Generali PanEurope dac

SOLVENCY AND FINANCIAL CONDITION REPORT YEAR-END 2017

Date: May 2018

generalipaneurope.ie

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Introduction

The harmonised European Union ('EU') wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by insurers. The objective of the Solvency and Financial Condition Report ('SFCR') is to increase transparency in the insurance market by requiring insurance and reinsurance undertakings to disclose publicly, on at least an annual basis, a report on their solvency and financial condition.

The report covers the Business and Performance of Generali PanEurope dac ('GPE' or 'the Company'), its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The Company's Board of Directors ('the Board') has ultimate responsibility for all of these matters and is assisted by various governance and control functions put in place to monitor and manage the business.

GPE is incorporated in Ireland and authorised by the Central Bank of Ireland ('CBoI') to transact life assurance business in Ireland and on a cross-border basis in the EU under the Third Life Directive, as introduced into domestic Irish legislation by the European Communities (Life Assurance) Framework Regulations, 1994.

The Company's financial year runs to 31 December each year and the results are reported in euro (€).

Summary

BUSINESS AND PERFORMANCE

The Company's business is made up of four business lines:

- Wealth Protection: GPE offers insurance solutions, aligned to fiscal and regulatory laws, which are tailored to meet the unique and exacting requirements of ultra-high-net-worth clients;
- Investment Planning: GPE offers individuals flexible insurance savings products for medium to long term financial planning;
- Employee Benefits: GPE offers corporate entities alternative and simplified domestic and cross border employee benefit solutions; and
- Variable Annuities: GPE provided the Generali Group with a centralised and financially effective hedging solution for its multi-country deployment of Variable Annuities products. These Variable Annuities products are now closed to new business and in run-off.

The five most significant countries for GPE (by 2017 gross written premium) are Italy, United Kingdom, Finland, Portugal and Spain. Premiums received during the year relate to Wealth Protection single premiums, Investment Planning single and regular premiums, Employee Benefits regular premiums and reinsurance premiums from the Variable Annuities business line. Total 2017 gross written premiums were €1,449,087k.

The majority of GPE's income comes from the Wealth Protection business line and primarily from the Italian market. Investment Planning is the second largest business line in income terms. Employee Benefits income accounts for the majority of the remaining 2017 income, as the Variable Annuities business line is not designed to generate income for the Company.

In overall terms, the Company generated a profit after tax for the 2017 financial year of €17,870k.

On 18 December 2017 Assicurazioni Generali announced that it had entered into an agreement with the Life Company Consolidation Group ('LCCG') to sell its entire shareholding in the Company. The transaction is subject to, inter alia, regulatory approvals and is expected to be finalised during the first half of 2018.

SYSTEM OF GOVERNANCE

GPE's corporate governance framework is based on a number of cornerstones, such as the central role played by the Board, the correct management of situations that present conflicts of interest, transparency in disclosing decisions regarding the management of the Company, and the effectiveness of the Internal Control and Risk Management System ('ICRM').

As part of its governance structure GPE has established a series of Board Committees with specific delegated authorities. Please refer to Exhibits 10 and 11 for details.

In accordance with local laws and Solvency II requirements, GPE has established an ICRM which is defined as a set of strategies, guidelines, processes and procedures aimed at identifying, measuring, monitoring and reporting on a continuous basis the risks to which GPE is exposed.

The ICRM is put in place within GPE through specific on-going processes which involve, with different roles and responsibilities, the Board, the Executive Committee ('ExCo') and the first, second and third line organisational structures.

The functions involved in the ICRM process operate according to the Three Line of Defence approach:

- First Line of Defence: The operational structures (Risk Owners) are the first line of defence.
- Second Line of Defence: The Risk Management, Legal & Compliance and Actuarial Functions represent the second line of defence.
- Third Line of Defence: GPE Internal Audit is the third line of defence.

RISK PROFILE

GPE is well capitalised relative to the risks that it faces. At year-end 2017 GPE had a solvency capital ratio of 218.76%. Further details on GPE's key risks are outlined below and further information on these and other risks is included additionally in Section C.

Market Risks

GPE is exposed to market risks from both protection and unit-linked business.

For the protection business there is a general asset position held directly to cover the liabilities. These assets are mainly government, corporate and EU supranational bonds, as well as cash or cash equivalents. The main risk that GPE is exposed to directly is interest rate risk.

In the case of unit-linked business the Company typically invests the premiums collected in financial instruments but does not bear the market risk directly. However, GPE is exposed to adverse market movements, as income on unit-linked business is calculated as a percentage of asset values, and therefore decreases in market values reduces GPE's fee income. The key market risks associated with GPE's unit-linked business are equity risk and currency risk where adverse movements in equity or currency markets impacts GPE's future fee income.

Credit Risk

GPE is exposed to the risk of incurring losses due to the inability of counterparties to honour their financial obligations. GPE's direct credit risk exposure includes credit default risk and counterparty default risk. GPE's key default risks include:

- The exposure that GPE has to the Italian Revenue with relating to the Italian Withholding Tax Asset.
- The exposure to reinsurance counterparties defaulting on their obligations.
- GPE's counterparty default exposure from cash deposits or derivative positions with banks.

Life Underwriting Risks

Life underwriting risks relate to the risk of unfavourable underwriting and expense experience, relative to assumptions, resulting in reduced profitability for GPE. The key life underwriting risks for GPE are:

- Lapse risk, defined as the change in liabilities due to changes in the expected exit rates. Exits can happen from either a partial or full surrender of a policy. This also includes a catastrophic event resulting in a mass lapse event.
- Expense risk, defined as the change in the value of liabilities resulting from changes in the expenses incurred in servicing insurance contracts.

Operational Risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Compliance and Financial Reporting Risks fall within this category. GPE is exposed to operational risk as part of its day to day operations. An operational risk management framework has been implemented to identify, assess

control and monitor operational risks.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet both expected and unexpected cash flow requirements. GPE's key liquidity risks relate to Wealth Protection Italian Withholding Tax payments and Investment Planning new business commission strain.

Further information on GPE's risks is included in Section C.

VALUATION FOR SOLVENCY PURPOSES

GPE's Solvency II assets and liabilities and technical provisions at 31 December 2017 are outlined below.

Exhibit 1: Solvency II Assets, Liabilities and Technical Provisions

	31 December 2016 €'000	31 December 2017 €'000
Total Assets	10,755,450	11,367,698
Total Liabilities	10,484,538	11,084,961
Net Technical Provisions	10,226,776	10,814,576

GPE's assets, liabilities and technical provisions increased proportionately during 2017. The key reasons for the increases were new business sales and increasing policyholder asset values.

Further information on GPE's assets and liabilities, including the differences between the Solvency II value and the Statutory Accounts value, is provided in Sections D1 and D3.

CAPITAL MANAGEMENT

GPE calculates its solvency capital requirements according to the Standard Formula methodology. At year-end 2017 GPE had a solvency capital ratio, calculated using the Standard Formula methodology, of 218.76%.

All of GPE's Own Funds are classified as Tier 1 and are eligible to meet the Solvency Capital Requirement ('SCR') and Minimum Capital Requirement ('MCR').

There were no instances of non-compliance with the SCR or MCR over the reporting period.

Exhibit 2: Solvency Capital Requirement and Minimum Capital Requirement

	31 December 2017 €'000
Solvency Capital Requirement	129,246
Minimum Capital Requirement	58,161
Own Funds	282,737
Solvency Capital Ratio	218.76%

Further details on GPE's capital position are outlined in Section E.

A. Business and Performance

A.1. BUSINESS

Legal Entity Name:
Generali PanEurope dac

Registered Office:
Generali House
Navan Business Park
Athlumney
Navan
Co. Meath
C15 CCW8
Ireland
T: (046) 9099 700

Auditors:
Ernst & Young
Harcourt Centre
Harcourt Street
Dublin 2
Ireland
T: (01) 475 0555

Supervisors:
Insurance Supervision Department
Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1
T: (01) 224 6000

Board of Directors as at 31 December 2017:

Andrew Smart	Independent Non-Executive Chairman	British
Paul Gillett	Executive and Chief Executive Officer	British
Francesco Bosatra	Non-Executive	Italian
Alessandro Corsi	Non-Executive	Italian
John Martin	Executive and Chief Financial Officer	Irish
Cyril Maybury	Independent Non-Executive	Irish
Andrew Milton	Independent Non-Executive	British

GPE is a member of the Assicurazioni Generali Group which was established in 1831. Assicurazioni Generali is a multinational organisation with a presence in more than 60 countries, 55 million customers and 74,000 employees. It is the leading insurer in Italy.

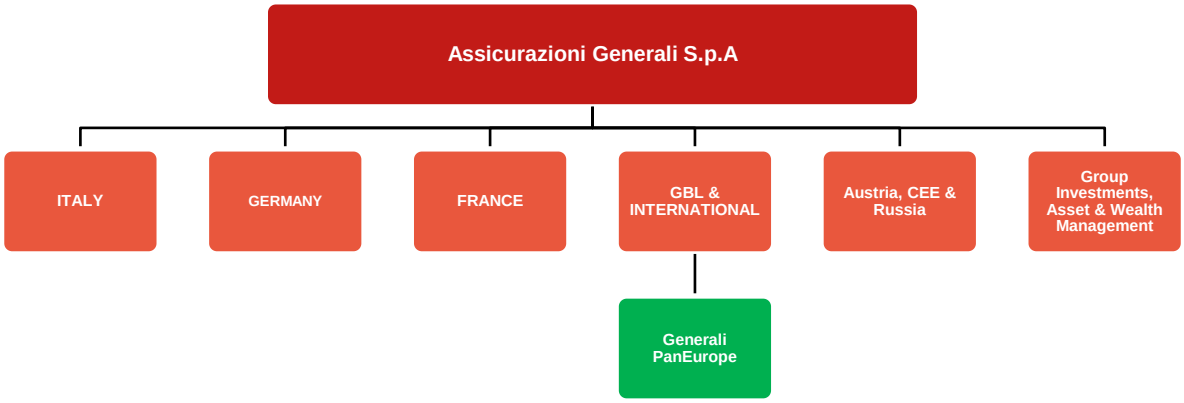
Assicurazioni Generali organises its business into the following six business units:

- Italy
- Germany
- France

- Global Business Lines & International ('GBL & International')
- Austria, Central and Eastern Europe ('CEE') & Russia
- Group Investments, Asset & Wealth Management

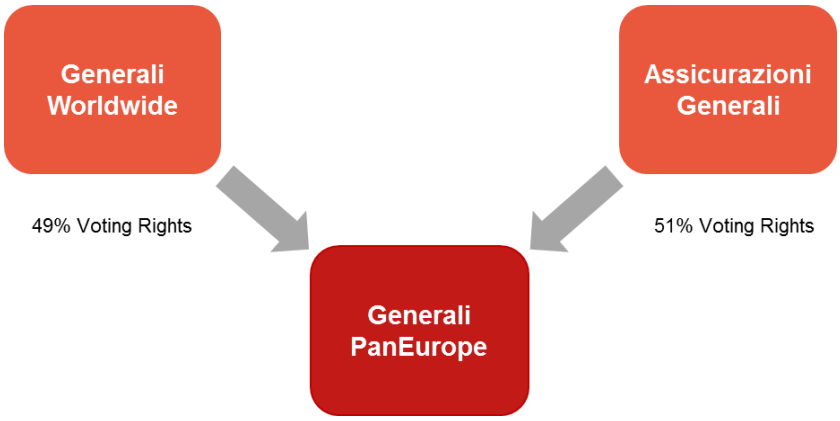
Business units are aimed at capturing all business opportunities locally and globally and to sustain profitability. The Generali Group exercises its dominant influence either directly or indirectly over the legal entities across these geographical areas. GPE is part of the GBL & International regional organisation. The geographical structure of the Generali Group as at 31 December 2017 is outlined in Exhibit 3 below.

Exhibit 3: Generali Group Geographical Structure



GPE is 51% owned by Assicurazioni Generali, its ultimate parent company which is incorporated in Italy, and 49% owned by Generali Worldwide Insurance Company Limited, a Generali Group company incorporated in Guernsey. During 2017 the 51% stake in GPE previously held by Generali Finance BV, a Generali Group company incorporated in the Netherlands, was transferred to Assicurazioni Generali. See Exhibit 4 for the complete GPE ownership structure.

Exhibit 4: GPE Ownership Structure



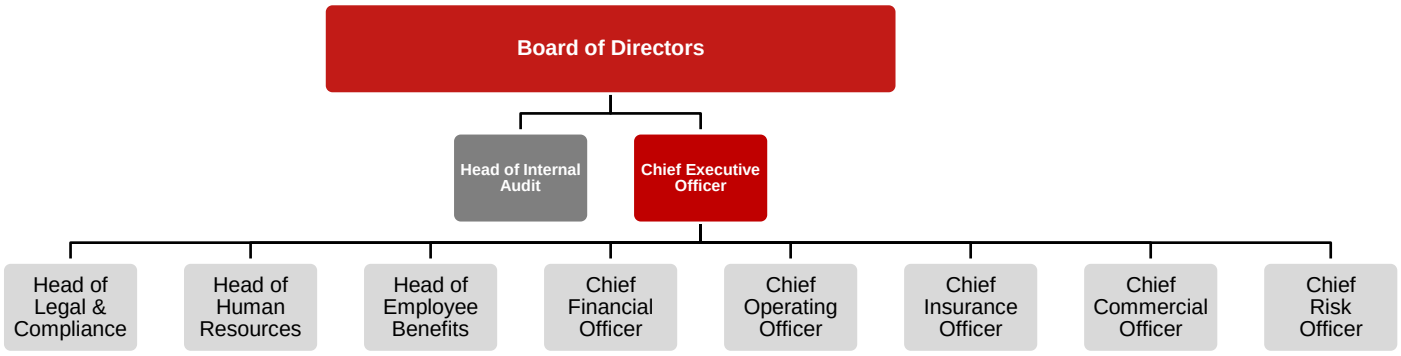
The consolidated financial statements of Assicurazioni Generali, are available, on request, from the Company Secretary, Assicurazioni Generali S.p.A., Piazza Duca degli Abruzzi, 2 – 34132 Trieste, Italy and are also available on the Generali

Group website[1].

GPE is incorporated in Ireland and authorised by the CBoI to transact life assurance business in Ireland and on a cross-border basis in the EU under the Third Life Directive, as introduced into domestic Irish legislation by the European Communities (Life Assurance) Framework Regulations, 1994.

The GPE management team (see Exhibit 5) is responsible for establishing and delivering the Company's strategic plan, goals and priorities.

Exhibit 5: GPE Organisational Structure



The Company's business is made up of four business lines:

- Wealth Protection: GPE offers insurance solutions, aligned to fiscal and regulatory laws, which are tailored to meet the unique and exacting requirements of ultra-high-net-worth clients.
- Investment Planning: GPE offers individuals flexible insurance savings products for medium to long term financial planning;
- Employee Benefits: GPE offers corporate entities alternative and simplified domestic and cross border employee benefit solutions; and
- Variable Annuities: GPE provided the Generali Group with a centralised and financially effective hedging solution for its multi-country deployment of Variable Annuities products. These Variable Annuities products are now closed to new business and in run-off.

The majority of GPE's income comes from the Wealth Protection business line and primarily from the Italian market. Investment Planning is the second largest business line in income terms. Employee Benefits income accounts for the majority of the remaining 2017 income, as the Variable Annuities business line is not designed to generate income for the Company.

Unit-linked income for GPE is in respect of fees which are charged to investment-linked contracts for contract administration services, investment management services, payment of benefits and other services related to the administration of investment-linked contracts. Fees are recognised as revenue for the services provided. Employee Benefits income is generated from a combination of policy servicing fees and the underwriting performance of existing policies.

In overall terms, the Company generated a profit after tax for the 2017 financial year of €17,870k. This is an increase on the equivalent figure for 2016 of €16,872k.

[1] www.generali.com

A.2. UNDERWRITING PERFORMANCE

The five most significant countries for GPE (by 2017 gross written premium) are Italy, United Kingdom, Finland, Portugal and Spain. Premiums received during the year relate to Wealth Protection single premiums, Investment Planning single and regular premiums, Employee Benefits regular premiums and reinsurance premiums from the Variable Annuities business line.

Exhibit 6: Gross Written Premiums

	31 December 2016 €'000	31 December 2017 €'000
Gross Written Premiums	1,226,027	1,449,087

Increased unit-linked sales is the key driver for the increase in gross written premiums in 2017.

The GPE financial statements have been prepared in accordance with Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council ('FRC') and Irish statutes comprising the Companies Act 2014, including the EU (Insurance Undertakings: Financial Statements) Regulations 2015. Under FRS 101, the Company's unit-linked contracts are classed as investment contracts. Investment contract premiums are not included in the profit and loss account, but are reported as deposits to investment-linked contracts and are included in the linked liabilities in the balance sheet.

Detailed information on the Company's premiums, claims and expenses is included in S.05.01.02 and S.05.02.01 in Section F Quantitative Reporting Templates.

A.3. INVESTMENT PERFORMANCE

Investments for the Benefit of Life Assurance Policyholders who bear the Investment Risk

The investments linked to insurance policies are selected by policyholders, or their appointed advisors or, where applicable, by asset managers selected by the policyholders and appointed for the purpose by the Company. The assets are owned by the Company. The Company is required to maintain assets to match its policyholder liabilities at all times. The value of assets under management is affected by new business, asset and currency performance, fee deductions and policies maturing or surrendered each year.

Exhibit 7: Investments for the benefit of life assurance policyholders who bear the investment risk

Policyholder Investments	31 December 2016 €'000	31 December 2017 €'000
Investments	8,991,938	9,657,349
Cash balances and short term deposits	1,378,228	1,289,227
Total	**10,370,166**	**10,946,576**
Investments		
Bonds	1,920,798	1,641,374
Equities	1,134,128	1,039,204
Funds	5,575,128	6,651,976
Derivatives	4,404	3,797
Other Investments	357,480	320,998
Total	**8,991,938**	**9,657,349**

Policyholder investments increased from 2016 to 2017 primarily due to new business and financial market performance over 2017. In particular equity markets performed very strongly, buoyed by an improving global economy and strong corporate profits, and bond markets experienced a solid year of performance, with interest rates remaining flat and corporate bonds outperforming government bonds.

Company Financial Investments

Company financial investments are primarily bonds, investment funds and derivative instruments. The Company has invested in a variety of derivative instruments as part of its Variable Annuities hedging program. These include interest rate swaps, interest rate swaptions, currency forwards and bond and equity index futures.

Exhibit 8: Company Financial Investments

Company Financial Investments	31 December 2016 €'000	31 December 2017 €'000
Financial Assets		
Debt securities – Fair value through profit or loss	53,784	57,364
Debt securities – Held-to-maturity	13,075	13,042
Investment Funds	19,336	22,799
Total Financial Assets	**86,195**	**93,205**
Derivative Financial Assets		
Derivative Financial Assets	12,778	10,739
Derivative Financial Liabilities	(9,860)	(10,104)
Total Derivative Financial Assets	**2,918**	**635**
Total Company Financial Investments	**89,113**	**93,840**

There was no material change in company financial investments in 2017.

Investment income on Company financial investments relates to income on bonds, interest on cash deposits and dividend income. Movements are recognised in the profit and loss account in the period in which they arise.

Exhibit 9: Company Investment Income

Investment Income from Policyholder and Company Financial Investments	31 December 2016 €'000	31 December 2017 €'000
Income from financial assets at fair value through profit or loss	145,281	272,450
Income from financial assets held to maturity	192	195
Total Investment Income	**145,473**	**272,645**

A.4. PERFORMANCE OF OTHER ACTIVITIES

Expenses

Operating expenses for the Company include acquisition and other commission for direct insurance. The expenses include payroll costs as well as third party administrator related expenditure and office overheads. Depreciation of tangible fixed assets, amortisation of intangible fixed assets and Auditors' remuneration for the audit of the entity's financial statements are also included. Operating costs are charged through the technical account of the profit and loss statement of the Company.

Dividends

No dividends were paid during 2017.

Leasing Arrangements

GPE has no material operating leases and no financial leases in place.

A.5. ANY OTHER INFORMATION

Proposed Sale of GPE

On 18 December 2017 Assicurazioni Generali announced that it had entered into an agreement with the LCCG to sell its entire shareholding in the Company. The transaction is subject to, inter alia, regulatory approvals and is expected to be finalised during the first half of 2018. If this transaction is approved, a number of intragroup contractual obligations between GPE and Assicurazioni Generali will be reviewed as part of the change in ownership.

Funding

In May 2017, GPE borrowed €10,000k from Redoze Holding N.V.[2], for a period of three years. These funds were used for the Company's ongoing liquidity requirements.

In December 2017, the Company terminated a €15,000k registered note agreement which had been in place with Generali Belgium since 2015. GPE replaced this funding source with a €15,000k loan from Assicurazioni Generali.

Italian Withholding Tax Asset

GPE is an Italian Withholding Tax Agent. Therefore, GPE is required to make an annual prepayment in June each year of future policyholder exit tax to the Italian Tax Authorities of 0.45% of the Italian technical provisions as at the previous 31 December. The discounted value of the cumulative tax prepayment made to the Italian Tax Authorities is recognised as an asset for the Company.

[2] Redoze Holding N.V. is a wholly owned subsidiary of the Generali Group.

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

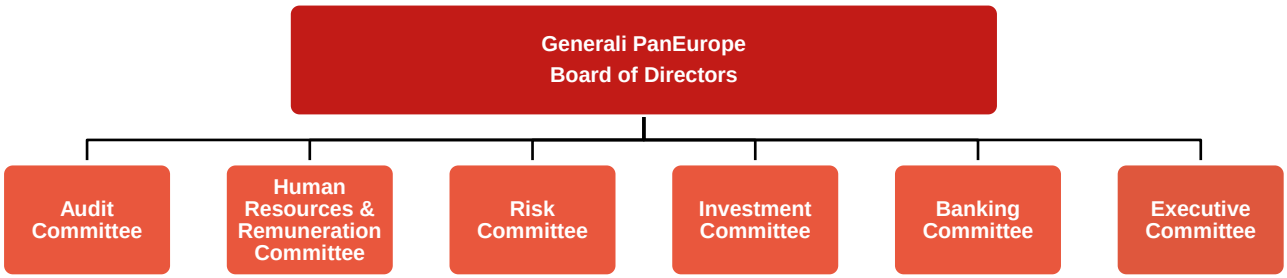
Corporate governance represents the sum of the methods, models and planning, management and control systems that are required for the operation of the Company's governing bodies.

GPE's corporate governance is based on a number of cornerstones, such as the central role played by the Board, the correct management of situations that present conflicts of interest, transparency in disclosing decisions regarding the management of the Company, and the effectiveness of the ICRM .

B.1.1. INFORMATION ON GENERAL GOVERNANCE

Risk governance is aimed at establishing an effective organisational structure based on a clear definition of risk roles and responsibilities, and on a set of policies, guidelines and operating procedures. As part of its governance structure, the GPE Board has established a series of Board Committees with specific delegated authorities. Please refer to Exhibit 10 for details.

Exhibit 10: GPE's Governance Structure



The remit of each of the Committees outlined in the above table is set out in their respective Terms of Reference which are subject to annual review and approval. Furthermore, the performance of each of the Committees is subject to annual review.

Exhibit 11: Board Committees

Key Role	Description
Board of Directors	The Board ensures that the Risk Management System identifies, evaluates and controls the most significant Company risks. Within the scope of its typical duties and responsibilities, the Board is ultimately responsible for setting strategies and policies in the area of Risk Management and internal control and ensuring their adequacy and sustainability over time, in terms of completeness, functioning and effectiveness. The Board has established the following Board Committees: the Audit Committee, the Risk Committee, the Human Resources and Remuneration Committee ('HRRC'), the Investment Committee and the Banking Committee. In addition, GPE has also established an ExCo. Details on these committees are outlined below.
Audit Committee	The Audit Committee takes delegated responsibility on behalf of the Board for ensuring that there is a framework for accountability, examining and reviewing systems and methods of financial control and for ensuring that GPE is complying with its constitutional documents together with all aspects of the law and relevant regulations.
Human Resource & Remuneration Committee	The HRRC has been established by GPE to: • Assess and review the remuneration practices employed in GPE; • Make recommendations and report to the Board on the recommendations; • Ensure that GPE has suitable strategies and detailed plans in place for staff training, management development, performance appraisals, recruitment, succession planning, talent management and fitness and probity assessment for employees.
Risk Committee	The Risk Committee has been established by the Board in order to provide leadership, direction, and oversight with regard to GPE's policies and procedures, including those relating to Risk Management and Legal & Compliance. It assists the Board in fulfilling its risk management responsibilities as defined by applicable law and regulations, GPE's constitutional documents and internal regulations and Generali Group policies as well as considering leading market practice standards.
Investment Committee	The Investment Committee is responsible for ensuring that GPE adheres to the Strategic Investment Policy approved by the Board. The Committee is authorised by the Board to: • Define and monitor the risks to be managed by way of investment activity; • Monitor implementation of investment policy across all the business lines; • Ensure GPE adheres to the requirements of the Group Investment Risk Guidelines; • Set guidelines for foreign currency positions; and • Provide regular updates on activities of the Funds Investment Committee and Group Variable Annuities Oversight Committee.
Banking Committee	The Banking Committee has responsibility for the opening, maintenance, closure and change of purpose of bank accounts in the name of GPE.
Executive Committee	ExCo supports the Board in all parts of its responsibilities but in particular: • To approve GPE's strategic, business and financial plans; • To monitor business activities that will have a significant impact on GPE's profitability, assets and liabilities, financial position and reputation; • To ensure the appropriate Risk Management structure is implemented across all parts of GPE; and • To ensure GPE activities are supportive of Generali Group strategy and policy.

B.1.2. INFORMATION ON RISK MANAGEMENT, INTERNAL AUDIT, COMPLIANCE AND ACTUARIAL FUNCTIONS INTEGRATION INTO THE ORGANISATIONAL STRUCTURE AND THE DECISION MAKING PROCESSES OF THE UNDERTAKING, STATUS AND RESOURCES OF THE FUNCTIONS WITHIN THE UNDERTAKING

In accordance with local laws and Solvency II requirements, GPE has established a Risk Management System which is defined as a set of strategies, guidelines, processes and procedures aimed at identifying, measuring, monitoring and reporting on a continuous basis the risks to which GPE is exposed. The Risk Management and Internal Control System is put in place within GPE through specific on-going processes which involve, with different roles and responsibilities, the Board, ExCo and the first, second and third line organisational structures. Additional information on the Three Line of Defence approach is outlined below:

- **First Line of Defence:** The operational structures (Risk Owners) are the first line of defence. The Risk Owners are ultimately responsible for risks concerning their area and for defining and updating the actions needed to make their risk management processes effective and efficient. The Risk Owners control the activity of the Risk Takers, who deal directly with the market and internal and external parties and who define activities and programs from which risks may arise. The Risk Management initiatives defined by the Risk Owners address the way Risk Takers undertake risks. In addition, there are a number of support units (e.g. Actuarial) and oversight committees (Risk Observers) responsible for constantly monitoring specific risk categories, in order to measure and analyse them and to identity risk mitigation actions to the Risk Owners.
- **Second Line of Defence:** The Risk Management, Legal & Compliance and Actuarial Functions represent the Second Line of Defence. The Risk Management Function oversees the whole Risk Management System ensuring its effectiveness. It supports the Board and ExCo in defining the Risk Strategy and in the development of the methodologies to identify, take, assess, monitor and report risks. It also supports the Operating Units implementing and adopting the relevant policies and guidelines. The Legal & Compliance Function is responsible for evaluating whether the internal processes are adequate to mitigate compliance risk. The Actuarial Function, through the Head of Actuarial Function ('HoAF'), challenges the contents and assumptions of the Own Risk Solvency Assessment ('ORSA') and provides an assessment on the appropriateness of the ORSA.
- **Third Line of Defence:** GPE Internal Audit is the Third Line of Defence. GPE Internal Audit is responsible for independently evaluating the effectiveness of the ICRM and for confirming the operational effectiveness of the controls.

The roles and responsibilities of each of the control functions (Risk Management, Legal & Compliance, Actuarial and Internal Audit) and how they interact with the organisation in the execution of their responsibilities are set out in their respective charters which are subject to an annual review and approval by the Board.

B.1.3. INFORMATION ON AUTHORITIES, RESOURCES PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE FUNCTIONS AND HOW THEY REPORT TO AND ADVISE THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BOARD OF THE INSURANCE UNDERTAKING

All ExCo positions outlined in the Organisational structure chart have responsibilities to the Board and Committees. In addition, the goal setting framework for solid reporting lines to Generali Group Head Office functions include Risk Management, Compliance and Internal Audit. The commercial positions of Head of Employee Benefits and Chief Commercial Officer have targets set by the Chief Executive Officer ('CEO') and Board with remaining functions having a functional reporting line to Generali Group Head Office.

More than 90% of GPE employees are degree and/or professionally qualified and all persons identified as holding Pre-Approval Controlled Functions ('PCF') or Controlled Functions ('CF') in Generali are reviewed annually to ensure they meet the CBoI Fit and Proper requirements. It is the responsibility of the HRRC to carry out this review annually.

B.1.4. MATERIAL CHANGES TO THE SYSTEM OF GOVERNENCE

Steve Hales resigned as a Non-Executive Director on 01 July 2017. No other material changes to the System of Governance occurred during the year-ended 31 December 2017.

B.1.5. REMUNERATION POLICY

The GPE Remuneration strategy is based on the following principles, which guide the remuneration programmes and consequent actions:

- Equality and consistency: Remuneration must be consistent in relation to the responsibilities assigned and the skills and abilities demonstrated.
- Alignment with corporate strategy: Remuneration systems are a basic tool to incentivise employees and should be in line with corporate strategies.
- Competitiveness: To effectively make informed decisions, GPE's remuneration strategy provides ongoing monitoring of its peers' practices and general remuneration trends of the market. This includes reviewing pay-mix, remuneration levels and systems and alignment with the regulatory framework.
- Value, merit and performance: GPE's remuneration incentives reward the achievement of both quantitative and qualitative performance objectives, by paying a variable component. A balanced remuneration package is considered a key driver for alignment to the Generali Group and to the Company's objectives. The weighting and structure of the variable remuneration component is balanced so as to incentivise the achievement of sustainable results over time, while taking due consideration of the Generali Group's risk framework so as to discourage conduct that would lead to excessive exposure.
- All of the objectives used in the incentive system are defined beforehand so that the annual performance indicators are consistent with those used in long-term plans.
- Clear governance and compliance.

The HRRC has oversight of the policy implementation in accordance with regulations and employment legislation.

Balanced Remuneration Package

GPE offers a remuneration package which is proportional in its fixed components, variable components and benefits and provides an appropriate balance with regard to the variable remuneration for short-term and medium to long-term contracts, in order to avoid adoption of conduct that favours short-term results over medium to long-term goals. The remuneration package is fair and competitive, anticipating the adoption of alternative or additional monetary solutions, such as benefits, with a view to optimising the efficiency of interventions in financial terms.

Target Setting and Appraisal

Each year the Regional CEO defines specific regional targets, both financial and non-financial, against which regional performance, and thus any bonus payable, is measured. If targets are not achieved, there will be no bonus pay-out in the region.

The Company goals and objectives are cascaded to all functions and individual employee goals are established and evaluated annually.

Pension Scheme

The Generali Ireland pension scheme is a defined contribution scheme. The employer and employee contribution rates are based on job grade.

B.1.6. MATERIAL TRANSACTIONS DURING THE REPORTING PERIOD

There were no transactions involving directors during 2017.

B.2. FIT AND PROPER REQUIREMENTS

A core component of an effective risk culture is the knowledge and skills of the Company's resources. In order to confirm that the right resources and skills are in place, GPE has implemented a Fitness and Probity Policy and related procedures in order to assess the fitness and probity both initially and on an on-going basis of the individuals who are performing key functions. The policy and procedures have been developed in line with the Fitness and Probity standards and Minimum Competency Code issued by the CBoI.

B.2.1. DESCRIPTION OF THE SPECIFIC REQUIREMENTS CONCERNING SKILLS, KNOWLEDGE AND EXPERTISE REQUIRED

The Board of GPE has adopted a Fit and Proper Policy in order to define the minimum standards to be applied in terms of fitness and probity to all relevant personnel identified in the Policy.

The Fit and Proper Policy also defines the procedure for assessing the fitness and probity of the relevant personnel (both when being considered for the specific position and on an ongoing basis), and a description of the situations that give rise to a re-assessment of the abovementioned fit and proper requirements. The Human Resource ('HR') Function undertakes due diligence of all persons identified under the Fit and Proper guidelines to ensure they can perform their duties by carrying out the following assessments of being Competent and Capable, Honest, Ethical and Act with Integrity and Financial Soundness.

The fitness and probity assessment is performed by the Office of the CEO and the HR Function, who manage all Director and non-Director responsibilities respectively. As part of this assessment, the Office of the CEO and HR request Key Managers, Heads of Control Functions and persons that are in charge of the control of outsourced activities to undertake a self-declaration of compliance with the fit and proper requirements on an annual basis. In addition an annual declaration on adherence to the CBoI requirements is completed by the Legal & Compliance Function. The skillset of the Board and Board Committees was reviewed by the Human Resources and Remuneration Committee in 2017.

B.2.2. PROCESS FOR ASSESSING THE FITNESS AND THE PROBITY OF THE PERSONS

The CBoI has identified a number of PCF roles for which prior approval of the role holder by the CBoI is required.

Pre-Approval Controlled Functions Roles

The following PCF Roles are applicable to GPE:

Exhibit 12: Pre-Approval Controlled Functions Roles

Code	Definition
PCF1	Executive Director
PCF2	Non-Executive Director
PCF3	Chairman of The Board of Directors
PCF4	Chairman of the Audit Committee
PCF5	Chairman of the Risk Committee
PCF6	Chairman of the Remuneration Committee
PCF8	Chief Executive
PCF11	Head of Finance

Code	Definition
PCF12	Head of Compliance
PCF13	Head of Internal Audit
PCF14	Chief Risk Officer
PCF15	Head of Compliance with responsibility for AML
PCF18	Head of Underwriting
PCF19	Head of Investment
PCF42	Chief Operations Officer
PCF43	Head of Claims
PCF48	Head of Actuarial Function

Controlled Functions Roles

In addition to the above, GPE Management completes an assessment of roles which are classified as a CF. GPE is required to undertake due diligence on each CF and the Fitness and Probity requirements are applicable to all staff. The following CF roles are applicable to GPE:

Exhibit 13: Controlled Functions Roles

Code	Definition
CF1	Board of Directors of GPE Executive Committee of GPE Head of Human Resources
CF2	Risk Department Compliance Department Internal Audit Department Actuarial Department Head of Change Management Human Resources Business Partner Head of Information Technology Financial Controller Head of Tax Head of Operations, CCS
CF5	Head of Operations, Employee Benefits Claims Specialist, Employee Benefits
CF6	Claims Specialist, Employee Benefits
CF7	Operations Manager, CCS Employee Benefits Operations Manager
CF8	Head of Operations, CCS Head of Legal & Compliance
CF10	Corporate Customer Services Team Leaders
CF11	Middle to Senior Finance employees

HR manage the ongoing maintenance of employee roles, through the PCF and CF process. An annual update of any changes is presented to the HRRC.

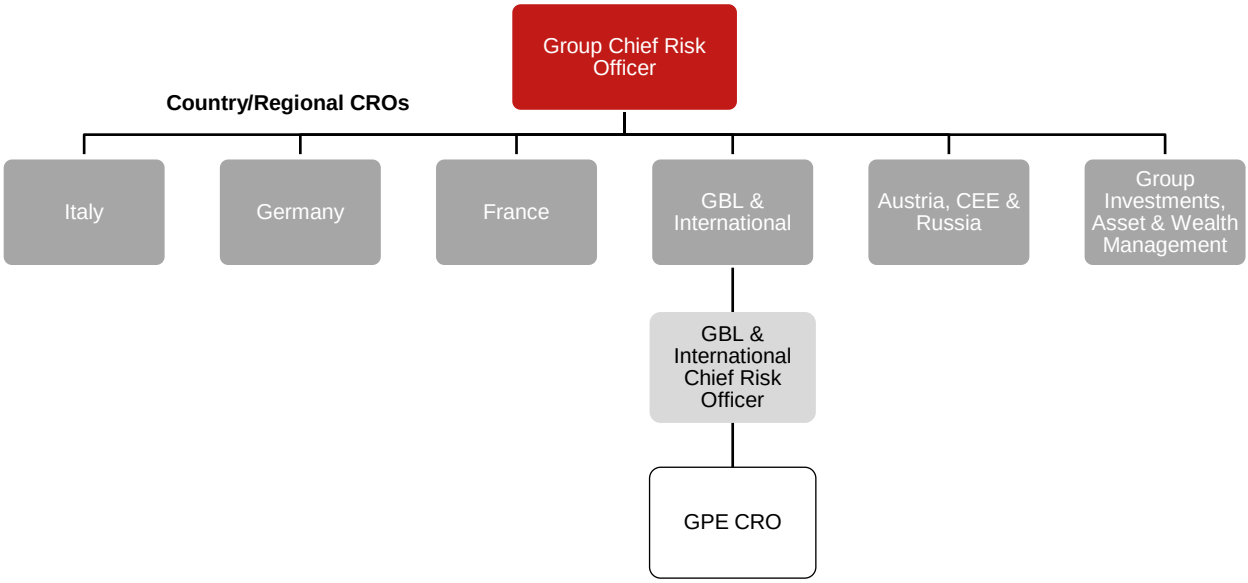
B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1. RISK MANAGEMENT SYSTEM

As outlined in the Company's Risk Management Policy, the Risk Management Function acts as guarantor for the effective implementation of the Risk Management System, as required by law and as established by the Board. The Risk Management Function supports the Board and ExCo in the definition of the Risk Management strategy and the development of tools for risk identification, monitoring, management and reporting.

A visual representation of the GPE Chief Risk Officer's ('CRO') reporting lines to the Group CRO is shown below.

Exhibit 14: Generali CRO Reporting Structure

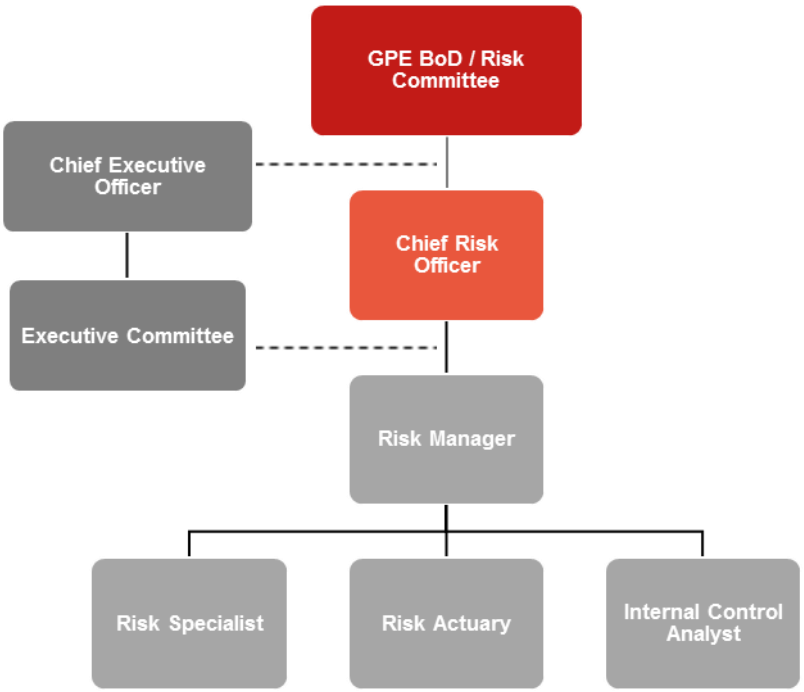


GPE Risk Management Function

The GPE Risk Management Function is separate from the operational business units and does not have operating responsibilities or a direct reporting line to those responsible for the operating activities. The independence of the GPE Risk Management Function is provided through its direct reporting line to the Risk Committee and unfettered access to the Board.

The GPE Risk Management Function consists of the CRO supported by a Risk Manager, a Risk Specialist, a Risk Actuary and an Internal Control Analyst. The CRO has primary responsibility to the Board and has a direct reporting line to the Risk Committee, with a dotted reporting line to the CEO on operational issues. Exhibit 15 below illustrates the GPE Risk Management structure and reporting lines.

Exhibit 15: GPE Risk Management Structure & Reporting Lines



In addition, the GPE Risk Management Function is subject to direction and coordination by Group Risk Management through the following:

- The definition of Generali Group policies, guidelines and operating procedures.
- The definition of ruled interaction between Generali Group and local structures.
- The communication flows and the periodical reporting to and from the Group Risk Management Function.

The GPE Risk Management Function oversees the sustainability of the Risk Management System. The GPE Risk Management Function supports the Board, ExCo and departmental managers in defining risk management strategies and the instruments to monitor and measure risks, providing, through an appropriate reporting system, the elements for an assessment of the performance of the Risk Management System as a whole. The GPE Risk Management Function is responsible for the following activities:

- Cooperating on the definition of the risk measurement methodologies and models with Group Risk Management.
- Cooperating, with the Risk Owners, on the definition of the operating limits attributed to the operating structures and on the definition, with the first level Functions (i.e. GPE senior management) in charge of control, of the procedures for the prompt verification of such limits.
- Validating the information flows, prepared by the various Risk Owners, necessary to ensure the timely control of risk exposures and the prompt identification of any operational anomaly.
- Presenting appropriate reports to the Board and the Risk Committee on the overall performance of the risk control and management system and its ability, in particular, to react to context and market changes, as well as on the development of risks and any instances in which the operating limits have been exceeded.
- Ensuring that the Executive Committee reacts to results from the stress tests if unexpected events or results are identified.

The Risk Management, Compliance and Internal Audit Functions are operationally independent from ExCo and have

unfettered access to the Board.

GPE Policy Framework

The GPE documentation tree, defined in accordance with the Generali Group documentation tree, and approved by the GPE Board is structured into:

- First Level Policies (required by art.41 of the Solvency II Directive and approved by the Board).
- Second Level Policies approved by the Board.
- Guidelines providing operating rules.
- Operating Procedures.
- Minimum standards/contents or limits for breaches which a formal approval is required.

Risk Management System

The purpose of the Risk Management System is to ensure that all risks to which the Company is exposed to are properly and effectively managed on the basis of the risk strategy defined, following a set of processes and procedures and based on clear governance provisions.

The principles defining the Risk Management System are provided in the Risk Management Policy, which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy outlines all risks the Company is exposed to, on a current or on forward-looking basis.

GPE's Risk Management process is defined in the following phases:

Exhibit 16: Risk Management Process



1. Risk Identification

The purpose of the risk identification phase is to ensure that all material risks to which the Company is exposed are properly identified. For that purpose, the Risk Management Function interacts with the main Business Functions in order to identify the main risks, assess their importance and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, emerging risks are also taken into consideration.

Based on Solvency II risk categories, and for the purpose of SCR calculation, risks are categorised according to the Risk Map in Exhibit 17.

Exhibit 17: GPE Risk Map

Financial Risks	Credit Risks	Insurance Risks	Other Risks
Interest Rate Yields	Credit Default	Mortality CAT	Operational
Interest Rate Volatility	Counterparty Default	Mortality no CAT	Liquidity
Equity Price		Longevity	Strategic
Equity volatility		Morbidity/Disability	Reputational
Currency		Life Lapse	Contagion
Concentration		Expense	Emerging
Property		Health CAT	
Spread widening		Health Claim	

2. Risk Measurement

GPE has formally adopted a number of risk assessment methodologies. Any Generali Group risk assessment methodologies have been amended to reflect local specificities where appropriate.

In compliance with Solvency II regulation, the SCR is calculated based on the European Insurance and Occupational Pensions Authority ('EIOPA') Standard Formula. On an annual basis GPE completes an appropriateness assessment of the Standard Formula against GPE's risk profile.

3. Risk Management and Control

The Company operates a sound Risk Management System in line with the established strategy and processes. To ensure that the risks are managed according to the risk strategy, the Company follows the governance defined in the Risk Appetite Framework ('RAF'). The RAF governance provides a framework for Risk Management embedding in day-to-day and extraordinary business operations, control mechanisms as well as escalation and reporting processes.

The purpose of the RAF is to set the desired level of risk (in terms of risk appetite and risk preferences) and limit excessive risk-taking. Tolerance Levels on the basis of capital and liquidity metrics are set accordingly. Should an indicator approach or breach the defined Tolerance Levels, escalation mechanisms are then activated.

4. Risk Reporting

Risk monitoring and reporting is a key Risk Management process which allows Business Functions, ExCo, Board and also the CBoI to be aware of, and informed about, the risk profile development, risk trends and any breaches of risk tolerances.

Risk factors are taken into consideration in the following decision making processes: Strategic Planning Process; Capital Allocation and Management; Asset Liability Matching and Investments; Solvency, Liquidity and Funding; Product Pricing, Development and Monitoring; Management Information; Performance Management and the Dynamic Hedging Programme for Variable Annuities.

Risk Culture

A core objective of the Risk Management Function is to embed a positive and open risk management culture within GPE. In support of this objective, risk management and compliance training is provided to all new staff. In addition, the following structures have been established in order to embed a risk culture within GPE:

- The ExCo, supported by the Risk Management Function, meet regularly to review risk management issues and to integrate risk management thinking into the decision making process. Furthermore, material risk incidents and the results of risk assessments are reviewed, resulting in the required corrective actions being identified; and

- The Operational Risk Coordinators Forum which is comprised of management representatives from each department. The forum meets bi-monthly with the objective of embedding the risk management culture through the:
    - Escalation and discussion of risk incidents and issues; and
    - Delivery of targeted risk management training.

The risk culture is further embedded within GPE through the following:

- The CRO is a member of ExCo and in the execution of his role integrates risk management thinking into the decision making process.
- The strategic planning process must remain consistent with the ORSA in order to include a risk based forward-looking view in the development of the strategic plan.
- The Risk Management Function is involved in the material initiatives which may impact on the risk profile of GPE. The role of the Risk Management Function is to integrate the risk management assessment methodologies into the decision making process by supporting the business in identifying, assessing and managing the risks associated with these initiatives.
- The Risk Management Function works closely with the business units providing advisory services.

B.3.2. INTERNAL MODEL FRAMEWORK: GOVERNANCE, DATA AND VALIDATION

This section is not applicable to GPE.

B.3.3. ORSA PROCESS

The ORSA process is a key component of the Risk Management System which is aimed at assessing the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The ORSA process documents and assesses the main risks the Company is exposed to, or might be exposed on the basis of its Strategic Plan. It includes the assessment of the risks in scope of the SCR calculation, but also the other risks not included in SCR calculation. In terms of risk assessment techniques, stress test and sensitivity analysis are also performed with the purpose of assessing the resilience of the Company risk profile to changed market conditions or specific risk factors.

The ORSA Report is produced on an annual basis. In addition to the annual ORSA Report, a non-regular ORSA Report will be produced if the risk profile of the Company changes significantly.

All results are documented in the ORSA Report and which is reviewed by the GPE Risk Committee and the Board. After discussion and approval by the Board, the ORSA Report is submitted to the CBoI. The information included in the ORSA Report is sufficiently detailed to ensure that the relevant results can be used in the decision-making process and business planning process.

GPE's risk profile, including ORSA triggers which would prompt the undertaking of a non-regular ORSA report, is monitored on an ongoing basis and reported to the Risk Committee quarterly.

The Head of Actuarial Function provides an Actuarial Opinion on the ORSA. The opinion addresses the following areas:

- The range of risks and the adequacy of stress scenarios considered as part of the ORSA process.
- The appropriateness of the financial projections included within the ORSA process.
- Whether the undertaking is continuously complying with the requirements regarding the calculation of Technical Provisions and potential risks arising from the uncertainties connected to this calculation

B.3.4. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

Capital Management, Strategic Planning and Risk Management are strongly integrated processes. This integration is deemed essential to ensure alignment between business and risk strategies.

Through the ORSA process, the projection of the capital position and the forward-looking risk profile assessment contributes to the Strategic Planning and Capital Management process.

The ORSA Report also leverages on the Capital Management Plan to verify the adequacy, including the quality, of the Eligible Own Funds to cover the overall solvency needs on the basis of the plan assumptions.

To ensure the on-going alignment of the business strategy to GPE's risk appetite, the Risk Management Function actively supports the Strategic Planning process. This process includes strategy discussions, initiatives to be implemented, monitoring the business performance and oversight on risk and capital positions.

B.4. INTERNAL CONTROL SYSTEM

The ICRM, whose design and structure is approved by the Board, is the system in place to ensure that business activity complies with the law and with the various directives and procedures in place. It also ensures that GPE's processes are efficient and effective and that accounting and management information is reliable and complete.

Internal Control comprises a set of tools that helps the Company reach its targets in line with the level of risk selected by ExCo and the Board. Such targets are not restricted solely to business targets, but extend also to those connected with financial reporting as well as compliance with all internal and external rules and regulations, and take on varying importance depending on the risk that has been identified. It follows that the relevant internal control mechanisms take on a varying nature and form too, depending on the particular process or processes under the examination.

It is the responsibility of the Board to encourage the development and spread of the 'culture of control', requiring senior management to make all staff aware of the importance of internal controls and the role that they play, as well as the added value that they represent to the business. Senior management is responsible for implementing both the 'culture of processes' and the 'culture of control' together with ensuring that employees are made aware of their individual roles and responsibilities regarding internal controls. GPE management ensures that the system of delegated powers and procedures governing the allocation of duties, the operating processes and the reporting channels is duly formalised and employees are sufficiently informed and receive adequate training in relation to such systems.

The Generali Group Code of Conduct sets minimum standards of behaviour to be observed and provides specific rules of conduct in relation to the following issues:

- Promotion of diversity and inclusion;
- Assets and business data protection;
- Conflicts of interest;
- Anti-bribery and anti-corruption;
- Financial information and insider dealing;
- Anti-money laundering;
- Anti-terrorist financing; and
- International sanctions.

The effectiveness of the control mechanisms listed above is delivered not only by means of monitoring and control activities carried out throughout the entire organisational structure of the business, but also via suitable channels for reporting any breaches.

As a result, GPE's internal controls are organised on the basis of various operational levels and levels of responsibility, these being regulated and codified:

- The controls that are the duty of the organisational units that form an integral part of each company process and represent the basis of the internal control system.
- The controls carried out by the corporate functions whose main activity is to perform control tasks. These include:
    - The Risk Management Function, which controls the risk profile of the Company and compliance by management with the limits established by the Board and senior management;
    - The Legal & Compliance Function, which represents an additional and independent line of defence within the ICRM overall, being responsible for assessing whether the organisation of the insurance business and its internal procedures are sufficient to prevent the risk of incurring penalties for regulatory offences or penalties imposed by law and the risk of suffering financial losses or reputational harm to the corporate image of the Company as a result of a breach of the law, of regulations or of measures imposed by the supervisory authorities or self-regulatory provisions
    - The budgeting and controlling activities, with the aim of observing and analysing business performance as far as meeting the targets established at the planning stage is concerned, demonstrating, by measuring specific indicators, any variance between the targets established at the planning stage and performance, and identifying any unusual changes;
    - The Risk Management activities in fraud prevention, which work to prevent both internal and external fraud and to identify and suppress the same; and
    - The various inspectorate bodies, which within the sales and claim settlement networks mainly conduct inspections for the supervision, control and monitoring of certain operational areas or some provision of services.

  In addition, there are other non-operational functions which, in providing advice to other corporate functions, assist in implementing all internal control objectives (tax advice, advice on privacy issues, legal counsel, etc.).
- The independent assessment carried out by Internal Audit of the quality and effectiveness of the controls put in place by the other corporate functions.

B.4.1. INTERNAL CONTROL FUNCTIONS

The Risk Management, Legal & Compliance and Internal Audit Functions operate within the framework of specific policies that are subject to periodic updates and approval by the Board. Specific regulations stemming from these policies govern in some detail the activities to be performed as part of the specific mission assigned, as well as the powers and responsibilities allocated by the Board. Legal & Compliance and Risk Management Functions are involved where new material processes are drawn up and where changes are made to the organisational structure of the business. In particular, the Legal & Compliance Function must always be involved in the drafting of processes where the issue of compliance is relevant. The Internal Audit Function is involved in every significant organisational project and provides support of a preventive nature to ensure that the new internal controls are designed correctly.

B.4.2. LEGAL AND COMPLIANCE FUNCTION

GPE has established a separate Legal & Compliance Function with the primary aim of facilitating the development of a compliance culture within GPE. In this context, one of the core responsibilities of the Legal & Compliance Function is to reinforce and promote ethical standards of behaviour and compliance awareness within GPE. The Legal & Compliance Function seeks to achieve this objective through the delivery of training to the Board and GPE staff relating to key compliance risks including:

- Anti-Money Laundering and Counter Terrorism Financing;
- Data Protection;
- Group Code of Conduct;
- Related Party Transactions;
- New laws and regulations (upstream risk);
- Processes for the management of obligations arising out of contracts; and

- Managing claims and obligations arising from actual and potential/threatened legal claims and litigation.

The Legal & Compliance Function works closely with the business in order to assist in identifying, assessing and managing compliance and legal risks. Through the facilitation of dedicated training and working closely with the business the Legal & Compliance Function promotes a positive compliance culture within GPE.

The Head of Legal and Compliance reports to the Board and Risk Committee and has a dotted reporting line to the CEO on operational issues. The Legal and Compliance Function is operationally independent from ExCo and has unfettered access to the Board.

GPE's Compliance Function monitors compliance with all legal and regulatory requirements which apply to its business activities. These requirements include current legislation, regulations, regulatory standards and codes of practices. The scope of the requirements embrace both the country of establishment where GPE is regulated and supervised and also the countries of sale where its products are distributed to customers.

To support this process, the Compliance team presents a Compliance Plan to the Board and assesses progress against the plan on an ongoing basis. The Compliance Function conducts routine monitoring and surveillance over the first line of defence and reports the results to the Risk Committee. The monitoring completed includes the following:

- AML (Anti Money Laundering) and CTF (Counter Terrorism Financing): Conducting reviews of policyholder documentation for AML and CTF purposes. Performing AML/CTF risk assessments.
- Related Party Transactions: Monitoring and reporting of related party transactions.
- Transaction Monitoring: Monitoring transactions for potentially suspicious activity.
- Regulatory and legislation monitoring: Monitoring and recording legislative requirements and conduct of business obligations that apply to the company.
- Data Protection: Conducting Data Protection monitoring and risk assessments.
- Online Training: Rolling out companywide training in areas such as Anti Money Laundering, Data Protection and supporting the Code of Conduct training.

B.4.3. INTERNAL AUDIT FUNCTION

In GPE the internal audit activities are performed by GPE's Internal Audit Function in line with the organisational rules defined in the Audit Policy which is approved by GPE's Board. GPE's Internal Audit Function reports to the Board via the Audit Committee. The Head of Internal Audit has regular interactions with both the Audit Committee Chairman and the Board Chairman.

GPE's Internal Audit Function is an independent, effective and objective function established by the Board to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view to improving the efficacy and efficiency of the internal control system of the organisation and of the governance processes.

It supports the Board in identifying the strategies and guidelines on ICRM, ensuring they are appropriate and valid over time and provides the Board with analysis, appraisals, recommendations and information concerning the activities reviewed; it also carries out assurance and advisory activities for the benefit of the Board, the senior management and other departments.

As per the GPE Audit Policy, a solid line reporting model is established between the Head of Group Audit in Generali Group, the Head of the Business Unit Audit and the Head of GPE's Internal Audit Function.

Based on this model, the Head of Internal Audit reports to the Board and ultimately to the Head of Group Audit, through the Heads of the Business Unit Audit.

The reporting structure ensures autonomy to act independently from operational management as well as more effective communication flows. This covers the methodologies to be used, the organisational structure to be adopted (recruiting, appointment, dismissal, remuneration and budget in agreement with the Board), the objectives setting and the year-end appraisal, the reporting methods, as well as the proposed audit activities to be included in the Internal Audit plan ('IAP') to be submitted to the Board for approval.

GPE's Internal Audit Function is provided with appropriate budget and resources and its staff possesses the knowledge, skills and competencies required to carry out their work with proficiency and due professional care.

GPE's Internal Audit Function has full, free, unrestricted and timely access to any and all of the organisation's records, physical properties, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information. The Head of Internal Audit has free and unrestricted access to the Board.

The Internal Audit Function governs itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. Given the delicate and important nature of the assurance role carried out within the business, all the personnel must have specific fit and proper requirements as requested by the Fit and Proper Policy.

In particular, the Head of Internal Audit is a person which meets the requirements of the CBoI Regulation Authority's Regime and Solvency II Regulation as well as the Generali Group requirements and has extensive relevant experience within areas including audit, control, insurance, risk and compliance.

The Head of Internal Audit shall not assume any responsibility for any other operational function and should have an open, constructive and cooperative relationship with regulators, which supports sharing of information relevant to carry out their respective responsibilities.

All personnel belonging to GPE's Internal Audit Function have skills and a proven track record commensurate with the degree of complexity of the activities to be carried out and must avoid, to the maximum extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest. They behave in an impeccable manner at all times, and information coming to their knowledge when carrying out their tasks and duties must always be kept completely confidential.

The activity of Internal Audit remains free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Auditors do not have direct operational responsibility or authority over any of the activities audited. Accordingly, they are not involved in the operational organisation of the Company or in developing, introducing or implementing organisational or internal control measures. However, the need for impartiality does not exclude the possibility to request from the Internal Audit Function an opinion on specific matters related to the internal control principles to be complied with.

At least annually, the Head of Internal Audit proposes to the GPE Audit Committee an IAP before being submitted for the approval of the Board.

The IAP is developed based on a prioritisation of the audit universe using a risk-based methodology, taking into account all the activities, the complete system of governance, the expected developments of activities and innovations and including input of senior management and the Board. The planning shall take account of any deficiencies found during the audits already made and of any new risk detected. The IAP will include timing as well as budget and resource requirements for the next calendar year.

In each IAP submitted by the Head of Internal Audit for the approval of the Board, timing as well as budget and resource requirements for the next calendar year are included. The Head of Internal Audit communicates the impact of any resource limitations and significant interim changes to the Board.

The IAP is reviewed and adjusted at least on a bi-annual basis in response to changes in the organisation's business, risks, operations, programs, systems, controls and findings. Where necessary, Internal Audit may carry out audits which are not included in the IAP or advisory services related to governance, risk management and control as appropriate for the organisation.

All audit activities are carried out following a consistent methodology common at Generali Group Level. The scope of auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives.

Following the conclusion of each engagement, a written audit report is prepared and issued to the auditee and the auditee's hierarchy. This report, that indicates the significance of the issues found, covers at least any issues regarding the efficiency and suitability of the internal control system, as well as major shortcomings regarding compliance with internal policies, procedures and processes. It includes the agreed corrective actions taken or to be taken concerning the issues identified and also the agreed deadlines for the implementation of these corrective actions.

GPE's Internal Audit Function is responsible for monitoring appropriate follow-up on issues raised and agreed actions. The Head of Internal Audit, on at least a bi-annual basis, provides the Board with a report on activities and significant issues during the period and a proposed action plan. The Board determines what actions are to be taken in relation to each issue and ensures that those actions are carried out. However, in the event of any particularly serious situations arising, the Head of Internal Audit will immediately inform the Audit Committee and the Board.

Internal Audit maintains a quality assurance and improvement program that covers all aspects of audit activity. The program includes an evaluation of the audit activity's conformance with the Audit Manual, the Definition of Internal Auditing and Standards, and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the audit activity and identifies opportunities for improvement.

In terms of organisational structure, GPE's Internal Audit Function is composed of one department with 3 employees.

All team members act in a coordinated way in order to ensure the fulfilment of the task explained above, following a common audit methodology and in adherence with the principles of the Audit Policy.

B.4.4. ACTUARIAL FUNCTION

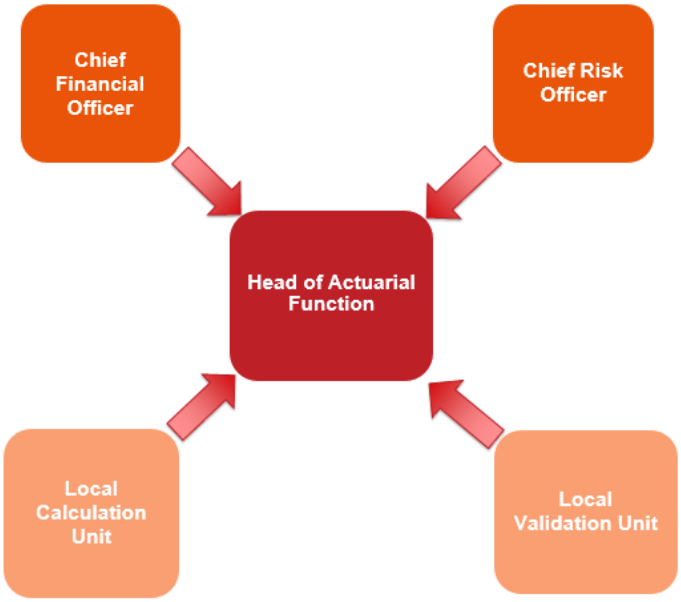
The Actuarial Function is an oversight ('second line of defence') role that is required under Solvency II. The purpose and scope of the Actuarial Function is to perform the specified tasks as set out in Article 48 of the Solvency II Directive.

The key responsibilities of the Actuarial Function are to review and validate the calculation of the Technical Provisions, to provide opinions on the underwriting and reinsurance policies and to assist the Risk Management Function with certain tasks.

The GPE Actuarial Function reports to the GPE Board. The Actuarial Function is led by the HoAF. The HoAF reports to the GPE Chief Financial Officer ('CFO').

The GPE Actuarial Function comprises the HoAF plus the Calculation Unit team and the Validation Unit team. Members of the Calculation Unit team and Validation Unit team are either Fellows, or training to become Fellows of the Society of Actuaries in Ireland.

Exhibit 18: Actuarial Function Structure



The Actuarial Function is responsible for the following activities:

- Coordinating the calculation of technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- Comparing best estimates against experience;
- Informing the Board of the reliability and adequacy of the calculation of technical provisions;
- Overseeing the calculation of technical provisions in the cases where approximations need to be used due to insufficient and/or inadequate data ;
- Expressing an opinion on the overall underwriting policy;
- Expressing an opinion on the adequacy of reinsurance arrangements; and
- Contributing to the effective implementation of the risk management system referred to in Article 44, in particular with respect to the risk modelling underlying the calculation of the capital requirements in the ORSA.

The Board receives an annual report from the HoAF which assesses the adequacy, appropriateness and reliability of technical provisions, underwriting, reinsurance, contributions to Risk Management and conflicts of interest. The report clearly identifies any deficiencies or areas for improvement and provides recommendations as to how such improvements could be implemented.

All first line of defence actuarial activities are carried out by a separate Actuarial Team e.g. product development and product pricing.

The Actuarial Function works very closely with the GPE Risk Management Function in GPE and has contributed to the Risk Management System in the following ways:

- Contributed to and reviewed GPE's ORSA policy and provided feedback to GPE's CRO.

- Reviewed GPE's ORSA reports and provided feedback to the CRO on these reports, in particular on the range of risks and adequacy of the stress scenarios. This activity is now officially part of a wider local regulatory requirement for the HoAF on ORSA items.
- Contributed to and reviewed the various narrative Solvency II submissions made to date by Risk Management.
- Reviewed GPE's Underwriting Policy and associated documents. This review included a review of the alignment to GPE's Risk Appetite Statement.
- Reviewed GPE's Reinsurance Policies and provided comments and recommendations to GPE on possible enhancements. This review included a review of the alignment to GPE's Risk Appetite Statement.
- Contributed to and approved the Operating Limits Handbook.
- Attended and actively contributed to:
    - Risk Committee, in particular review and consideration of Risk Incidents;
    - Investment Committee and Asset-Liability Matching activities;
    - (Group) VA Oversight Committee; and
    - Claims Oversight Committee.
- Assessed the appropriateness of the Standard Formula.
- Advised on the risks associated with product design.

With effect from the start of 2016, the HoAF is required to provide to the Board and CBoI a separate opinion on every ORSA produced.

During 2017 the Actuarial Function has reviewed:

- The calculation of the Best Estimate Liabilities ('BEL');
- The Capital Requirements (including a review of the model, methodology and assumptions used);
- The calculation of the Risk Margin; and
- The Year-End 2016 ORSA Report.

B.5. OUTSOURCING

GPE uses third party administrators to supplement some of its business operations. In order to mitigate the risks associated with outsourcing, ExCo in conjunction with the Risk Management Function has implemented an Outsourcing Management Framework. This framework includes a process for both the selection of and the ongoing review and monitoring of outsourced service providers' performance.

A due diligence process, which addresses all material factors that could impact on the potential service provider's ability to perform the business activity, is undertaken prior to the appointment of all outsourcing.

GPE has established an Outsourcing Policy to establish the requirements for identifying, justifying and implementing material outsourcing arrangements. The Outsourcing Policy sets out minimum mandatory outsourcing standards, assigns main outsourcing responsibilities and ensures that appropriate controls and governance structures are established within any outsourcing provision.

The Outsourcing Policy introduces a risk-based approach, adopting a proportionality principle to apply requirements according to the risk profile (distinguishing between critical and non-critical outsourcing) and the materiality of each outsourcing agreement. The outsourcing of critical or important operational functions or activities is managed in compliance with the relevant CBoI guidelines and processes.

The Outsourcing Policy also requires the appointment, for each outsourcing agreement, of a specific business referent. The business referent is responsible for the overall execution of the outsourcing lifecycle, from the initial risk assessment to the final management of the agreement and subsequent monitoring activities of the service level agreements defined in each contract.

This Outsourcing Policy is reviewed and approved on an annual basis and encompasses the following lifecycle stages:

- Risk Assessment: identify the critical and non critical outsourcing initiatives through a structured risk evaluation. Risk Management reviews the risk assessment related to critical outsourcing initiatives;
- Outsourcer Sourcing and Due Diligence: assess vendor capability to perform the activities according to GPE standards, internal and external regulations. GPE Procurement supports the activities in case of third party service providers;
- Agreement Negotiation and Management: allocate rights and obligations, provide standard clauses and minimum contents (e.g. privacy and confidentiality) for the written agreement, requiring written Service Level Agreements and the implementation of one single company agreement repository. Legal department is responsible for drafting the agreement and negotiating legal clauses. GPE Procurement is responsible for maintaining the agreement repository at local level;
- Migration Plan: require the definition of a structured migration plan to minimise transition risks (e.g. service interruptions);
- Monitoring and Reporting: ensure the implementation of appropriate organisational safeguards to monitor the outsource provider performance and set reporting obligations for critical outsourced activities; and
- Exit Strategy: set up appropriate measures to ensure the continuity of the activities in case of emergency or contract termination.

GPE has implemented an outsourcing oversight process which is co-ordinated by the Partner Oversight department. The output of the oversight process is reported to the Risk Committee on a quarterly basis. GPE's outsourcing arrangements are also subject to a detailed annual review and the findings of this report are reviewed by the Board.

The following is a list of the critical outsourced service providers, together with the jurisdiction in which the service providers of such functions or activities are located.

Exhibit 19: List of Critical Outsource Providers

Name	Services Outsourced	Generali Group / External	Jurisdiction
Generali Link ('GLink')	Policy administration services covering the Investment Planning business line.	Generali Group	Ireland
Generali Investments Europe ('GIE')	Asset management and administration services covering the assets backing GPE's non-linked technical reserves (own funds) and the trading and fund management of the derivative portfolio.	Generali Group	Italy
Generali Personenversicherungen AG ('GPV')	GPV provides services for the design, development and management of hedging programmes for GPE's Variable Annuities business line.	Generali Group	Switzerland
Marsh Ireland	Administers the Housing Financing Authority scheme which provides life and disability covers for people with a Local Authority mortgage in Ireland.	External	Ireland

B.6. ANY OTHER INFORMATION

B.6.1. ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS INHERENT IN THE BUSINESS

The GPE Board, as part of the ORSA process, has assessed its corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of the Company.

B.6.2. OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE

The following additional processes are implemented under the System of Governance.

Business Continuity

GPE has defined, implemented and maintains a sound framework, including applicable business continuity plans, to safeguard its operations in case of a disruptive incident.

GPE's Business Continuity procedures are exercised and tested annually to ensure that they are consistent with the business continuity objectives and that all business changes have been reviewed in accordance with the Business Continuity System requirements. The results of all testing performed are reported to the Board.

Information Technology and Cyber Security

GPE has implemented an Information Technology and Cyber Security framework, designed to safeguard the management and treatment of information. The adoption and design of security controls is carried out following a risk-based approach and incorporates all activities and technologies (managing servers, storage systems, networks and premises).

GPE completes a review to satisfy itself that the Information Security and Cyber Security standards in place within both GPE and existing vendors/third parties are appropriate and effective. The results of all assessments are reported to the Board.

C. Risk Profile

As a life insurance company, GPE is at risk from the uncertainty in the assumptions used in the calculation of its liabilities. Assumptions are necessary for expectations of future claims (life or health claims), lapse rates and expenses among other items.

Investment activities are carried out in a sound and prudent manner and according to the Prudent Person Principles. Through portfolio diversification and a prudent liability-driven investment strategy, GPE aims to maximise the investment returns for shareholder investments in line with the Company's Risk Appetite and to achieve the Strategic Plan objectives.

GPE's regulatory capital requirements for each main risk category, calculated using the Standard Formula methodology are outlined below.

Exhibit 20: Solvency Capital Requirements

	31 December 2016 €'000	31 December 2017 €'000
Life Underwriting Risk	85,796	83,598
Health Underwriting	128	557
Non-Life Underwriting	-	-
Market Risk	65,169	78,382
Counterparty Risk	27,723	26,004
Operational Risk	4,457	4,964
Diversification	(47,377)	(49,820)
Adjustment for the loss-absorbing capacity of deferred taxes	(16,987)	(14,440)
Solvency Capital Requirement	**118,909**	**129,246**

It is noted that there has been no change in risk measurement methodologies during the reporting period.

Further information on GPE's key risks is outlined below.

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

Life underwriting risks relate the risk of unfavourable underwriting and expense experience relative to assumptions and expectations resulting in reduced profitability for GPE. As a life insurance company, GPE is at risk from the uncertainty in the assumptions used in the calculation of its liabilities. Assumptions are necessary for expectations of future claims (life or health claims), lapse rates and expenses among other items.

C.1.2. RISK EXPOSURE AND ASSESSMENT

The GPE Risk Map, outlined in Exhibit 17, outlines the Life and Health risks which GPE is exposed to. The key Life and Health Underwriting Risks GPE is exposed to include:

- Mortality risk, defined as change in the value of liabilities resulting from changes in the mortality rates, where an increase in the mortality rates leads to an increase in the value of insurance liabilities. Mortality Risk also includes Mortality Catastrophe Risk, defined as a change in the value of the liabilities, resulting from extreme or irregular events;
- Lapse risk, defined as the change in liabilities due to changes in the expected exit rates. Exits can happen from either a partial or full surrender of a policy. This also includes a catastrophic event with a mass lapse resulting;
- Expense risk, defined as the change in the value of liabilities resulting from changes in the expenses incurred in servicing insurance contracts; and
- Health risk, defined as the change in the value of liabilities resulting from changes in the Health claims. It also includes Health Catastrophe Risk defined as the change in the value of liabilities, resulting from extreme or irregular events for the Health insurance business.

The SCR for Life Underwriting Risks is calculated using the Standard Formula approach. The measurement is made by applying pre-defined stresses to the best estimate operating assumptions with a probability of occurrence equal to 0.5%.

- For the Mortality Risks, the uncertainty in insured population mortality and its impact on the Company is measured by applying permanent and catastrophe stresses to the policyholders' death rates.
- For Lapse Risk, the measurement is done via the application of a permanent and a catastrophic stress to the underlying lapse rates.
- Expense Risk is measured through the application of stresses to the amount of expenses and expense inflation that the Company expects to incur in the future.
- For the Health Risks, the uncertainty in insured population sickness or morbidity and its impact on the Company is measured by applying permanent or catastrophic stresses to the policyholders' morbidity, disability and recovery rates.

GPE's life underwriting risk capital requirement decreased by circa €2,198k at year-end 2017 relative to year-end 2016. The decrease in the life underwriting risk capital requirement was driven primarily by decreases in mortality risk and lapse risk capital requirements which were offset somewhat by an increase in the expense risk capital requirement. These changes were largely driven by updates to actuarial assumptions to reflect GPE experience and future expectations.

C.1.3. RISK MANAGEMENT AND MITIGATION

Reinsurance Strategy

The Company mitigates life underwriting risk which derives from the Company's core business activities primarily through the use of reinsurance agreements with Generali Group reinsurers. GPE sets its reinsurance arrangements in accordance with the GPE Risk Appetite Statement, Life Underwriting and Reserving Policy and Statement of Reinsurance Strategy. GPE has developed a reinsurance risk monitoring program which identifies and monitors appropriate limits regarding GPE's risk exposure to the Generali Group.

The Board approves the Statement of Reinsurance Strategy on an annual basis or more frequently if there are material business or regulatory changes that require assessment.

The Board requires that all contracts offering non-trivial levels of insurance cover (life, accident, sickness etc.) will be appropriately reinsured and that appropriate arrangements will be in place at all times to ensure that all such business will be automatically covered under reinsurance treaties.

GPE has a number of reinsurance objectives which include:

- To provide both Balance Sheet and Profit and Loss protection against material losses and events in accordance with GPE's Risk Appetite Statement;
- To manage volatility in GPE's financial performance;
- To optimise the cost effectiveness of reinsurance; and
- To provide support to emerging portfolios in new geographic territories or new product lines.

If GPE management wishes to alter agreed reinsurance arrangements on a particular scheme, this must be approved by the Board.

Product Approval Process

GPE has a detailed product design and approval process in place which sets out the framework for product prioritisation, development, approval and management. This process ensures that there are appropriate governance practices in relation to product development. The following stages are completed as part of the product development process:



The following committees/groups are involved in the product approval process:

- Products and Pricing ('P&P'): Commercial initiatives are assessed by the P&P department. This assessment is referred to as the Commercial Innovation Pipeline ('CIP') Screening Assessment and involves objectively reviewing the idea using a standardised independent scoring model. Those propositions which achieve a sufficient score will be recommended to proceed from the 'Idea' stage to the 'Scope' stage of the product development process.
- Change Board: is a cross functional body made up of the members of ExCo and the Head of Change Management. The Change Board meets monthly to discuss the change agenda, including the progress of any in-flight product developments. Input and sign-off is required from the Change Board on the detailed Project Plan at the 'Plan' stage. The Project Plan will provide clarity on the level of effort involved in the Deliver phase of the process as well as confirming the associated budget and timelines for delivery.
- Board of Directors: The Board meets on a quarterly basis to discuss items of strategic importance to GPE. If there are any initiatives in the 'Deliver' phase of the product development process, they may be discussed as part of the Board meeting agenda. For new product developments, the Product Summary document must be reviewed and signed off by the Board before the product can be launched.
- Life Product Approval and Analysis ('LPAA'): The LPAA unit is a central unit within the Generali Group structure. For new product developments, a prescribed process must be followed which includes the submission of certain documents and pricing metrics. These are then reviewed and signed off by LPAA before the product can be launched. The primary focus of LPAA is to ensure that the pricing level proposed for the new product meets the minimum

thresholds set out in the LPAA guidelines.

C.1.4. RISK SENSITIVITY FOR UNDERWRITING RISKS

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material underwriting risks. The results of this analysis showed that the most material impact on the SCR cover was in the lapse and expense stress which is consistent with lapse and expense risks being key drivers of the overall SCR, and that the impact from the mortality and morbidity stresses was relatively small, consistent with the reinsurance risk mitigation in place.

C.1.5. NON-LIFE UNDERWRITING RISK

This section is not applicable to GPE.

C.2. MARKET RISK

C.2.1. RISK EXPOSURE AND ASSESSMENT

GPE is exposed to market risks from both protection and unit-linked business.

For the Protection business there is a general asset position held directly to cover the liabilities. These assets are mainly Government, Corporate and EU Supranational bonds, as well as cash or cash equivalents. The main risk that GPE is exposed to directly is interest rate risk.

In the case of unit-linked business the Company typically invests the premiums collected in financial instruments but does not bear the Market Risk directly. However, the Company is exposed with respect to its earnings as fees are the main source of profits for the Company from this business line. Adverse developments in the markets directly affects the profitability of the Company as fee income is reduced. The main risks that GPE's unit-linked business is exposed to are equity, currency and interest rate risks.

The key Market Risks that GPE are exposed to include:

- Equity risk: a reduction in equity values reduces asset values and hence reduces future fee income.
- Interest rate risk: where movements in interest rates directly impacts the value of an asset as well as the value of a liability and hence future fee income.
- Currency risk: where the movement in exchange rates can reduce the value of an asset and hence reduce future fee income.
- Property risk: where movements in property values reduce asset values and future fee income.
- Spread Risk: is defined as the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease because of spreads widening either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.

GPE's market risk capital requirement increased by circa €13,213k at year-end 2017 relative to year-end 2016. The increase

in the market risk capital requirement was driven primarily by increases in the currency risk and equity risk capital requirements from financial instruments held within the unit-linked portfolio.

C.2.2. RISK MANAGEMENT AND MITIGATION

The following Risk Management and mitigation activities are in place:

- GPE undertakes a quarterly asset liability matching exercise whereby it uses cash flow duration matching to ensure that its liabilities are well matched by assets of a similar nature and term. The results of this exercise are presented to the Investment Committee on a quarterly basis.
- The assets held by GPE's shareholder fund follow a strict investment mandate whereby bonds held must be at least A rated.
- The Group Investment Risk Guidelines include specific Market Risk Guidelines which impose limits relating to asset type and counterparty credit ratings. By implementing and adhering to the Group Investment Risk Guidelines GPE mitigates exposure to individual counterparties, sectors and geographies.
- The Variable Annuities division follows a dynamic hedging programme to reduce the market exposure to GPE from the provision of guaranteed elements of Variable Annuities products sold within the Generali Group. GIE provides asset management and administration services covering the assets backing GPE's non-linked technical reserves (own funds) and the trading and fund management of the derivative portfolio that hedges against the guarantee risks emanating from Variable Annuities policies written by Generali Group companies.

C.2.3. RISK SENSITIVITY FOR MARKET RISKS

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material market risks. This analysis indicated that the Company can withstand a severe market risk shock.

C.3. CREDIT RISK

C.3.1. RISK EXPOSURE AND ASSESSMENT

The credit risks that GPE is exposed to include:

- Default Risk: defined as the risk of incurring losses because of the inability of a counterparty to honour its financial obligations. Distinct modelling approaches have been implemented to model default risk in the bond portfolio (referred to as Credit Default Risk) and the default risk arising from the default of counterparties in cash deposits, risk mitigation contracts (including reinsurance), and other type of exposures subject to credit risk (referred to as Counterparty Default Risk).

GPE's main exposures to default risk include:

- The exposure that GPE has to the Italian Revenue with relating to the Italian Withholding Tax Asset. This is a prepayment of tax that GPE makes to the Italian Revenue. The Italian Revenue hold it for 5 years when GPE can then reclaim either from:
    - Deductions from future payments to the Italian Revenue;

    - From GPE's parent company in Italy; and/or
    - Directly from the Italian Revenue.
- The exposure to reinsurance companies defaulting in their obligations
- GPE's counterparty default exposure from cash deposits, bond holdings or derivative positions with banks.

As a subsidiary of Assicurazioni Generali the Company has a binding agreement with Assicurazioni Generali that in the event of any Italian Withholding Tax Asset recoverability issues any residual special tax credit would be transferred to its Italian ultimate parent company, Assicurazioni Generali. In return, Assicurazioni Generali has agreed to pay in full the value of the residual special tax credit.

GPE's counterparty risk capital requirement decreased by circa €1,719k at year-end 2017 relative to year-end 2016 primarily due to a lower capital requirement relating to the IWT asset.

C.3.2. RISK MANAGEMENT AND MITIGATION

The Group Investment Risk Guidelines include specific Credit Risk Guidelines which impose limits relating to asset type and counterparty credit ratings. By implementing and adhering to the Group Investment Risk Guidelines GPE mitigates exposure to individual counterparties, sectors and geographies.

GPE holds collateral to mitigate the risks from exposure to derivatives, and holds the reserves backing the exposure to the parent company.

The GPE Board monitors GPE's solvency position with the Italian Withholding Tax Asset both included and excluded from GPE's own funds. The Board has imposed internal hard and soft solvency ratio limits with the Italian Withholding Tax Asset excluded from GPE's own funds. An escalation process is required to be followed in the event of a breach of the hard or soft limits.

C.3.3. RISK SENSITIVITY FOR CREDIT RISKS

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material credit risks. The impact of a downgrade of the Italian Sovereign was tested due to GPE's exposure to the Italian Withholding Tax Asset and it was noted that this event, if it occurred, would not threaten the solvency of the Company.

C.4. OPERATIONAL RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Losses from events such as fraud, litigation, damages to Generali premises, cyber-attacks and failure to comply with regulations are therefore covered in the definition. It also includes financial reporting risk but excludes strategic and reputational risks.

In line with industry practices, GPE adopts the following operational risk classification categories:

- Internal fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Company Policy, excluding diversity/discrimination events, which involves at least one internal party;
- External fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party;
- Employment Practices and Workplace Safety – defined as the losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- Clients, Products and Business Practices – defined as the losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product;
- Damage to Physical Assets – defined as the losses arising from loss or damage to physical assets from natural disaster or other events;
- Business disruption and system failures – defined as the losses arising from disruption of business or system failures;
- Execution, Delivery and Process Management – defined as the losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

Following best industry practices, GPE's framework for Operational Risk Management includes as main activities the risk incident reporting and loss data collection process, risk assessment and scenario analysis.

The risk incident reporting and loss data collection process involves the collection of losses incurred as a result of the occurrence of operational risk events and provides a backward-looking view of the historical losses incurred due to operational risk events.

The risk assessment and scenario analysis processes provide a forward-looking view on the operational risks GPE is exposed to. The Annual Operational Risk and Compliance Assessment provides a high-level evaluation of the forward-looking inherent and residual operational risks faced by GPE. The outcomes of the assessment drive the scenarios assessed as part of the scenario analysis. Scenario analysis is a recurring process which provides a detailed evaluation of the key operational risks faced by GPE and their potential impact.

There was a marginal increase in GPE's operational risk capital requirement of €507k at year-end 2017 relative to year-end 2016.

C.4.2. RISK MANAGEMENT AND MITIGATION

GPE has identified the following key operational risks for the year-ended 31 December 2017:

Risk Category	Risk Summary	GPE Mitigating Activities
Outsourcing Risk	The risk that entities providing services to the Company do not perform to the required standards. The risk includes a failure by the Company itself to adequately manage, monitor and oversee those outsourcing arrangements.	GPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Annual review and approval of the Outsourcing Policy and Outsourcing Management Process.

Risk Category	Risk Summary	GPE Mitigating Activities
		• Risk assessments (including site visits were required) over all new Outsourced Service Providers. • Quarterly assessments and full annual review over all Outsourced Service Providers. • Management of Outsource Agreement Repository. • Quarterly reporting to both ExCo and the Risk Committee. • Business Continuity Capabilities: Evidence of / Contractual requirement to perform Business Continuity testing.
Regulatory Risk	Risk of non-compliance with existing or future regulations.	GPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Regulatory monitoring framework to identify new or changing regulations. • Formal processes and procedures in place for existing regulations. • Legal & Compliance and Product & Technical Services Teams. • Use of external legal providers, as required.
Cyber Risk	Cyber Risk is defined as the threat, vulnerabilities and consequences that could arise if logical data is not protected. It can be caused by external attacks to the IT systems in order to steal and manipulate data or make business services unavailable. Information technology is fundamental to the operations of the financial services sector and this dependency increases the risks associated with cyber-attacks.	GPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Annual business continuity and disaster recovery planning and testing; • Bi-annual independent third party testing of the external defences e.g. firewalls; • Annual independent third party review of the internal systems and access controls benchmarked against industry best practice; • Ongoing internal review and monitoring of technologies which keep technical controls up to date; and • Ongoing monitoring of regulatory changes and implementation of the required procedures and controls including those related to General Data Protection Regulation ('GDPR').
Conduct Risk	Conduct Risk is defined (by the CBoI) as 'the risk the firm poses to its customers from its direct interaction with them'. Firms need to ensure that they are putting the customer and the integrity of markets at the heart of their business models and strategies. This includes making	GPE has the following controls/processes in place to reduce the inherent risk to within tolerance:

Risk Category	Risk Summary	GPE Mitigating Activities
	strategic cultural changes which promote good conduct, establishing oversight around the design and innovation of products and services; and ensuring they are transparent in their dealings with customers. Failure to meet these requirements could result in regulatory scrutiny and fines, reputational loss and potential loss of revenues. Over recent years there has been increasing onus on firms to define and manage Conduct Risk explicitly as part of their Risk Management Framework and it is considered to be a central part of a firm's Enterprise Risk Management and Strategy.	• A Conduct Risk Framework based on EIOPA's guidelines on Product Oversight and Governance arrangements by insurance undertakings and insurance distributors. • A Partner Oversight Department who is responsible for overseeing the performance and conduct of GPE partners.
Policy Administration Risk	Risk of errors or delays in administration of policyholder assets including investment and claims management	GPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Formal processes and procedures in place. • Attestation framework. • Risk assessments and themed reviews • Partner and outsourcing framework. • Operational risk incident reporting and escalation process.
Tax Laws and Regulations	Tax Risk refers to the risk of failure to comply with existing tax regulation or the risk of a change to the International taxation treatment of life assurance products in respect of policyholders. Changes in the tax regimes and related government policies and regulations in the countries in which the Company operates could adversely affect the future profitability of the Company.	GPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Monitoring potential changes in International tax legislation and policy in all jurisdictions of operation • Head of Taxation responsible for ongoing tax compliance. • Formal processes and procedures in place. • Tax Strategy approved by the Board of Directors.

C.5. LIQUIDITY RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

Liquidity risk refers to the risk that the Company will not be able to meet both expected and unexpected cash flow requirements.

GPE has a Liquidity Risk Policy in place that is reviewed and approved at least annually by the Board. The Policy outlines the strategies, principles and processes to identify, assess and manage present and forward-looking liquidity risks to which GPE is exposed.

It defines in particular:

- The processes and procedures to be followed to ensure an effective liquidity risk mitigation and management;
- The system of governance in place, including roles and responsibilities; and
- The internal and external reporting requirements.

The CFO is responsible for managing the on-going liquidity requirements of GPE. The shareholder assets of GPE are predominantly comprised of an Italian Withholding Tax Asset and a portfolio of AAA, AA, and A rated sovereign, corporate and supranational bonds. These bonds are easily realisable and convertible to cash at short notice. In addition, excess liquidity is invested in the Generali Money Market Fund. GPE has committed to maintain a minimum liquidity 10% of SCR in cash and short term investments.

This shareholder bond portfolio is overseen by the GPE Investment Committee which approves material investment transactions. If additional cash is required, a request is made to the Head of Investments who will authorise the Investment Manager (Generali Investments Europe) to dispose of a bond holding. Conversely, if the CFO considers that GPE has excess cash available, the CFO will notify the Head of Investments who can then approve the transfer of the surplus funds to the Investment Manager.

When considering Liquidity Risks, the key elements are Wealth Protection Italian Withholding Tax payments and Investment Planning new business commission strain. The Wealth Protection business does not suffer from new business cash strain. However, the majority of GPE's income is sourced from the Wealth Protection business line, and is generated by issuing quarterly fee invoices to the custodians. As a result, prompt fee collection is a key liquidity metric for GPE.

The Investment Planning products pay commission which results in New Business Commission strain. As a result, new business sales are a key liquidity metric that is monitored by GPE management.

C.5.2. RISK MANAGEMENT AND MITIGATION

GPE manages Liquidity Risk to meet its own obligations and cash commitments along with unexpected contingent market situations, through a constant monitoring of actual and expected cash flows, and the availability of assets that can be sold easily without loss in the event of need. This activity is aimed at maintaining a high level of financial robustness both in the short and long term, which helps to mitigate GPE's liquidity risk and is the basis for the evaluation of the adequacy of the adopted measures.

GPE maintains sufficient liquidity levels with specified limits relating to the minimum amount of shareholder assets invested in short term liquid investments such as deposit accounts or short term bonds.

GPE carries out annual rolling 3 year cash flow projections based on the Strategic Plan targets. These cashflow projections include a number of liquidity stress scenarios.

C.6. OTHER RISKS

C.6.1. RISK CONCENTRATION

Concentration risk is the risk stemming from all risk exposures with a potential loss which could threaten the solvency or the

liquidity position of the Company, thus substantially impacting the Company's risk profile. GPE seeks to limit concentration risk by assigning concentration limit to counterparties, sectors and industries where appropriate.

GPE's material risk concentrations are as follows:

- Italian Withholding Tax Asset – a material proportion of GPE's own funds are comprised of the Italian Withholding Tax Asset.
- Reinsurance Counterparties – GPE reinsurance counterparties are concentrated in a small number of Group reinsurers.

GPE mitigates the risk of the concentration risk of the Italian Withholding Tax Asset by monitoring GPE's solvency position including and excluding the Italian Withholding Tax Asset. The GPE Board has imposed internal hard and soft solvency ratio limits with the Italian Withholding Tax Asset excluded from GPE's own funds. An escalation process is required to be followed in the event of a breach of the hard or soft limits.

As a subsidiary of Assicurazioni Generali the Company has a binding agreement with Assicurazioni Generali that in the event of recoverability issues any residual special tax credit would be transferred to its Italian ultimate parent company, Assicurazioni Generali. In return, Assicurazioni Generali has agreed to pay in full the value of the residual special tax credit.

GPE mitigates the concentration risk from Group reinsurers by implementing and monitoring exposures against Board approved concentration limits. GPE's exposure against these limits is reported to the Risk Committee quarterly.

C.6.2. REPUTATIONAL RISK

GPE defines reputational risk as the possibility of a potential decrease in GPE's value or worsening of its risk profile, due to a reputational deterioration or to a negative perception of GPE's image among its stakeholders. In particular, reputational risk is managed mainly as a second level risk originated from a first level risk (as for example an operational or a financial risk).

Proactive reputational risk management includes the activities and processes aimed both at building up the 'reputational asset value' of GPE, and maintaining a certain level of reputation of GPE, through adequate management tools dedicated to reputational risk factors. According to the proactive approach, GPE's reputational risk factors - that is the stakeholders – have been identified within a stakeholder's map, representing the set of categories of stakeholders considered relevant for reputational risk purposes. GPE has adopted, for each category of stakeholder, appropriate management processes aimed at establishing direct dedicated means of communication to managing its relationships with them. Management processes allow GPE to identify and prevent any changes in Stakeholders' expectations and/or their perceptions that may negatively affect GPE's 'reputational asset value'.

Reactive management consists of the set of activities aimed at identifying and assessing the reputational implications for GPE or the Generali Group if or when a reputational crisis occurs.

Thus, the reactive management approach refers to the occurrence of a first level event which can generate two different sorts of reputational impacts, distinguished by the category of stakeholders upon which they have an influence:

- Direct impact on reputation when the first level event causes a worsening of the expectation of the stakeholders directly affected by the negative event; and/or
- Indirect impact on reputation when the first level event could also cause a worsening of other stakeholders' expectations.

C.6.3. EMERGING RISKS

Emerging risks arising from new trends or risks difficult to perceive and quantify, although typically systemic. These usually include changes to the internal or external environment, social trends, regulatory developments, technological achievements, etc. GPE reviews its Emerging Risk Register on a quarterly basis and reports to the Risk Committee.

C.6.4. STRATEGIC RISK

GPE is authorised by the CBoI to transact cross-border life assurance business within the EU on a Freedom of Services basis. GPE addresses the needs of markets not traditionally served by country specific Generali operations. The core business lines within GPE are Wealth Protection, Investment Planning, Employee Benefits and Variable Annuities.

Strategic Risk is defined as the possible source of loss that might arise from the pursuit of an unsuccessful business plan. For example, strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

GPE ExCo and Board are involved in the strategic planning process of the Company, starting from the target setting phase through to the monitoring of processes. GPE has a number of specific strategic risk preferences and these are actively monitored through the RAF.

C.6.5. CONTAGION RISK

GPE defines Contagion Risk to be the probability that significant economic changes in one country will spread to other countries. Contagion can refer to the spread of either economic booms or economic crises throughout a geographic region. This risk is mitigated through the diversification of GPE's business operations and products.

C.7. ANY OTHER INFORMATION

C.7.1. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

The total expected profits included in future premiums is €15,434k at 31 December 2017. This compared to €15,201k at 31 December 2016.

D. Valuation for Solvency Purposes

D.1. ASSETS

D.1.1. VALUATION OF ASSETS FOR SOLVENCY II BALANCE SHEET

The following paragraphs describe the value of assets for solvency and financial statements purposes, along with the valuation criteria and the common methodology used by GPE for the determination of fair value of assets and liabilities. The following sections are covered in the report below:

- Valuation of assets – explanation of differences between financial statements balance sheet and Solvency II balance sheet.
- Fair value hierarchy – explanation of methods used to classify assets into three levels, based on the inputs used in valuation techniques to increase consistency and comparability of fair value measurements.
- Guidance on fair value measurement approach – GPE reviews its financial investments and classifies them in accordance with IFRS 13 'Fair Value Measurement'. The same approach is taken for investments held on behalf of life assurance policyholders who bear the investment risk.
- Valuation techniques – the methods used to maximise the use of observable inputs.

Exhibit 21: Solvency II Assets Valuation

	31 December 2016 €'000	31 December 2017 €'000
Solvency II Valuation	10,755,450	11,367,698
Statutory Accounts Valuation	10,783,909	11,398,466
Difference	(28,459)	(30,768)

Valuation of Assets

In the Solvency II environment, fair value should generally be determined in accordance with the financial statements. GPE's financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and Irish statute comprising the Companies Act 2014, including the EU (Insurance Undertakings: Financial Statements) Regulations 2015 which cover the format and content of insurance company accounts.

Certain assets are excluded or measured at fair value to comply with Solvency II principles. In particular, the exceptions and non-applicable items for GPE are summarised in Exhibit 22.

Exhibit 22: Asset Exceptions under Solvency II

Valuation of Assets 31 December 2017	Solvency II €'000	Statutory Accounts €'000	Difference €'000
Deferred Tax Assets	4,961	250	4,711
Deferred Acquisition Costs	0	14,938	(14,938)
Fixed Assets	383	383	0
Intangible Assets	0	11,928	(11,928)
Investments (Other than assets held for Index Linked and Unit-Linked funds)	124,085	122,958	1,127
Assets held for Index Linked and Unit-Linked funds	10,946,576	10,946,576	0
Ceded Reinsurance Reserves	61,369	70,201	(8,832)
Receivables	37,983	37,983	0
Cash and Cash Equivalents	47,849	47,849	0
Withholding Tax Asset	144,491	145,399	(908)
Total Assets	**11,367,698**	**11,398,466**	**(30,768)**

The primary objective for valuation as set out in Article 75 of L1 - Dir (EIOPA guidelines) requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the approach for Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability.

Assets should be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

Liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction.

This valuation section describes the value of assets for Solvency II purposes and for financial statements, valuation criteria and the methodology used by GPE for the determination of fair value of assets and liabilities.

Deferred Tax Asset

Deferred taxation is provided in the financial statements on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are temporary differences between profits as computed for taxation purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for taxation purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax is not discounted.

In the Solvency II balance sheet, deferred tax assets and liabilities arise because there are differences between the value ascribed to an asset or a liability for tax purposes, and its value in accordance to the Solvency II principles.

A deferred tax asset ('DTA') should be recognised in the following cases:

- The Solvency II balance sheet value of an asset is lower than the related carrying value for tax purposes; or
- The Solvency II balance sheet value of a liability is higher than the related carrying value for tax purposes.

A DTA is a tax credit which should be recovered in the future because of an expected loss (decrease of the net asset value). The adjustments that gave rise to a deferred tax asset are set out in Exhibit 23. As a result, the DTA for Solvency II increased by €4,711k.

Exhibit 23: Solvency II Balance Sheet Adjustments and Deferred Tax Asset Impact

Solvency II Balance Sheet Adjustments 31 December 2017	Adj to Balance Sheet €'000	Deferred Tax Asset Impact €'000
Elimination for Deferred Acquisition Costs	(14,938)	1,867
Elimination of Intangible Assets	(11,928)	1,491
Reinsurance Share of Technical Provisions	(8,832)	1,104
Financial Liability – Fair Value of Group Loan/Bonds	(1,082)	135
Discount Italian Withholding Tax Asset	(908)	113
Total	**(37,688)**	**4,711**

Deferred Acquisition Costs (DAC)

Commission costs incurred in the acquisition of new business are deferred as an explicit DAC asset. This asset is amortised against future revenue margins on the related policies. The DAC asset is reviewed for recoverability at the end of each accounting period against future revenue margins expected to arise from the related policies. They are the part of acquisition costs allocated to future reporting periods. DAC is recognised under FRS101 but is disallowed for Solvency II asset valuation purposes. As a result, the DAC asset for Solvency II decreased by €14,938k.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the original cost of these assets over their estimated useful lives in equal instalments at the following rates:

Exhibit 24: Depreciation

Asset Category	Rate of Depreciation	Basis of Depreciation
Fixtures and Fittings	20%	Straight Line
Computer Equipment	50%	Straight Line

There is no valuation difference under Solvency II and the financial statements.

Intangible Assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated to write off the original cost of these assets over their estimated useful lives in equal instalments at the following rate:

Exhibit 25: Amortisation

Asset Category	Rate of Amortisation	Basis of Depreciation
Software Development	20%	Straight Line
Software Development – Solvency II Asset	12.5%	Straight Line

Software development work-in-progress is capitalised and is included within the software development balance at cost. Amortisation is not charged on these assets until the project is completed and put into use.

Intangible assets are valued at nil under Solvency II, which resulted in a decrease of €11,928k.

Investments including assets held for index-linked and unit-linked funds

In the statutory financial statements GPE has classified its financial assets into the following categories:

- Assets held at fair value through profit or loss

Financial assets held to back investment contracts and one of GPE's solvency portfolios have been designated upon initial recognition as at fair value through profit or loss and are carried at fair value. The basis of this designation is that financial assets and liabilities in connection with investment contracts are managed and evaluated together on a fair value basis. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise occur if these financial assets were not measured at fair value and the changes in fair value were not recognised in the profit and loss account. There is no valuation difference under Solvency II and the financial statements.

- Held-to-Maturity investments

GPE holds a solvency portfolio which consists of relatively long dated bonds (or fixed income securities) which are held for asset-liability matching purposes. GPE has classified these as held-to-maturity and has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate method, less impairment. The amortisation, and any impairment, is included as investment income. In the Solvency II balance sheet these assets are revalued on a fair value basis. As a result, on a fair value basis the valuation for Solvency II increased by €1,127k.

- Derivative financial instruments[3]

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from the quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

GPE mainly utilises interest rate swaps and options on interest rate swaps (swaptions). Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest rate payments. GPE's exposure to a gain or loss on swap contracts will increase or decrease over their respective lives as a function of maturity dates, interest rates and

[3] It is noted that derivatives are used solely as part of the management of the Variable Annuities book.

the timing of payments. The payoff of the swaptions purchased by GPE is determined by the value of the underlying swap at the option expiry date; swaption contracts have an interest rate exposure similar to that of swaps, with an additional sensitivity to the volatility assumption used.

Listed investments and derivatives are valued at current mid-price on the balance sheet date. Unlisted investments for which a market exists are also stated at the current mid-price on the balance sheet date or the last trading day before that date. The value of other unlisted investments, for which no active market exists, are established at directors' best estimate of fair value, based on third party information or valuations provided by counterparties, or valued at cost and reviewed for impairment at the balance sheet date. There is no valuation difference under Solvency II and the statutory financial statements.

Ceded reinsurance reserves

This amount represents the reinsurers' share of technical reserves. The ceded reinsurance reserves for Solvency II decreased by €8,832k. Please refer to section D.2 for detailed narrative on the valuation of technical liabilities.

Receivables

Receivables represent amounts owing to GPE. Receivables are held at initial book value in the Company's financial statements and are recoverable within one year. There is no valuation difference under Solvency II and the statutory financial statements.

Cash and cash equivalents

Cash is a liquid asset and comprises cash holdings in current accounts. Balances are held at initial book value in the Company's financial statements. There is no valuation difference under Solvency II and the statutory financial statements.

Withholding Tax Asset

GPE, as an Italian Withholding Tax Agent is required to make an annual tax prepayment to the Italian Tax Authorities of 0.45% of the Italian assets under administration at 31 December. Contributions to the Italian Revenue are recognised as a tax prepayment asset. This asset has not been discounted in the statutory financial statements. The asset has been discounted in the Solvency II balance sheet as the recoverability of this asset is greater than one year. As a result, the Withholding Tax Asset for Solvency II decreased by €908k.

Fair Value Hierarchy

GPE applied the following hierarchy of high level principles for valuation of assets and liabilities:

- Use of quoted market prices in active markets for the same assets and liability;
- Where the use of quoted market prices for the same assets or liability is not possible, use of quoted market prices in active markets for similar assets or liability with adjustments to reflect differences;
- If there are no quoted market prices in active markets available, use of mark-to-model techniques. Those alternative valuation techniques have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input;
- Maximum use of relevant observable inputs and market inputs is recommended, while use of undertaking-specific inputs and unobservable inputs should be minimised; and
- Valuing liabilities at IFRS fair value, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement has to be eliminated. In addition, when valuing financial liabilities subsequently after

initial recognition, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement and as defined by IFRS 7 Financial Instruments: Disclosures, has to be eliminated.

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs:

Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs

Level 3 inputs are unobservable inputs for the asset.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Guidance on Fair Value Measurement Approach

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

A fair value measurement requires an entity to determine all of the following:

- The particular asset or liability that is the subject of the measurement (consistently with its unit of account);
- For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use);
- The principal (or most advantageous) market for the asset or for the liability; and
- The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or the liability and the level of the fair value hierarchy within which the inputs are categorised.

IFRS 13 provides further guidance on the measurement of fair value, including the following:

- An entity takes into account the characteristics of the asset or the liability being measured that a market participant would take into account when pricing the asset or the liability at measurement date (e.g. the condition and location of the asset and any restrictions on the sale and use of the asset);
- Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions;
- Fair value measurement assumes a transaction taking place in the principal market for the asset or the liability, or in the absence of a principal market, the most advantageous market for the asset or the liability;
- A fair value measurement of a non-financial asset takes into account its highest and best use;
- A fair value measurement of a financial or non-financial liability or an entity's own equity instruments assumes it is transferred to a market participant at the measurement date, without settlement, extinguishment, or cancellation at the measurement date;
- The fair value of a liability reflects non-performance risk (the risk the entity will not fulfil an obligation), including an entity's own credit risk and assuming the same non-performance risk before and after the transfer of the liability; and
- An optional exception applies for certain financial assets with offsetting positions in market risks or counterparty credit risk, provided conditions are met (additional disclosure is required).

Valuation Techniques

An entity uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset would take place between market participants and the measurement date under current market conditions. Three used valuation techniques are:

- Market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets/liabilities or a group of assets/liabilities (e.g. a business);
- Cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost);
- Income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.

In some cases, a single valuation technique will be appropriate, whereas in other cases multiple valuation techniques will be appropriate.

Further information on GPE's assets is included in S.02.01.02 in Section F.

D.2. TECHNICAL PROVISIONS

The Life Technical Provisions as at 31 December 2017 have been assessed adopting GPE's methodology and techniques which are compliant with the Solvency II framework and are proportionate to the nature, scale and complexity of the business in question.

Life Technical Provisions results as at 31 December 2017 are set out in the table below. No transitional adjustments have been deducted from the Life Technical Provisions.

Exhibit 26: Main Technical Provisions Results

Entity	31 December 2016 €'000	31 December 2017 €'000
Best Estimate of Liabilities	10,235,438	10,820,501
Risk Margin	52,065	55,445
Gross Technical Provisions	**10,287,503**	**10,875,946**
Reinsurance Recoverables	(60,727)	(61,369)
Net Technical Provisions	**10,226,776**	**10,814,576**

The increase in life technical provisions from 31 December 2016 to 31 December 2017 is mainly due to an increase in the size of the unit-linked business.

The difference between IFRS reserves and SII technical provisions is due to the methodological differences between the two valuations. The valuation of the IFRS reserves is based on technical provisions calculated in accordance with local accounting principles. The Solvency II valuation, instead, is based on the projection of future cash flows performed using best estimate assumptions, and discounting using the current interest rate term structure. Moreover, under the Solvency II framework, the valuation of technical provisions includes the risk margin which is not included in the valuation of IFRS reserves

The main factors that have an impact on the Technical Provisions are set out below:

- The Best Estimate assumptions;
- The application of contract boundaries; and
- Projected SCRs: The risk margin is a constituent part of the total Technical Provisions. As the risk margin is based on projected SCRs the method and assumptions used in projecting these SCRs can have a sizeable impact on the resulting risk margin.

In calculating the Technical Provisions, GPE has made material judgments in relation to:

- The choice of what are deemed to be best estimate assumptions;
- The use of certainty equivalent deterministic calculations;
- The choice of method used in calculating the risk margin; and
- The application of contract boundaries.

Best Estimate of Liabilities

The BEL is defined as the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure.

The method used to derive the BEL is the direct approach, which specifically refers to a valuation method based on projecting and discounting on a market consistent basis all expected future cash flows to policyholders in the certainty equivalent scenario. Therefore, the cash flow projection used in this context considers all potential cash in-and-out flows required to settle the insurance obligations over their lifetime, within the appropriate contract boundaries.

The projected future cash flows typically include:

- Regular premium receipts (subject to contract boundaries);
- Claims payments with an allowance for any early discontinuance charges;
- Expenses;

- Commissions;
- External fund charges;
- Italian Withholding Tax accruals; and
- Profit share payments.

These cash flows are then discounted using the relevant risk-free rates provided by EIOPA to obtain the gross BEL.

Reinsurance Recoverables

Reinsurance recoverable is defined as the present value of the future liability cash flows referring to the reinsurance contractual agreements.

From the ceding Company perspective, the reinsurance cash inflows include at a minimum:

- Reinsurance recoverables for claims payments and expenses contractually recoverable by the Company from the agreement; and
- Revenues from reinsurance commissions and from shares in profit from technical sources relevant to reinsurance contracts paid to the Company.

From the ceding Company perspective, the reinsurance cash outflows includes at least:

- Future premiums paid by the Company to reinsurers.

Risk Margin

The risk margin represents a prudent margin for unavoidable uncertainty. The risks considered are:

- Mortality Trend Risk;
- Mortality Catastrophe Risk;
- Morbidity Risk;
- Longevity Risk;
- Lapse Risk;
- Expense Risk;
- Credit Risk with respect to Reinsurance contracts; and
- Operational Risk.

Description of the Level of Uncertainty of Life Technical Provisions Valuation

The key sources of uncertainty for the Company are expenses, policyholder behaviour assumptions and potential costs arising out of litigation.

It is noted that no significant simplified methods were used to calculate technical provisions, including those used for calculating the risk margin.

GPE does not apply a volatility adjustment, as referred to in Article 77d of Directive 2009/138/EC.

No basic own fund items have been subject to transitional arrangements.

Further information on GPE's technical provisions is included in S.02.01.02 and S.12.01.02 in Section F.

D.3. OTHER LIABILITIES

D.3.1. VALUATION OF LIABILITIES FOR SOLVENCY II BALANCE SHEET

The following paragraphs describe the valuation criteria and the common methodology to be used by GPE for the determination of fair value of other liabilities.

Valuation of Liabilities

In the Solvency II environment, fair value should be generally determined in accordance with FRS101 'Reduced Disclosure Framework'. Certain liabilities are excluded or fair valued to comply with Solvency II principles. In particular, the exceptions and non-applicable items for GPE are as follows and are summarised in Exhibit 28.

- Technical liabilities;
- Deferred taxes;
- Financial liabilities;
- Deferred income liability;
- Other liabilities; and
- Contingent liabilities (not applicable for GPE).

Exhibit 27: Solvency II Liabilities Valuation

	31 December 2016 €'000	31 December 2017 €'000
Solvency II Valuation	10,484,538	11,084,961
Statutory Accounts Valuation	10,626,289	11,222,976
Difference	**(141,751)**	**(138,015)**

Exhibit 28: Value of Liabilities

Values of Liabilities 31 December 2017	*Solvency II Value €'000*	*Statutory Accounts Value €'000*	*Difference €'000*
Technical Liabilities – Life (Inc. Index Linked and United Linked)	10,875,946	11,031,097	(155,151)
Deferred Tax Liabilities	20,032	0	20,032
Financial Liability – Group Loan	56,510	55,428	1,082
Financial Liability – Derivatives	18,998	18,998	0
Financial Liability – Bank Overdraft	1,287	1,287	0
Deferred Income Liability	0	3,978	(3,978)
Other Liabilities	112,188	112,188	0
Total Liabilities	**11,084,961**	**11,222,976**	**(138,015)**

The valuation section describes the value of liabilities for solvency purposes and for financial statements, valuation criteria and the common methodology used by GPE for the determination of fair value of assets and liabilities.

Technical Liabilities

The Technical Liabilities comprise the Technical Provisions for life assurance policies where the investment risk is borne by the policyholders, the provision for claims, the life assurance provision and the provision for unearned premiums.

Under Solvency II, Technical Provisions comprise the BEL and risk margin. The BEL recognises the cashflow required to meet policyholder liabilities, while the risk margin represents a prudent margin for unavoidable uncertainty. The Technical Provisions liability for Solvency II decreases by €155,151k.

Please refer to section D2 for detailed narrative on the valuation of Technical Provisions.

Deferred Tax Liability

In the Solvency II balance sheet, deferred tax assets and liabilities arise because there are differences between the value ascribed to an asset or a liability for tax purposes, and its value in accordance to the Solvency II principles.

Therefore, a deferred tax liability ('DTL') should be recognised in the following cases:

- The Solvency II Balance Sheet value of an asset is higher than the related carrying value for tax purposes; or
- The Solvency II Balance Sheet value of a liability is lower than the related carrying value for tax purposes.

A DTL is the recognition of a tax debt to be paid at a later date because of a future profit which is already anticipated in the economic balance sheet. This profit (i.e. the difference between the market value and the book value) leads to an increase of the net asset value. A DTL will be recognised for unrealised taxable gains such as an increase of a financial asset value, or a decrease of the value of Technical Provisions when shifting from book value to market value. The adjustments that gave rise to a DTL are set out in Exhibit 29. The DTL for Solvency II increases by €20,032k at year-end 2017.

Exhibit 29: Solvency II Balance Sheet Adjustments and Deferred Tax Liability Impact

Solvency II Balance Sheet Adjustments 31 December 2017	*Adjustment to Balance Sheet €'000*	*Deferred Tax Liability Impact €'000*
Investments – FV of HTM Bonds	1,127	(141)
Technical Provisions	155,151	(19,394)
Elimination of Deferred Income Liability	3,978	(497)
Total	160,256	(20,032)

Financial Liabilities

In 2015, the Company issued a 5 year Registered Note of €15,000k which was fully subscribed to by Participatie Maatschappij Graafschap Holland N.V. Under FRS 101 the outstanding amount due is held at its carrying amount in the Company's financial statements. In the Solvency II balance sheet the liability is revalued on a fair value basis. As a result, on a fair value basis the valuation for Solvency II increased by €169k.

In 2015, the Company entered into a Quota Share Reinsurance Agreement with Assicurazioni Generali. Under FRS 101 the outstanding amount due is held at its carrying amount in the Company's financial statements. In the Solvency II balance sheet the liability is revalued on a fair value basis. As a result, on a fair value basis the valuation for Solvency II increased by €1,003k.

In 2017, GPE borrowed €10,000k from Redoze Holding N.V. for a period of three years. Under FRS 101 the outstanding amount due is held at its carrying amount in the Company's financial statements. In the Solvency II balance sheet the liability is revalued on a fair value basis. As a result, on a fair value basis the valuation for Solvency II increased by €8k.

In December 2017, the Company terminated a €15,000k registered note agreement that had been in place with Generali Belgium since 2015 and replaced this funding source with a €15,000k loan from Assicurazioni Generali. Under FRS 101 the outstanding amount due is held at its carrying amount in the Company's financial statements. In the Solvency II balance sheet the liability is revalued on a fair value basis. As a result, on a fair value basis the valuation for Solvency II decreased by €98k.

Deferred Income Liability

A portion of the unit-linked front-end fees received at the inception of a contract and anticipated future margins such as actuarial funding are deferred and presented as a deferred income liability ('DIL'), gross of tax, in the financial statements. The liability is amortised over the expected term of the contract. DIL is recognised under FRS 101 but is disallowed under Solvency II.

Other Liabilities

Other liabilities represent amounts owing by GPE. Other liabilities are held at initial book value in the Company's financial statements. There is no valuation difference between the Solvency II and the statutory financial statements.

Contingent Liabilities

GPE does not have any contingent liabilities.

Fair Value Measurement Approach

The fair value measurement approach for other liabilities is outlined above.

Further information on GPE's liabilities is included in S.02.01.02 in Section F.

D.4. ALTERNATIVE METHODS FOR VALUATION

The Company does not use any alternative methods for valuation.

D.5. ANY OTHER INFORMATION

No other information noted.

E. Capital Management

E.1. OWN FUNDS

According to the Article 87 of the Directive 2009/138/EC (hereinafter 'Directive' or 'L1 – Dir'), own funds comprise the sum of Basic Own Funds, referred to in Article 88 and ancillary own funds referred to in Article 89.

E.1.1. CAPITAL MANAGEMENT POLICIES

GPE has a Capital Management policy in place which is approved on an annual basis by the Board and includes the following:

- A description of the procedure to ensure that own fund items, both at the time of issue and subsequently, meet the requirements of the applicable capital and distribution regime and are classified correctly as the applicable regime requires;
- A description of the procedure to monitor the issuance of own fund items according to the medium-term capital management plan;
- A description of the procedure to ensure that the terms and conditions of any own fund item are clear and unambiguous in relation to the criteria of the applicable capital regime; and
- A description of the procedures to:
    - ensure that any policy or statement in respect of ordinary share dividends is taken into account in consideration of the capital position; and
    - identify and document instances in which distributions on an own funds item are expected to be deferred or cancelled.

In addition to the Capital Management policy, GPE prepares a Capital Management Plan which is approved by the Board on an annual basis. The purpose of the Capital Management Plan is to outline the capital requirements of GPE.

Planning and managing own funds are a core part of the strategic planning process.

Basic Own Funds

According to Article 88 of L1-Dir, Basic Own Funds is defined as the sum of the excess of assets over liabilities (reduced by the amount of own shares held by the insurance or reinsurance undertaking) and subordinated liabilities.

The components of the excess of assets over liabilities are valued in accordance with Article 75 and Section 2 of the Directive, which states that all assets and liabilities must be measured on market consistent principles.

Basic own fund items shall be classified into three tiers, depending on the extent to which they possess specific characteristics. Article 69 of Delegated Acts issued at October 2014 (hereinafter 'L2 – DA' or 'DA'), outlines Tier 1 capital, with Article 72 and Article 76 covering Tier 2 and Tier 3 capital respectively.

GPE's basic own funds includes ordinary share capital, capital contributions and reconciliation reserve. GPE has Tier 1 Capital only. This position is outlined in Exhibit 30.

Exhibit 30: Basic Own Funds

	Total €'000	Tier 1 Unrestricted €'000	Tier 1 - Restricted €'000	Tier 2 €'000	Tier 3 €'000
Total eligible Own Funds to meet the SCR at 31 Dec 2017	282,737	282,737	0	0	0
Total eligible Own Funds to meet the SCR at 31 Dec 2016	270,912	270,912	0	0	0

Tier 1 Basic Own Funds

Basic own fund items are classified into three tiers, depending on the extent to which they possess specific characteristics. Generally, assets which are free from any foreseeable liabilities are available to absorb losses due to adverse business fluctuations on a going-concern basis or in the case of winding-up. GPE's excess of assets over liabilities, is valued in accordance with the principles set out in L1 - Dir, and treated as Tier 1. Details on the composition of GPE's Own Funds assets are outlined in Exhibit 30 above.

Ordinary Share Capital:

The paid-in ordinary share capital is identified by the following methods:

- The shares are issued directly by the undertaking with the prior approval of its shareholders or, where permitted under national law, its administrative, supervisory or management body.
- GPE has issued 500,000 ordinary shares valued at €1.269738 each and 60,500,000 non-voting B ordinary shares valued at €1 each.

Capital Contribution:

Capital contributions arise when funds are provided to a company by way of a non-refundable and unconditional gift. Non-refundable capital contributions for GPE amounted to €12,547k.

Reconciliation Reserve:

The excess of assets over liabilities are divided into amounts that correspond to capital items in the financial statements and a reconciliation reserve. The reconciliation reserve may be positive or negative. For GPE, the reconciliation reserve is made up of the revenue reserves as per the financial statements and adjustments to assets and liabilities for Solvency II purposes, as outlined in sections D1 and D3.

Tier 2 Basic Own Funds

This does not apply to GPE.

Tier 3 Basic Own Funds

This does not apply to GPE.

Reconciliation between Equity in the Financial Statements and Basic Own Funds

Basic Own Funds is valued at €282,737k, while the shareholders' equity per the statutory accounts is €175,490k. Exhibit 31 below reconciles the movement from shareholders' equity to basic own funds.

Exhibit 31: Reconciliation to Shareholders' Equity

Reconciliation of Shareholders Equity to Basic Own Funds	31 December 2016 €'000	31 December 2017 €'000
Shareholder Equity	157,620	175,490
Elimination for Deferred Acquisition Costs & Deferred Income Liability	(11,246)	(10,960)
Elimination of Intangible Assets	(9,717)	(11,928)
SII Valuation of Technical Provisions	154,492	146,319
SII Valuation of Financial Liabilities	(2,077)	(1,082)
SII Valuation of Investments	1,233	1,127
SII Valuation of Withholding Tax Asset	(3,208)	(908)
Deferred Taxes	(16,185)	(15,321)
Basic Own Funds	**270,912**	**282,737**

Basic own funds increased by €11,825k from 31 December 2016 to 31 December 2017. Retained earnings are a key driver for the increase.

Deduction from Own Funds

The deduction rule from own funds does not apply to GPE.

Ancillary Own Funds

Ancillary own funds does not apply to GPE.

E.1.2. ELIGIBLE OWN FUNDS

Exhibit 32: Own Funds Assets

	Total €'000	Tier 1 Unrestricted €'000	Tier 1 Restricted €'000	Tier 2 €'000	Tier 3 €'000
Total Eligible Own Funds to Meet the MCR / SCR at 31 Dec 2016	270,912	270,912	0	0	0
Total Eligible Own Funds to Meet the MCR / SCR at 31 Dec 2017	282,737	282,737	0	0	0

The Company maintains an efficient capital structure to meet its regulatory requirements. The Company is required to hold sufficient capital to cover the SCR. The SCR at 31 December 2017 was €129,246k. The Company's Own Funds at that date were €282,737k. This represents a solvency ratio of 218.76%.

All of GPE's Own Funds are classified as Tier 1 and therefore are eligible to cover the SCR.

E.1.3. ELIGIBLE OF OWN FUNDS TO MEET THE SOLVENCY CAPITAL REQUIREMENT

All of GPE's Own Funds are classified as Tier 1 and are eligible to meet the SCR.

E.1.4. ELIGIBLE OF OWN FUNDS TO MEET THE MINIMUM CAPITAL REQUIREMENT

All of GPE's Own Funds are classified as Tier 1 and are eligible to meet the MCR.

Further information on GPE's own funds is included in S.23.01.01 in Section F.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

The SCR at year-end 2017 was €129,246k. The MCR at year-end 2017 was €58,161k. The calculations of the capital follow EIOPA's Standard Formula regime. The Directive 2009/138/EC and the Delegated Regulation (EU) 2015/35 describe the process to be followed by companies applying the Standard Formula approach, defined by EIOPA.

The MCR is taken as a percentage of the SCR in GPE's case, where the percentage used is 45%.

The primary reason for changes in capital requirements from 2016 to 2017 is the underlying growth in and enhanced quality of asset data sourced for the unit-linked policyholder investments.

Exhibit 33: SCR and MCR Values

	31 December 2016 €'000	31 December 2017 €'000
Solvency Capital Requirement	118,909	129,246
Minimum Capital Requirement	53,509	58,161
Own Funds	270,912	282,737
Solvency Capital Ratio	227.83%	218.76%
Minimum Capital Ratio	506.29%	486.13%

In addition to monitoring the SCR and MCR, the Company aims to hold a solvency ratio net of the IWT asset of greater than 100%, meaning that the IWT asset will be used to back that part of Own Funds in excess of SCR. GPE management has set internal restrictions on the IWT asset and monitor these on a quarterly basis. The below table shows the solvency capital ratio gross and net of IWT.

Exhibit 34: SCR Coverage Excluding IWT

SCR Coverage *Excluding IWT*		31 December 2016 €'000	31 December 2017 €'000
Total Eligible Own Funds (net of IWT)	(1)	143,597	138,246
Solvency Capital Requirement (net of IWT)	(2)	112,617	123,487
Solvency Capital Ratio (Net of IWT)	(3) = (1) / (2)	127.51%	111.95%

The solvency capital ratio (net of IWT) excludes the IWT asset from the own funds and the SCR.

E.2.2. SCR BREAKDOWN

A summary of Company's SCR is provided below with further detail provided in S.25.01.21 in Section F.

Exhibit 35: SCR Breakdown

	31 December 2016 €'000	31 December 2017 €'000
Life Underwriting Risk	85,796	83,598
Health Underwriting	128	557
Non-Life Underwriting	-	-
Market Risk	65,169	78,382
Counterparty Risk	27,723	26,004
Operational Risk	4,457	4,964
Diversification	(47,377)	(49,820)
Adjustment for the loss-absorbing capacity of deferred taxes	(16,987)	(14,440)
Solvency Capital Requirement	**118,909**	**129,246**

Further information on GPE's SCR is included in S.25.01.21 in Section F.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

This section is not applicable for GPE.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

This section is not applicable for GPE.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND SOLVENCY CAPITAL REQUIREMENT

GPE has complied with the MCR and the SCR at all times.

E.6. ANY OTHER INFORMATION

No additional information required.

F. Quantitative Reporting Templates

F.1. S.02.01.02 BALANCE SHEET

		Solvency II value
Assets		**C0010**
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	4,961,438.00
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	383,198.97
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**124,084,917.92**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	71,532,688.00
Government Bonds	R0140	52,885,904.03
Corporate Bonds	R0150	18,646,783.97
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	22,798,892.70
Derivatives	R0190	19,633,337.22
Deposits other than cash equivalents	R0200	10,120,000.00
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	10,946,576,268.69
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:, Reinsurance recoverables from (ECB Reclassification adjustments column)	**R0270**	**61,369,406.95**
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	66,232,986.42
Health similar to life	R0320	36,155,631.47
Life excluding health and index-linked and unit-linked	R0330	30,077,354.95

		Solvency II value
Life index-linked and unit-linked	R0340	-4,863,579.47
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	8,820,234.17
Reinsurance receivables	R0370	13,645,173.98
Receivables (trade, not insurance)	R0380	144,490,843.15
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	47,849,261.87
Any other assets, not elsewhere shown	R0420	15,517,532.05
Total Assets	**R0500**	**11,367,698,275.75**
Liabilities		
Technical provisions - non-life	**R0510**	
Technical provisions - non-life (excluding health)	**R0520**	
TP calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP - life (excluding index-linked and unit-linked)	**R0600**	**70,649,692.98**
Technical provisions - health (similar to life)	**R0610**	**39,745,445.83**
TP calculated as a whole	R0620	
Best estimate	R0630	39,665,412.61
Risk margin	R0640	80,033.21
TP - life (excluding health and index-linked and unit-linked)	**R0650**	**30,904,247.15**
TP calculated as a whole	R0660	
Best estimate	R0670	30,807,335.76
Risk margin	R0680	96,911.40
TP - index-linked and unit-linked	**R0690**	**10,805,296,005.93**
TP calculated as a whole	R0700	
Best estimate	R0710	10,750,028,368.22
Risk margin	R0720	55,267,637.71
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	14,046,764.11

		Solvency II value
Deferred tax liabilities	R0780	20,031,988.84
Derivatives	R0790	18,998,172.82
Debts owed to credit institutions	R0800	1,287,039.02
Debts owed to credit institutions resident domestically	ER0801	
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	1,287,039.02
Debts owed to credit institutions resident in rest of the world	ER0803	
Financial liabilities other than debts owed to credit institutions	R0810	56,510,267.86
debts owed to non-credit institutions	ER0811	25,088,126.03
debts owed to non-credit institutions resident domestically	ER0812	
debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	25,088,126.03
debts owed to non-credit institutions resident in rest of the world	ER0814	
other financial liabilities (debt securities issued)	ER0815	31,422,141.83
Insurance & intermediaries payables	R0820	7,412,896.52
Reinsurance payables	R0830	32,553,444.36
Payables (trade, not insurance)	R0840	58,175,031.78
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	0.00
Total Liabilities	**R0900**	**11,084,961,304.22**
Excess of assets over liabilities	**R1000**	**282,736,971.52**

F.2. S.05.01.02 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		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	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	37,184,783.76		1,380,648,869.03	31,253,406.47					**1,449,087,059.27**
Reinsurers' share	R1420	33,906,387.26		570,232.63	30,137,671.63					**64,614,291.52**
Net	**R1500**	**3,278,396.50**		**1,380,078,636.40**	**1,115,734.84**					**1,384,472,767.75**
Premiums earned										
Gross	R1510	36,705,285.35		1,380,648,869.03	30,100,103.29					**1,447,454,257.67**
Reinsurers' share	R1520	33,440,427.04		570,232.63	28,972,047.45					**62,982,707.12**
Net	**R1600**	**3,264,858.31**		**1,380,078,636.40**	**1,128,055.84**					**1,384,471,550.55**
Claims incurred										
Gross	R1610	24,215,417.67		1,061,334,524.10	13,488,736.56					**1,099,038,678.32**
Reinsurers' share	R1620	21,964,649.72		83,125.49	12,985,604.79					**35,033,380.00**
Net	**R1700**	**2,250,767.95**		**1,061,251,398.61**	**503,131.76**					**1,064,005,298.32**
Changes in other technical provisions										

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		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	
Gross	R1710	-100,239.73		-840,385.94	-100,239.73					**-1,040,865.40**
Reinsurers' share	R1720	0.00			0.00					**0.00**
Net	**R1800**	**-100,239.73**		**-840,385.94**	**-100,239.73**					**-1,040,865.40**
Expenses incurred	**R1900**	**4,076,178.00**		**32,552,054.34**	**3,942,290.16**					**40,570,522.49**
Administrative expenses										
Gross	R1910	1,069,142.17		4,103,292.41	1,069,142.17					**6,241,576.75**
Reinsurers' share	R1920									**0.00**
Net	**R2000**	**1,069,142.17**		**4,103,292.41**	**1,069,142.17**					**6,241,576.75**
Investment management expenses										
Gross	R2010	4,982.44		25,375.20	4,982.44					**35,340.07**
Reinsurers' share	R2020									**0.00**
Net	**R2100**	**4,982.44**		**25,375.20**	**4,982.44**					**35,340.07**
Claims management expenses										
Gross	R2110									**0.00**

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		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	
Reinsurers' share	R2120									**0.00**
Net	**R2200**									**0.00**
Acquisition expenses										
Gross	R2210	2,186,102.79		15,663,000.90	1,370,176.91					**19,219,280.59**
Reinsurers' share	R2220	1,710,334.09		0.00	1,028,296.05					**2,738,630.14**
Net	**R2300**	**475,768.70**		**15,663,000.90**	**341,880.86**					**16,480,650.46**
Overhead expenses										
Gross	R2310	2,526,284.69		12,760,385.84	2,526,284.69					**17,812,955.22**
Reinsurers' share	R2320									**0.00**
Net	**R2400**	**2,526,284.69**		**12,760,385.84**	**2,526,284.69**					**17,812,955.22**
Other expenses	**R2500**									**1,729,331.13**
Total expenses	**R2600**									**42,299,853.62**
Total amount of surrenders	**R2700**									**0.00**

F.3. S.05.02.01 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R01400		IT	GB	FI	PT	ES	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
		IE	IT	GB	FI	PT	ES	
Premium written								
Gross	R1410	60,350,831.83	952,708,366.63	288,087,513.06	71,420,192.45	38,082,704.18	18,792,631.59	**1,429,442,239.74**
Reinsurers' share	R1420	50,508,249.51	1,006,761.60	8,616,908.16	0.00			**60,131,919.27**
Net	**R1500**	**9,842,582.32**	**951,701,605.03**	**279,470,604.90**	**71,420,192.45**	**38,082,704.18**	**18,792,631.59**	**1,369,310,320.47**
Premium earned								0
Gross	R1510	58,781,071.47	952,709,513.83	288,064,734.11	71,420,192.45	38,082,704.18	18,792,631.59	**1,427,850,847.63**
Reinsurers' share	R1520	48,939,706.35	1,007,908.80	8,594,129.21				**58,541,744.36**
Net	**R1600**	**9,841,365.12**	**951,701,605.03**	**279,470,604.90**	**71,420,192.45**	**38,082,704.18**	**18,792,631.59**	**1,369,309,103.27**
Claims paid								0
Gross	R1610	32,046,562.58	819,444,887.41	22,686,227.28	5,962,836.48	5,526,484.42	31,767,679.55	**917,434,677.72**
Reinsurers' share	R1620	24,656,670.32	98,835.71	3,292,546.57	0.00	0.00	0.00	**28,048,052.60**
Net	**R1700**	**7,389,892.26**	**819,346,051.70**	**19,393,680.71**	**5,962,836.48**	**5,526,484.42**	**31,767,679.55**	**889,386,625.12**
Changes in other technical provisions								0
Gross	R1710	-200,479.46	-469,171.04					**-669,650.50**
Reinsurers' share	R1720							**0.00**
Net	**R1800**	**-200,479.46**	**-469,171.04**					**-669,650.50**
Expenses incurred	**R1900**	23,200,535.17	879,562.03	508,814.18	12,226,896.25	637,778.50	273,861.93	**37,727,448.06**
Other expenses	**R2500**							1,000,000.00
Total expenses	**R2600**							**38,727,448.06**

F.4. S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

				Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
			Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
			C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole		**R0010**										**0.00**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole		R0020										**0.00**
Technical provisions calculated as a sum of BE and RM												
Best Estimate												
Gross Best Estimate		**R0030**			10,742,751,500.80	7,276,867.42		30,807,335.76				**10,780,835,703.98**
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		R0040			**-4,863,579.47**			**30,109,867.15**				**25,246,287.68**
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses		R0050			-4,863,579.47			30,109,867.15				**25,246,287.68**

				Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
			Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
Recoverables from SPV before adjustment for expected losses		R0060										**0.00**
Recoverables from Finite Re before adjustment for expected losses		R0070										**0.00**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		R0080			-4,863,579.47			30,077,354.95				**25,213,775.48**
Best estimate minus recoverables from reinsurance/SPV and Finite Re		R0090			**10,747,615,080.27**	**7,276,867.42**		**729,980.80**				**10,755,621,928.50**
Risk Margin		**R0100**		55,267,637.71			96,911.40					**55,364,549.11**
Amount of the transitional on Technical Provisions												
Technical Provisions calculated as a whole		R0110										**0.00**
Best estimate		R0120										**0.00**
Risk margin		R0130										**0.00**
Technical provisions - total		**R0200**		**10,805,296,005.94**			**30,904,247.15**					**10,836,200,253.09**

			Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
					Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total		**R0210**		**10,810,159,585.41**			**826,892.20**					**10,810,986,477.61**
Best Estimate of products with a surrender option		**R0220**		10,750,028,368.22			30,807,335.76					**10,780,835,703.98**
Gross BE for Cash flow												
Cash out-flows	Future guaranteed and discretionary benefits	R0230										0.00
	Future guaranteed benefits	R0240										0.00
	Future discretionary benefits	R0250										0.00
	Future expenses and other cash out-flows	R0260										**0.00**
Cash in-flows	Future premiums	R0270										**0.00**

			Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
					Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
	Other cash in-flows	R0280										**0.00**
Percentage of gross Best Estimate calculated using approximations		**R0290**										
Surrender value		**R0300**		10,915,016,984.10								**10,915,016,984.10**
Best estimate subject to transitional of the interest rate		**R0310**										**0.00**
Technical provisions without transitional on interest rate		R0320		10,805,296,005.94			30,904,247.15					**10,836,200,253.09**
Best estimate subject to volatility adjustment		**R0330**										**0.00**
Technical provisions without volatility adjustment and without others transitional measures		R0340										**0.00**
Best estimate subject to matching adjustment		**R0350**										**0.00**
Technical provisions without matching adjustment and without all the others		R0360										**0.00**

			Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees			
			C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole		**R0010**						**0.00**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole		R0020						**0.00**
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate		**R0030**		39,665,412.61				**39,665,412.61**
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		R0040		**36,204,401.96**				**36,204,401.96**
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses		R0050		36,204,401.96				**36,204,401.96**
Recoverables from SPV before adjustment for expected losses		R0060						**0.00**
Recoverables from Finite Re before adjustment for expected losses		R0070						**0.00**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		R0080		36,155,631.47				**36,155,631.47**

			Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees			
Best estimate minus recoverables from reinsurance/SPV and Finite Re		R0090		**3,509,781.15**				**3,509,781.15**
Risk Margin		**R0100**	80,033.21					**80,033.21**
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole		R0110						**0.00**
Best estimate		R0120						**0.00**
Risk margin		R0130						**0.00**
Technical provisions - total		**R0200**	**39,745,445.83**					**39,745,445.83**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total		**R0210**	**3,589,814.36**					**3,589,814.36**
Best Estimate of products with a surrender option		**R0220**	39,665,412.61					**39,665,412.61**
Gross BE for Cash flow								
Cash out-flows	Future guaranteed and discretionary benefits	R0230						0.00
	Future guaranteed benefits	R0240						0.00
	Future discretionary benefits	R0250						0.00

			Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees			
	Future expenses and other cash out-flows	R0260						**0.00**
Cash in-flows	Future premiums	R0270						**0.00**
	Other cash in-flows	R0280						**0.00**
Percentage of gross Best Estimate calculated using approximations		**R0290**						
Surrender value		**R0300**						**0.00**
Best estimate subject to transitional of the interest rate		**R0310**						**0.00**
Technical provisions without transitional on interest rate		R0320	39,745,445.83					**39,745,445.83**
Best estimate subject to volatility adjustment		**R0330**						**0.00**
Technical provisions without volatility adjustment and without others transitional measures		R0340						**0.00**
Best estimate subject to matching adjustment		**R0350**						**0.00**
Technical provisions without matching adjustment and without all the others		R0360						**0.00**

F.5. S.23.01.01 OWN FUNDS

	–	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**61,134,869.00**	61,134,869.00			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**209,054,625.52**	209,054,625.52			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	**12,547,477.00**	12,547,477.00			
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						

	–	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
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					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**282,736,971.52**	**282,736,971.52**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

	–	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**282,736,971.52**	**282,736,971.52**			
Total available own funds to meet the MCR	**R0510**	**282,736,971.52**	**282,736,971.52**			
Total eligible own funds to meet the SCR	**R0540**	**282,736,971.52**	**282,736,971.52**			
Total eligible own funds to meet the MCR	**R0550**	**282,736,971.52**	**282,736,971.52**			
SCR	**R0580**	**129,245,879.83**				
MCR	**R0600**	**58,160,645.92**				
Ratio of Eligible own funds to SCR	**R0620**	**218.76%**				
Ratio of Eligible own funds to MCR	**R0640**	**486.13%**				
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	**282,736,971.52**				
Own shares (held directly and indirectly)	R0710	**0.00**				
Foreseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	**73,682,346.00**				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
Reconciliation reserve	**R0760**	**209,054,625.52**				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life Business	R0770	15,433,724.84				
Expected profits included in future premiums (EPIFP) - Non- life business	R0780					
Total Expected profits included in future premiums (EPIFP)	**R0790**	**15,433,724.84**				

F.6. S.25.01.21 SOLVENCY CAPITAL REQUIREMENT – STANDARD FORMULA

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	78,382,301.64	78,382,301.64	
Counterparty default risk	R0020	26,003,708.86	26,003,708.86	
Life underwriting risk	R0030	83,598,054.12	83,598,054.12	
Health underwriting risk	R0040	556,947.87	556,947.87	
Non-life underwriting risk	R0050			
Diversification	R0060	-49,819,635.10	-49,819,635.10	
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**138,721,377.38**	**138,721,377.38**	
Calculation of Solvency Capital Requirement				
		C0100		
Adjustment due to RFF/MAP nSCR aggregation	R0120			
Total capital requirement for operational risk	R0130	4,964,328.41		
Loss-absorbing capacity of technical provisions	R0140			
Loss-absorbing capacity of deferred taxes	R0150	-14,439,825.96		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			
Solvency capital requirement excluding capital add-on	**R0200**	**129,245,879.83**		
Capital add-on already set	R0210			
Solvency capital requirement	**R0220**			
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400			
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	129,245,879.83		

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430			
Diversification effects due to RFF nSCR aggregation for article 304	R0440			
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4 - No adjustment		
Net future discretionary benefits	R0460			

F.7. S.28.01.01 LINEAR FORMULA COMPONENT FOR LIFE INSURANCE AND REINSURANCE OBLIGATIONS

MCR calculation Life		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	10,750,028,368.22	
Other life (re)insurance and health (re)insurance obligations	R0240	4,239,761.95	
Total capital at risk for all life (re)insurance obligations	R0250		985,271,293.23
		MCR components	
		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		75,798,023.43
Overall MCR calculation			C0070
Linear MCR	R0300		**75,798,023.43**
SCR	R0310		129,245,879.83
MCR cap	R0320		**58,160,645.92**
MCR floor	R0330		**32,311,469.96**
Combined MCR	R0340		**58,160,645.92**
Absolute floor of the MCR	R0350		
			C0070
Minimum Capital Requirement	**R0400**		**58,160,645.92**