCR and non-compliance with the SCR

The Company complied with the Company SCR and MCR during 2017. There is no reasonably foreseeable risk for MCR and SCR non-compliance.

E.4 Any other material information

All material information regarding the capital management has been described in the sections above.

F. APPENDICES

A glossary of terms used throughout the document is provided below for reference:

Acronym	Meaning
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
EIOPA	European Insurance and Occupational Pensions Authority
IFRS	International Financial Reporting Standards
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
PAD	Provision for Adverse Deviation
QRT	Quantitative Reporting Template
SCR	Solvency Capital Requirement
Swiss Re	Swiss Re Ltd and its subsidiaries
The Company	Ark Life Assurance Company dac

SE.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	1,325
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	193,413
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	193,413
R0140	Government Bonds	193,413
R0150	Corporate Bonds	0
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	0
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	1,959,424
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	345,914
R0280	Non-life and health similar to non-life	0
R0310	Life and health similar to life, excluding index-linked and unit-linked	345,914
R0320	Health similar to life	24,457
R0330	Life excluding health and index-linked and unit-linked	321,457
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	115
R0370	Reinsurance receivables	4,700
R0380	Receivables (trade, not insurance)	3,980
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	28,807
R0420	Any other assets, not elsewhere shown	19
R0500	Total assets	2,537,697

SE.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0530	TP calculated as a whole	0
R0540	Best Estimate	0
R0550	Risk margin	0
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	0
R0580	Best Estimate	0
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	379,388
R0610	Technical provisions - health (similar to life)	18,783
R0620	TP calculated as a whole	0
R0630	Best Estimate	16,217
R0640	Risk margin	2,565
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	360,605
R0660	TP calculated as a whole	0
R0670	Best Estimate	334,960
R0680	Risk margin	25,645
R0690	Technical provisions - index-linked and unit-linked	1,903,134
R0700	TP calculated as a whole	1,930,410
R0710	Best Estimate	-44,300
R0720	Risk margin	17,025
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	372
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	3,046
R0790	Derivatives	0
R0800	Debts owed to credit institutions	10,915
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	144
R0830	Reinsurance payables	5,802
R0840	Payables (trade, not insurance)	14,519
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in BOF	0
R0870	Subordinated liabilities in BOF	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	2,317,319
R1000	**Excess of assets over liabilities**	220,378

S.05.01.01

Premiums, claims and expenses by line of business

Life

	Line of Business for: life insurance obligations						Life reinsurance obligations		
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written									
Gross	8,580	0	44,670	54,337	0	0	0	0	107,588
Reinsurers' share	5,190	0	200	41,990	0	0	0	0	47,380
Net	3,390	0	44,470	12,347	0	0	0	0	60,207
Premiums earned									
Gross	8,580	0	44,670	54,337	0	0	0	0	107,588
Reinsurers' share	5,190	0	200	41,990	0	0	0	0	47,380
Net	3,390	0	44,470	12,347	0	0	0	0	60,207
Claims incurred									
Gross	7,895	0	314,337	36,160	0	0	0	0	358,391
Reinsurers' share	7,135	0	15	35,340	0	0	0	0	42,490
Net	760	0	314,321	820	0	0	0	0	315,901
Changes in other technical provisions									
Gross	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0	0	0
Expenses incurred	1,180	0	9,112	7,713	0	0	0	0	18,004
Other expenses									0
Total expenses									18,004

	S.05.02.01							
	Premiums, claims and expenses by country							
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Life		Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 Countries (by amount of Gross premiums written) Life Obligations		
R1400		Home Country	GB					Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	107,076	512					107,588
R1420	Reinsurers' share	47,044	337					47,380
R1500	Net	60,032	175	0	0	0	0	60,207
	Premiums earned							
R1510	Gross	107,076	512					107,588
R1520	Reinsurers' share	47,044	337					47,380
R1600	Net	60,032	175	0	0	0	0	60,207
	Claims incurred							
R1610	Gross	357,435	956					358,391
R1620	Reinsurers' share	41,539	951					42,490
R1700	Net	315,896	5	0	0	0	0	315,901
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0	0	0	0	0	0
		-	-	-	-	-	-	-
R1900	Expenses incurred	17,997	7					18,004
R2500	Other expenses							
R2600	Total expenses							18,004

S.12.01.01

Life and Health SLT Technical Provisions

		Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance	Accepted reinsurance	Total (Life other than health insurance, incl Unit-linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole		1,930,410			0				0	1,930,410	0					0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole					0				0	0	0					0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	Gross Best Estimate	0		- 44,300	0		334,960	0		0	290,659		16,217	0			16,217
R0040	Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	0		0	0		321,929	0	0	0	321,929		24,468	0	0	0	24,468
R0050	Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	0		0	0		321,929	0	0	0	321,929		24,468	0	0	0	24,468
R0060	Recoverables from SPV before adjustment for expected losses	0		0	0		0	0	0	0	0		0	0	0	0	0
R0070	Recoverables from Finite Re before adjustment for expected losses	0		0	0		0	0	0	0	0			0	0	0	0
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0		0	0		321,457	0	0	0	321,457		24,457	0	0	0	24,457
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	0		- 44,300	0		13,502	0	0	0	- 30,798		- 8,239	0	0	0	- 8,239
R0100	Risk margin		17,025			25,645				0	42,670	2,565					2,565
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin										0						0
R0200	Technical provisions - total	0	1,903,134			360,605			0	0	2,263,739	18,783			0	0	18,783

	S.23.01.01					
	Own Funds					
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	18,750	18,750		0	
R0030	Share premium account related to ordinary share capital	296	296		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	183,332	183,332			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0				
R0290	**Total basic own funds after deductions**	202,378	202,378	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0

	S.23.01.01					
	Own Funds					
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	202,378	202,378			0
R0510	Total available own funds to meet the MCR	202,378	202,378			
R0540	Total eligible own funds to meet the SCR	202,378	202,378			0
R0550	Total eligible own funds to meet the MCR	202,378	202,378			
R0580	SCR	111,053				
R0600	MCR	27,763				
R0620	Ratio of Eligible own funds to SCR	182%				
R0640	Ratio of Eligible own funds to MCR	729%				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	220,378				
R0710	Own shares (held directly and indirectly)	-				
R0720	Foreseeable dividends, distributions and charges	18,000				
R0730	Other basic own fund items	19,046				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fe	-				
R0760	Reconciliation reserve	183,332				
		-				
	Expected profits	-				
R0770	Expected profits included in future premiums (EPIFP) - Life business	22,327				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	-				
R0790	Total Expected profits included in future premiums (EPIFP)	22,327				

	S.25.01.01					
	Solvency Capital Requirement - for undertakings on Standard Formula					
Z0010	Article 112	Regular reporting				
		Net solvency capital requirement	**Gross solvency capital requirement**	**Allocation from adjustments due to RFF and Matching adjustments portfolios**	**USP**	**Simplifications**
		C0030	C0040	C0050	C0080	C0090
R0010	Market risk	47,310	47,310			
R0020	Counterparty default risk	7,148	7,148			
R0030	Life underwriting risk	79,914	79,914			
R0040	Health underwriting risk	5,979	5,979			
R0050	Non-life underwriting risk	0	0			
R0060	Diversification	- 33,309	- 33,309			
R0070	Intangible asset risk	-	-			
R0100	Basic Solvency Capital Requirement	107,043	107,043			
	Calculation of Solvency Capital Requirement	C0100				
R0120	Adjustment due to RFF/MAP nSCR aggregation	0				
R0130	Operational risk	5,731				
R0140	Loss-absorbing capacity of technical provisions	0				
R0150	Loss-absorbing capacity of deferred taxes	- 1,721				
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0				
R0200	Solvency Capital Requirement excluding capital add-on	111,053				
R0210	Capital add-ons already set	0				
R0220	Solvency capital requirement	111,053				
	Other information on SCR					
R0400	Capital requirement for duration-based equity risk sub-module	0				
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	111,053				
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0				
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0				
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0				

	S.28.01.01				
	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity				
	Linear formula component for non-life insurance and reinsurance obligati	C0010			
R0010	MCRNL Result	0			
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
				C0020	C0030
R0020	Medical expense insurance and proportional reinsurance			0	0
R0030	Income protection insurance and proportional reinsurance			0	0
R0040	Workers' compensation insurance and proportional reinsurance			0	0
R0050	Motor vehicle liability insurance and proportional reinsurance			0	0
R0060	Other motor insurance and proportional reinsurance			0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance			0	0
R0080	Fire and other damage to property insurance and proportional reinsurance			0	0
R0090	General liability insurance and proportional reinsurance			0	0
R0100	Credit and suretyship insurance and proportional reinsurance			0	0
R0110	Legal expenses insurance and proportional reinsurance			0	0
R0120	Assistance and proportional reinsurance			0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance			0	0
R0140	Non-proportional health reinsurance			0	0
R0150	Non-proportional casualty reinsurance			0	0
R0160	Non-proportional marine, aviation and transport reinsurance			0	0
R0170	Non-proportional property reinsurance			0	0
				0	0
	Linear formula component for life insurance and reinsurance obligations	C0040		0	0
R0200	MCRL Result	14,275			
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
				C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits				
R0220	Obligations with profit participation - future discretionary benefits				
R0230	Index-linked and unit-linked insurance obligations			1,886,110	
R0240	Other life (re)insurance and health (re)insurance obligations			5,263	
R0250	Total capital at risk for all life (re)insurance obligations				1,374,458
	Overall MCR calculation	C0070			
R0300	Linear MCR	14,275			
R0310	SCR	111,053			
R0320	MCR cap	49,974			
R0330	MCR floor	27,763			
R0340	Combined MCR	27,763			
R0350	Absolute floor of the MCR	3,700			
R0400	Minimum Capital Requirement	27,763			