HARCOURT LIFE IRELAND DESIGNATED ACTIVITY COMPANY

This is a Solvency and Financial Condition Report (SFCR) for Harcourt Life Ireland DAC (HLI). This report will enable Harcourt Life Ireland DAC to meet their Regulatory reporting requirements under Solvency II.

Prior to November 2nd, 2017 Harcourt Life Ireland DAC was named Scottish Mutual International (SMI) DAC

SFCR Report for Harcourt Life Ireland DAC

Effective Date of Report
31 December 2017

Prepared
April 2018

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Abbreviations

BEL	Best Estimate Liabilities
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLPSI	Capita Life and Pensions Services (Ireland) Limited
CRO	Chief Risk Officer
CRR	Consolidated Risk Report
DAC	Designated Assurance Company
DAC	Deferred Acquisition Cost
DAM	Discretionary Asset Manager
DIR	Deferred Income Revenue
EFSF	European Financial and Stability Fund
EIOPA	European Insurance and Occupational Pensions Authority
FATCA	Foreign Account Tax Compliance Act
FINCEN	Financial Crimes Enforcement Network
FUM	Funds under Management
FX	Foreign Exchange
HLA	Harcourt Life Assurance DAC[1]
HLI	Harcourt Life Ireland DAC
HLSL	Harcourt Life Services Limited[2]
HOAF	Head of Actuarial Function
HOC	Head of Compliance
HOIA	Head of Internal Audit
IFRS	International Financial Reporting Standards
LCCG	Life Company Consolidation Group
LCCGI	Life Company Consolidation Group Ireland[3]
MI	Management Information
MSA	Management Services Agreement
ORSA	Own Risk and Solvency Assessment
PCF	Preapproved Control Function
PRISM	Probability Risk and Impact System
RAS	Risk Appetite Statement
RMS	Risk Management System
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SLA	Service Level Agreement
SMI	Scottish Mutual International DAC (now HLI)
TCR	Target Capital Requirement
TPA	Third Party Administrator
UAL	Utmost Administration Limited
UI	Utmost Ireland DAC

[1] Please note that the name of HLA was changed after the reporting date to Harcourt Life Corporation DAC.
[2] Please note that the name of HLSL was changed after the reporting date to Utmost Services Ireland Limited.
[3] Please note that the name of LCCGI was changed after the reporting date to Utmost Holdings Ireland Limited.

1 Overview

This report has been produced for the following main purposes:

- To comply to Harcourt Life Ireland Designated Activity Company's (the Company) Solvency II disclosure requirements (Pillar 3) for both public and private disclosure; and
- To demonstrate the Company's commitment to improve the quality, reliability and timeliness of management information following the implementation of Solvency II.

This report meets all requirements expected of the Company under the Solvency and Financial Condition Report (SFCR) requirements under the Solvency II regime; these requirements are outlined throughout this report.

This report was commissioned by and is also addressed to the Board of Directors of the Company in order to fulfil its Regulatory obligations.

1.1 Solvency II Reporting

This report has been produced in accordance with Solvency II reporting requirements. The key legislative and regulatory elements are set out below:

- The European Union (Insurance and Reinsurance) Regulations 2015 (the 2015 Regulations), Regulations 34, 52, 53 and 55-58.

2 Executive Summary

This report is produced at the request of the Board of Directors of HLI (the Company) to comply with their reporting requirements under the Solvency II regulatory reporting regime.

The report covers the Business and Performance of the Company, System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. It is designed to be accessible and understandable to policyholders as well as investors and regulators.

2.1 Company Background

Harcourt Life Assurance DAC (HLA) purchased HLI in December 2015 from Phoenix Life Limited (PLL) as part of the strategy of the Life Company Consolidation Group ("LCCG") strategy to acquire closed books of business.

The Company closed to new business in January 2004. As part of the strategic decision to close to new business the Company entered a Management Services Agreement (MSA) with Pearl Group Management Services (Ireland) Limited ("PGMSI"). PGMSI is a service provision company within Phoenix group and manages the relationships between HLI and its external suppliers on a day to day basis in accordance with the MSA.

Under the terms of the Share Purchase Agreement between HLA and PLL for the acquisition of HLI, it was agreed that a transitional service plan be put in place from the date of acquisition. At reporting date, the Company continues to operate the closed book of business in conjunction with PGMSI and DST (known as IFDS at previous reporting date).

2.2 Post reporting period end events

The strategy of LCCG is to acquire closed books of business and where practical consolidate those books of business in a single insurance company. On 31 March 2018, the Company, having received the required Court approvals, acquired the entirety of Harcourt Life Assurance DAC policies together with the businesses of Union Heritage Life DAC and Augura Life Ireland DAC by way of a Section 13 Transfer ("Scheme").

The resultant block of business within the Company will be a closed book of insurance business, through which the Group (Life Company Consolidation Group Ireland ("LCCGI")) achieves its closed book consolidation objectives in Ireland.

This report is being prepared for the Company on a standalone basis consistent with its status as at reporting date. However, for the Solvency projection provided later in this document, that analysis has been performed on the basis of the new legal structure and policy portfolio composition which will apply over the period of that projection.

2.3 Business and Performance

There were no significant issues raised by the Own Risk and Solvency Assessment (ORSA) that needed to be brought to the Board's attention in respect of the business plan. The long term view of the business has not changed since then.

The pre-tax loss for the year amounted to (€0.973m) which related to continuing activities (2016 pre-tax profit of €1.671m). The pre-tax loss in the period was primarily driven by the costs associated with the running of a closed book of business and the absence of new business to generate additional offsetting fee income.

2.4 System of Governance

The Board of the Company is collectively responsible for the long term success of the Company and for providing leadership to the Company within an effective control framework. A number of committees exist, outlined below, which monitor the Company's performance and ensure compliance with regulatory requirements:

- Audit Committee – responsible for oversight of the Company's financial reporting.
- Risk & Compliance Committee – responsible for the oversight of the Company's risk management environment and ensuring full regulatory and legal compliance.
- Investment Committee – responsible for the oversight of shareholder and policyholder investments

Full details of the governance system are outlined in the System of Governance section.

2.5 Risk Profile

The Company was closed to new business in 2004 and it will continue to operate as a closed book of business. Consistent with a book in run-off with limited guarantees made to policyholders, the primary risks are lapse and expense risk.

2.6 Valuation for Solvency Purposes

The Company adopts the Standard Formula model for Solvency II reporting and valuation purposes. The interest rate curve is that published by EIOPA.

2.7 Capital Management

There were no significant issues from a Capital Management perspective raised from the 2017 ORSA process.

The Company's solvency cover has reduced relative to the position at end 2016. The year end 2017 reported position was below the Company's target of 133%. As part of the Scheme the solvency cover will be brought back to 150%.

The table[4] below details the SCR and MCR of the Company at the reporting date:

[4] Numeric, tabular data has been rounded to one decimal place. Consequently, column totals may not match exactly total of elements summed.

	€ million
Own Funds	
Tier 1	9.8
Solvency Capital Requirement	9.3
Solvency Ratio	**106%**
Minimum Capital Requirement	3.7
Eligible own funds as a percentage of MCR	**265%**

A Business and Performance

A.1 Business Overview

Harcourt Life Ireland Designated Activity Company is incorporated in Ireland and is a company limited by shares. The address of the registered office is:

Harcourt Life Ireland DAC
Harcourt Building
Block 2, Harcourt Centre
Harcourt St
Dublin 2
Ireland

Responsibility for the financial supervision of the company rests with the Central Bank of Ireland:

Central Bank of Ireland
North Wall Quay
Spencer Dock
PO Box 11517
Dublin 1
Ireland

The Company's external Auditor is Deloitte:

Deloitte
29 Earlsfort Terrace
Dublin 2
Ireland

The Company is owned by Harcourt Life Assurance Designated Activity Company. The address of the registered office is:

Harcourt Life Assurance DAC
Harcourt Building
Block 2, Harcourt Centre
Harcourt St
Dublin 2
Ireland

The Company outsources the Head of Actuarial Function to Milliman Actuarial Consultants:

Milliman
7 Grand Canal

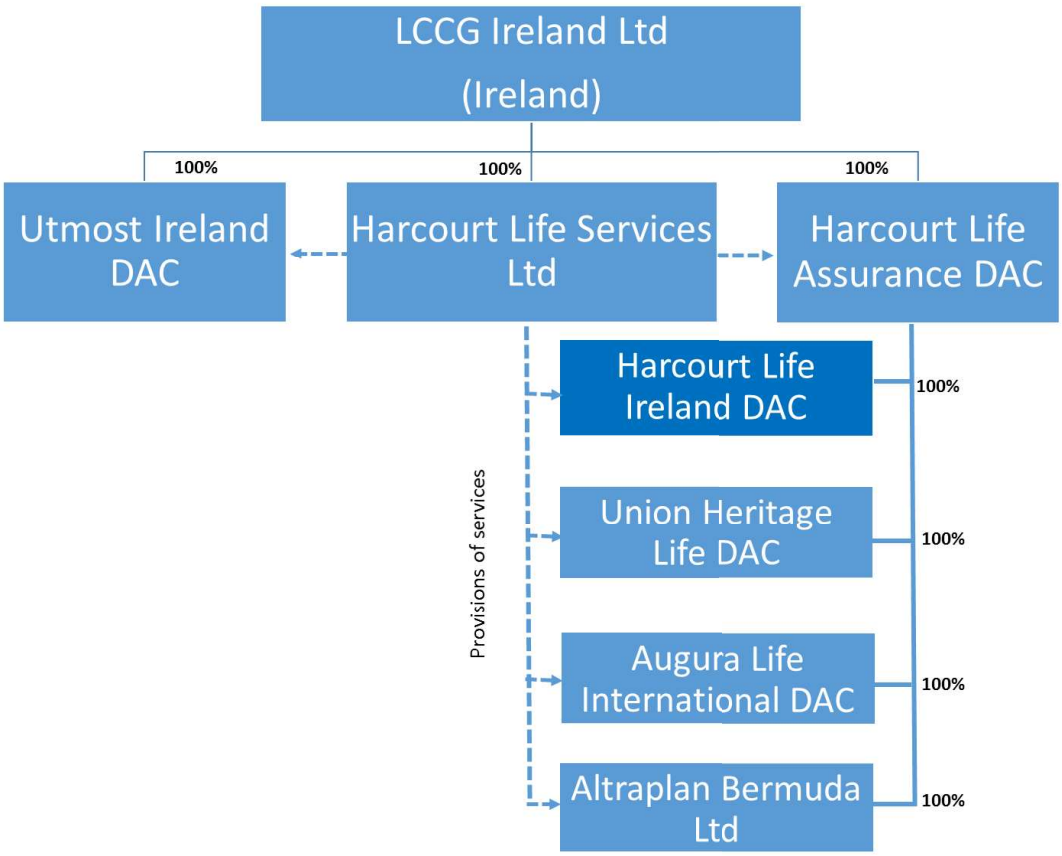
Dublin 2
D02 KW81
Ireland

A.1.1 Current Business

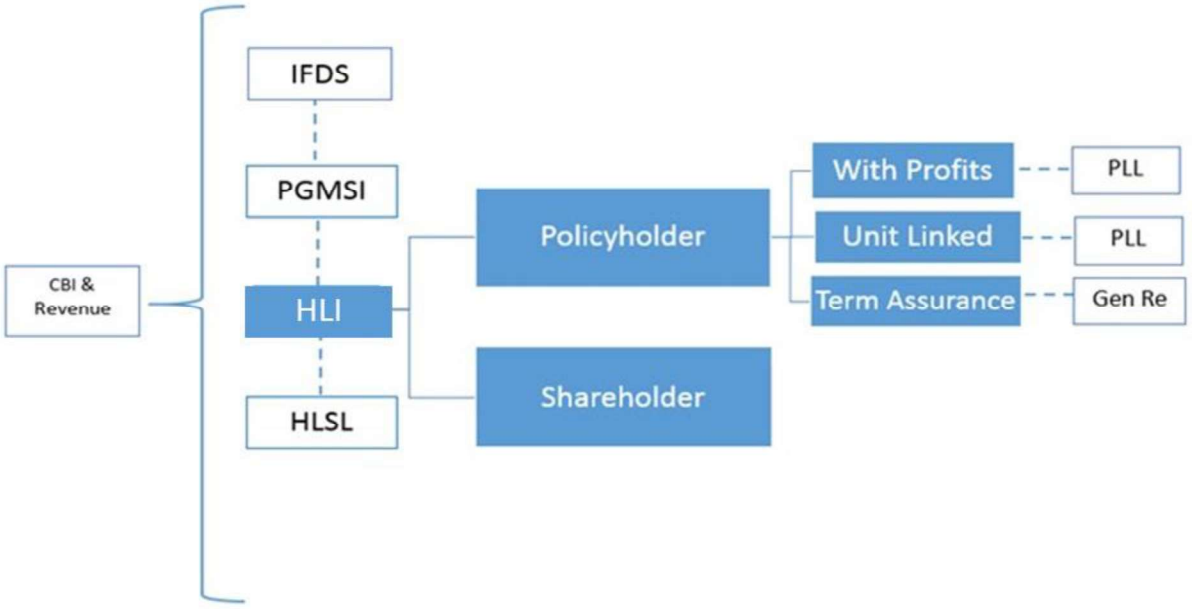
The HLI business consists of both international and Irish products. The international products are geared towards international corporate, private (high net worth) individuals and trustee clients. The customer base comprises of internationally mobile people, both expatriates and local nationals. The business is predominately single premium investment products, incorporating single premium unit-linked bonds, portfolio bond type investments, and unitised With-profits bonds. HLI's domestic business is predominately unit-linked and unitised With-profits business with the unit-linked liabilities reassured to PLL. Domestic products are both regular and single premium pension contracts and investment products.

A.1.2 Company Structure

HLI is part of the LCCG a Guernsey incorporated company specialising in the acquisition and consolidation of books of life assurance business in Europe, combined with a targeted approach towards new business opportunities. An outline of the corporate structure can be found below:



The Company ultimately has two main stakeholders, the policyholders, and shareholders. Other stakeholders include the third party administrator DST through PGMSI and reinsurers PLL and General Reinsurance UK Limited (Gen Re). The diagram below provides an overview of the Company's business structure:



A.1.3 Book of Business

HLI is a closed life business. It operated both internationally (cross-border business) on a freedom of services basis and in the domestic Irish market. International business was sold through the intermediary channel, initially into the UK only, but subsequently it launched products in Belgium, Greece, Spain, Italy, Germany and Austria. It also sold products via Channel Islands and Isle of Man based intermediaries and via Abbey National distribution in the United Arab Emirates. From June 2002, HLI operated a branch in Hong Kong, which has subsequently been closed.

The Company's book of business consists of With-profits, Unit-linked, and Term Assurance denominated in UK Sterling, US Dollar and Euros. For the purposes of this report there are three homogenous business lines namely:

- With-profits
- Unit-linked
- Term Assurance (small volume)

The Technical Provisions of the company by book of business are set out below:

Business Line	Technical Provision
With Profits	€101.5m
Unit Linked	€108.9m
Term Assurance	€0.4m

A.2 Underwriting Performance

A.2.1 Overview of Underwriting Performance

As the business is a closed book, underwriting performance is not a significant metric when measuring the Company's performance. There are a number of underwriting risks to which the business is exposed and the Company adopts a series of risk mitigation techniques, which are discussed in the next section.

A.2.2 Overview of Underwriting Risk Mitigation Techniques

Given this is a closed book of business the principal underwriting risks relate to policy run off rates (persistency) and expenses during the period along with policy and claims administration exposures related to alterations.

These risks are managed through active monitoring of persistency rates and expenses. Policy management processes are outsourced to DST and regular risk assurance and operational activity meetings are held. Claims are handled by DST on behalf of the company. They have extensive experience in direct handling of claims both for HLI on behalf of Phoenix Life Limited and other similar contracts with similar international life businesses.

Separately reinsurance contracts are in place to limit the overall risk exposure and reduce the potential volatility of claims and hence underwriting performance.

A.3 Investment Performance

A.3.1 Overview of Investment Performance

The Company invests policyholders' funds and the Company Own Funds in order to generate a return for both policyholders and shareholders. The Company does not provide investment advice nor asset selection advice.

The financial strength of the Company and both current and future operating results and financial performance are partially dependent on the quality and performance of our investment portfolios.

The Company aims to optimise investment returns whilst ensuring that sufficient assets are held to meet future liabilities and regulatory requirements. The Company has an investment strategy that complies with the 'prudent person' principle that underpins Solvency II. As different types of business vary in their cash flows and in the expectations placed upon them by policyholders, the Company needs to hold different types of investments to meet these different cash flows and expectations.

A.3.2 Analysis of Overall Performance and by Asset Class

The Company holds a proportion of their investments in European Sovereign debt and cash or cash equivalent assets. Income and realised gains from these Investments over the year amounted to €1.2m. The market value of these assets further moved by €2.2m during 2017.

In addition, assets are held in collective investment funds of which a proportion are used to back unit-linked liabilities. Over the year these yielded an income of €2.2 and a realised gain of €7.3m. The market consistent value of these assets increased by €4.2m during 2017.

The company also has a limited holding in a series of derivatives. These assets yielded a realised gain of €0.1m and the corresponding underlying asset value appreciated by a further €0.1m during the reporting period

Asset Category	Dividends € million	Interest € million	Net gains and losses € million	Unrealised gains and losses € millions
Government Bonds	0.0	1.2	1.6	-2.2
Corporate Bonds	0.0	0.0	0.0	0.0
Collective Investment Undertakings	2.2	0.0	7.3	4.2
Derivatives	0.0	0.0	0.1	0.1

At the previous reporting date, investment income was as follows:

Asset Category	Dividends € million	Interest € million	Net gains and losses € million	Unrealised gains and losses € million
Government Bonds	0.0	1.5	0.1	5.2
Corporate Bonds	0.0	0.1	0.0	0.0
Collective Investment Undertakings	2.6	0.0	3.5	14.0
Derivatives	0.0	0.0	0.5	0.3

A.3.3 Securitisation type investments and risk management procedures

The Company maintains an immaterial holding of derivatives, consisting of options and futures, used to hedge against movements on assets held on Euro denominated stock indices. The market value of these derivatives are governed by movements in the value of the underlying markets.

B System of Governance

B.1 General Information on the System of Governance

The Board is responsible for promoting the long-term success of the Company for the benefit of shareholders. This includes ensuring that an appropriate system of governance is in place throughout the Company.

To discharge this responsibility, the Board has established frameworks for risk management and Internal Control using a "three lines of defence" model and apply these principles when setting the Company's risk appetite going forward. The Company is classified as 'medium / low' under the Central Bank of Ireland's risk based framework for the supervision of regulated firms known as PRISM (Probability Risk and Impact System).

B.1.1 Outline of Main Roles and Responsibilities of Key Functions

The Board have delegated the day to day running of the Company to their senior management team. The senior management team consist of experienced professionals, who undertake key roles within the Company and are able to approve specific issues within certain limits, above which matters must be escalated to the Board for determination.

The key functions are the following:

- Chief Executive Officer
- Chief Financial Officer
- Chief Risk Officer
- Head of Actuarial Function
- Chief Compliance Officer
- Head of Internal Audit

Chief Executive Officer

As the senior executive officer, the Chief Executive Officer (CEO) has overall responsibility for the business and its profitable operation in accordance with the policies and objectives set by the Board. The CEO must (i) lead effective strategic planning to enhance long-term total shareholder return and direct the business through the provision of a clear strategy and associated business goals, operating principles and core values, (ii) ensure that the Company meets its statutory, financial, regulatory and corporate governance obligations, (iii) ensure that the appropriate policies and systems are in place to attract, retain, deploy and develop high quality, motivated staff across the Company, (iv) represent and promote the Company to shareholders, customers and regulators, (v) set the corporate standards on business ethics and integrity, ensuring that these standards are promulgated in an effective way

throughout the Company and (vi) ensure that the appropriate culture and governance arrangements are in place to manage the risks facing the Company.

The CEO is the key decision maker subject to the policies of the Company, the statutory and legal environment in which the company operates and the Board, its terms of reference and its constituent bodies and committees and has the authority to approve transactions and expenditure within the authority limits set out by the Board.

Chief Financial Officer

The Chief Financial Officer (CFO) has responsibility, together with the CEO, for the Company and its profitable operation in accordance with the policies, risk appetite and objectives set by the Board. The CFO must (i) lead and direct the finance function of the Company through the provision of a clear strategy and associated business goals, operating principles and core values, (ii) ensure that the appropriate systems and policies are in place to lead, champion and maintain the financial, strategic and governance discipline of the Company, (iii) represent and promote the Company to shareholders, investors, analysts, regulators, customers and Government, (iv) empower members of the Finance Function, to ensure individuals understand their accountabilities and work collaboratively to deliver the Company's goals and strategy, (v) ensure that the appropriate policies, programmes and systems are in place to attract, retain, deploy and develop high quality, motivated staff across the Finance function, (vi) set the corporate standards on business ethics and integrity, ensuring that these standards are promulgated in an effective way throughout the Company and (vii) ensure that the Company operates within the approved risk appetite framework and that the appropriate culture, governance and oversight arrangements are in place to effectively manage the financial risks to the Company.

Chief Risk Officer

The Chief Risk Officer (CRO) has responsibility together with other key stakeholders for the business, its profitable operation and contribution to shareholder value creation, in accordance with the policies and objectives set by the Board. The CRO must (i) successfully articulate and champion the risk vision for the company, and lead the execution of the vision across the Company, (ii) provide challenge to the management to ensure that risk has been evaluated and considered in all operational, financial and strategic decisions in the context of the Company's risk appetite, (iii) provide assurance on the effectiveness of risk management across the Company, through the development and implementation of company policy on risk management, (iv) report on and provide assurance to other committee and the Board on the effectiveness of risk management across the Company, (v) advise and assist the Board in developing and reviewing the Company's risk appetite and risk tolerances, and in maintaining the company's position at an optimal level within appetite, (vi) Monitor the use of the standard formula for the Company's economic capital and drive the use of economic capital results in business decision making.

Head of Actuarial Function

The Head of Actuarial Function (HoAF) is responsible for the sign off of internal reserving, capital & associated performance reports, any external sign off required in a reserving context, and the

calculation of required and available economic capital. The HoAF must: (i) support the achievement of the company's business plans and goals through ensuring the provision of effective and timely actuarial input and advice to the business and appropriate committees and functions as necessary, (ii) explain and communicate findings in decisive and business-relevant terms and (iii) provide actuarial services and/or share actuarial best practice across the Company.

The HoAF is outsourced to Milliman.

Head of Compliance

The Head of Compliance (HoC) has responsibility, together with the CEO, for the ensuring the Company and its operations act and trade in accordance with the regulatory and legal requirements. The HoC must (i) ensure the companies operating principles and processes are in compliance with applicable laws and regulations, (ii) ensure that the appropriate systems and policies are in place to lead, champion and maintain the compliance discipline of the Company, (iii) represent and promote the Company to shareholders, investors, analysts, regulators, customers and Government, (iv) empower members of the Compliance Function, to ensure individuals understand their accountabilities and work collaboratively to deliver the Company's goals and strategy, (v) ensure that the appropriate policies, programmes and systems are in place to attract, retain, deploy and develop high quality, motivated staff in the Compliance function, and (vi) oversee the corporate standards on business ethics and integrity, ensuring that these standards are promulgated in an effective way throughout the Company.

Head of Internal Audit

The Head of Internal Audit (HoIA) has responsibility for reviewing and reporting on the adequacy of the company's control environment. The HoIA must (i) give assurance to the leadership team, audit committee and board on the control environment including risk management and internal controls (ii) provide objective challenge on business processes and systems (iii) act as a positive catalyst for internal change, championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.

The HoIA is outsourced to Rob Hamill of Mazars via a formal arrangement approved by the Audit Committee and Board. The Audit Committee oversees a 'risk based' internal audit plan. Internal Audit reports highlight any control failings and weaknesses and contain requirements and recommendations to improve the control environment. These are monitored for implementation by the Audit Committee. The Internal Audit function was previously provided to the Company under the transitional services arrangements.

B.1.2 Outline of Internal Committees

Whilst the Board retains ultimate responsibility for the governance of the Company it has implemented assurance and governance structures commensurate with the nature scale and complexity of the organisation, including Board committees that are tasked with ensuring appropriate expertise and attention is given to assurance matters. Each committee operates under defined terms of reference and reports to the Board at each meeting.

An outline of the key Board committees applicable going forward are set out below.

B.1.2.1 Audit Committee

The Audit Committee is primarily responsible for ensuring the efficacy of the Company's financial reporting & statements, including associated controls and governance. It meets on a quarterly basis or more frequently if required.

The Audit Committee assists the Board in discharging its responsibilities for:

- The integrity of the Company's Financial Reporting and Statements;
- The effectiveness of the Company's Internal Controls;
- The effectiveness of the Company's Internal Audit Function;
- Monitoring the effectiveness, independence, and objectivity of the External Auditor.

B.1.2.2 Risk & Compliance Committee

The Risk & Compliance Committee is primarily responsible for the Company's risk management environment and monitoring and measuring practices. It meets on a quarterly basis or more frequently if required. The purpose of the Committee is to harness all risk & regulatory related practices and procedures to ensure the company is protecting what's important to shareholders and customers, effectively managing the risk profile against risk appetite and meeting applicable legal and regulatory requirements. The committee reports to the Board on all risk and regulatory activity, ensuring alignment of cross-departmental activities. The committee provides recommendations and direction to the Board and provides such detail as needed to assist the Board in making any risk related decisions.

The Committee assists the Board in discharging its responsibilities for:

- The effectiveness of the Company's risk management and compliance management systems;
- The implementation of the Company's Risk strategy and Risk Appetite and compliance therewith;
- The oversight of Solvency II developments and implementation of tools and processes;
- The timely reporting of and deviations against appetite; and
- Ensuring effective identification, measurement, monitoring and management of risks and recording via the risk register and risk profile.

B.1.2.3 Investment Committee

The Investment Committee assist the Board to discharge its responsibilities in respect of both shareholder and policyholder funds. It meets quarterly.

The key responsibilities of the Investment Committee are to:

- identifying, monitoring, reporting and controlling Company's investment activities;
- recommending the overall strategic investment policy for the Board's consideration and the procedures and controls in place in respect of the following;

  a) The overall asset sector allocation and balance of the shareholder's / policyholders' funds;

  b) Determination of any sector risk, currency risk, geographical risk, fund manager risk, specific stock risk;

  c) Quarterly performance of all funds and specifically any variances from relevant benchmarks;

  d) The selection and choice of the standard funds;

  e) Specific counterparty exposure(s);

  f) The (in)appropriateness of any type of asset or fund for life assurance and pension assets;

  g) Funds liquidity;

  h) Operational issues concerning the management and administration of the Company assets

  i) Potential changes in life assurance and tax legislation relevant to policyholders' funds.

B.1.3 Material Changes in Governance over the Reporting Period

There have been no material changes in the system of governance during the year. There have been changes in the organisational structure following the acquisitions which have already been disclosed in this report. The Company is committed to continually improving corporate governance in line with business needs and regulatory demands.

B.1.4 Remuneration Policy

The Company (via HLSL) provides a range of benefits to employees including salary, pension, paid holidays, and bonuses based on performance. The Company has a Remuneration Policy (approved by the Board annually) which applies to all employees of LCCGI companies including those providing management services to HLI under the terms of the management services agreement with HLSL.

This policy is designed to ensure that the overall reward philosophy and remuneration governance framework of HLI:

- Complies with legislation, regulation, and best practice in the area in terms of having a robust governance structure for goal setting and performance management; supports the Company in its future and specific strategic objectives and evolving business focus through the phases of the organisation's wind down;
- Promotes effective risk management;

- Enhances staff engagement and motivation; and,
- Promotes consistency of approach and transparency across the business.

The Remuneration Policy therefore details appropriate remuneration structures, policies and practices that align to the applicable regulatory framework, codes and guidelines.

The core principles that underpin the remuneration strategy and policy of the Company are:

- All staff are rewarded on the basis of both their individual role and contribution to the delivery of the business strategy.
- It is recognised that financial reward is only one aspect of attraction and retention and the development of talent through non-financial measures including training and education are also beneficial and important.
- The Company has a performance management process that seeks to encourage performance improvement whilst supporting career development
- The Company seeks to ensure remuneration packages are of competitive market rates for base pay, variable reward and benefits for all employees.
- Roles and performance will be evaluated on a fair and transparent basis which while taking account of the different specialisms within the Company seeks to apply a consistent and objective methodology.
- Budget and cost discipline determined on an annual basis subject to overall budget.
- Remuneration and supporting structures will promote sound and effective risk management and include measures which prevent conflicts of interest and ensure employees who are responsible for risk and compliance functions are remunerated independently of the performance of the business areas which they monitor and control.

The annual aggregate remuneration of non-executive Directors shall be a matter for the executive directors of the Board of the Company (and LCCG where a shareholder resolution is required). No Director shall be involved in the approval of any proposal relating to his or her own remuneration.

The Company's policy is to reward its CEO competitively having regard to comparable companies, having regard to the nature and responsibilities of the role being undertaken and the level of experience required to achieve the objectives and the need to ensure that they are properly rewarded and motivated to perform in the best interests of the Company and the Shareholder. The remuneration package consists primarily of a base salary, a benefits payment, performance related pay and contributions to a defined contribution pension scheme.

B.1.5 Material Transactions

On 17 July 2017 the Company received authorisation from the Central Bank of Ireland to reclassify capital contributions of £95m (€145m) to distributable reserves.

On 11 September 2017, the Company paid a €8m dividend to its parent, Harcourt Life Assurance DAC.

B.2 Fit and Proper Requirements

B.2.1 Overview of Assessing Fitness & Propriety of Key Staff

The Company is committed to having processes in place to ensure that individuals employed within the Company or acting on behalf of the Company are both "fit" and "proper". In assessing "fit" and "proper" the Company applies the following principles:

- **Fitness** - As part of recruitment and employee screening, an individual's career history will be assessed and validated to establish whether an individual's skills and knowledge are appropriately matched to the role.
- **Probity** – checks are in place to ensure that an individual is honest, of good reputation, has integrity and is financially sound.

In essence, the Company seeks to comply with the CBI Fitness and Probity Guidance and standards (2011), not only to ensure compliance with regulations but because the Board believes proper application of honesty and integrity form part of the corporate culture and the right way to do things, including proper application of professional standards and obligations and a prudent approach to business in the long term interests of shareholders, customers and wider stakeholders.

The governance over the Fitness and Propriety (F&P) of individuals cuts across several areas of the employee lifecycle for example; recruitment, performance management and training however, to ensure that the Company protects itself against employing individuals who potentially could threaten our people, customers, properties, facilities or reputation, the majority of F&P activities take place within recruitment and more specifically in pre-employment screening.

Once key staff have been appointed they are encouraged to avail of further training and development opportunities. This further training and development is in addition to any continuous professional development requirements of any professional qualification held by key staff.

B.3 Risk Management System Including Own Risk and Solvency Assessment (ORSA – Projection of Future Solvency Position)

B.3.1 Overview of Risk Management system

The Company operates a recognisable Enterprise Risk Framework that is appropriate for the nature scale and complexity of the business. This framework ensures the Company applies the risk strategy, risk policy categorisation and enterprise-wide approach to managing risk, including ensuring the Company identifies, measures, manages, monitors and reports on the risks to which it is, or could be, exposed.

An effective Risk Management Framework must establish processes to ensure that risks are identified, measured, monitored, managed and reported on a continuous basis and incorporate the relevant feedback loops. The Risk Management Framework is supported by the Risk function, but operated by the first line and supports risk based decision making. There are underlying processes and procedures that ensure regular risk monitoring and reporting through to the Executive Management and Risk Committee, including monitoring of performance against risk appetite. The Company has developed a comprehensive set of risk policies, frameworks, and guidelines to ensure that processes and procedures are in place to manage all types of risk.

Risk governance components include:

- A risk governance structure which is based on the three lines of defence model which facilitates orderly escalation of risks from teams to risk management and further escalation as appropriate;

- Ownership of the internal control framework by the first line (the business), with the risk function providing advice regarding its design and coordinating the assessment of its effectiveness;

- A risk function resourced appropriately in line with the nature, scale and risk profile of the business concerned and which covers all types of risk (e.g. strategic, financial, operational and regulatory risks). Accordingly, regulatory risk or compliance functions will have a common reporting line with the risk function in order to avoid duplication and/or gaps in coverage between regulatory and other risks;

- Defined roles, responsibilities and delegated authorities for executives, members of the risk function and the risk management committee. There are clear boundaries between the risk function and first and third lines of defence (the business and internal audit respectively) and arrangements are established for managing these boundaries to avoid duplication and/or gaps in coverage (e.g. there are arrangements for co-ordinating the coverage of risk monitoring and internal audit reviews);

- A series of underlying processes and tools designed to identify, record, manage, monitor, mitigate and report risks to the business.

Some of the risks in the Risk Universe are fundamental to the Company's business model and its strategy is based on its belief that it can manage those risks to generate value.

Other risks are a consequence of taking on these fundamental risks to generate value and are generally unwanted but unavoidable risks. The Company distinguishes these consequential risks between those that it actively manages and those that are passively managed.

Qualitative risk assessments are produced on a quarterly basis and reported to the Board in the Consolidated Risk Report ("CRR").

This is important because not all risk exposures are quantified and capitalised, and a qualitative assessment can therefore evidence of understanding those risks. Even where risks are quantified, a qualitative assessment is helpful for a complete understanding of those risks and assists in ensuring the active management and proper operational mitigation.

The risk management system for HLI is supported by PGMSI whose risk function provide operational services under the terms of the transitional services arrangement between the companies.

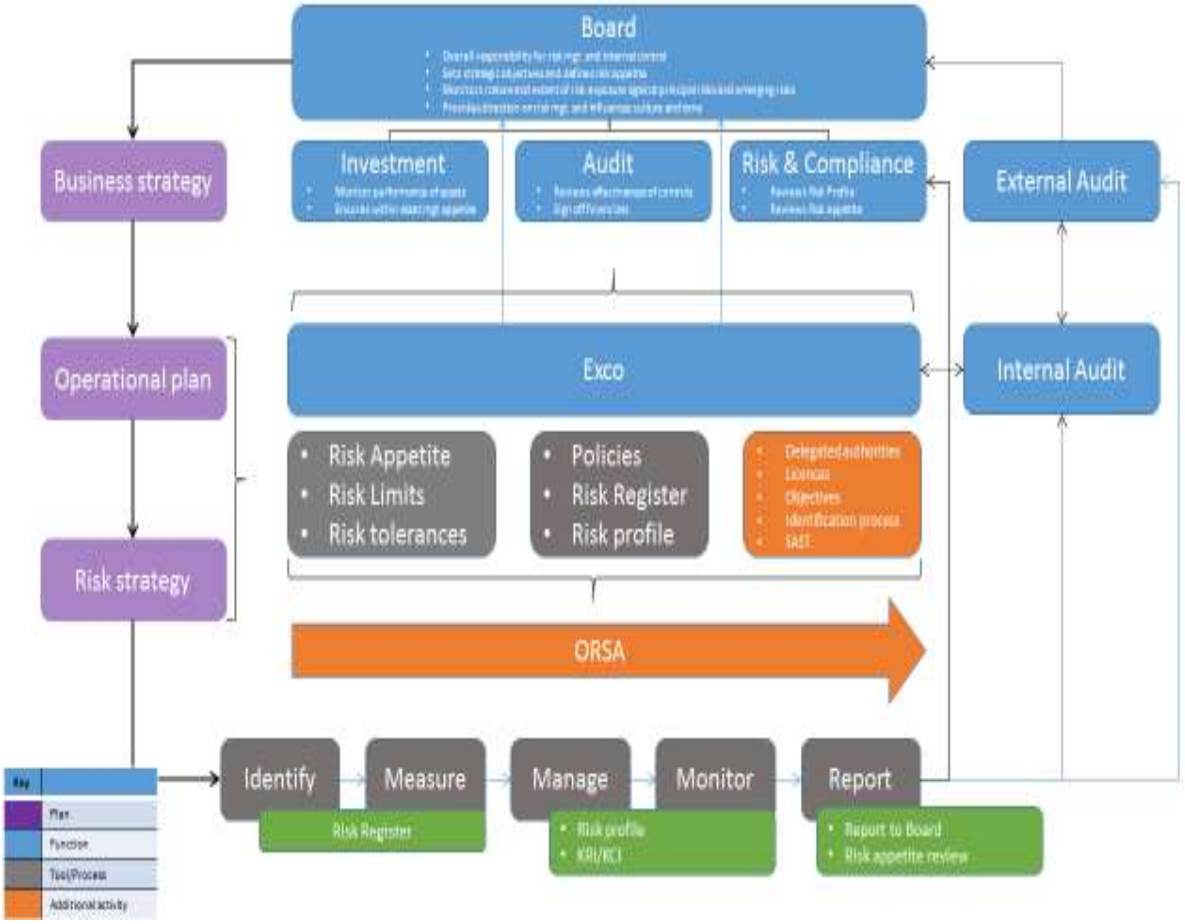
B.3.2 Integration and Implementation of Risk Management System

The Risk Management System (RMS) is a key component in the governance structure of the business. The Risk Function is responsible for the design and implementation of the RMS. The RMS feeds into Risk & Compliance Committee. The RMS and associated tools and processes have been developed to enable the Board and management to understand and appropriately manage and mitigate the risks associated with the Company's strategy and operations, on an ongoing basis.

The Board is responsible for taking key decisions, but delegates some review and monitoring responsibilities to the Executive Management Committee, Risk & Compliance Committee and Audit Committee. The Risk function reports through the CRO to the Risk & Compliance Committee, though on a day to day basis the Executive Management Committee review the outputs of the RMS and processes.

The main tools and processes available to the Company as part of the RMS are the RAS, the Risk Profile (diagrammatic representation of the main risks i.e. bubble map), Risk Register and Risk [Internal Control] Policies.

The attached diagram demonstrates the interactions and information flow within the RMS:



B.3.3 Overview of Policy Adopted to Conduct ORSA

The Company's Own Risk and Solvency Assessment (ORSA) comprises all processes and tools that underpin the consideration of risk and capital implications in key decisions. The goal of the ORSA is to provide a continuous and forward-looking assessment of the short-term and long-term risks that the business faces, or may face, and ensuring that the company's solvency requirements are met at all times.

The main purpose is to ensure the company assesses all the risks inherent in the business and determines either the corresponding capital needs, or identifies other means needed to mitigate the risks. It particularly considers situations under which conditions may combine to create financial stresses on the business, to ensure the capital needs are sufficient to withstand such scenarios or stresses.

The Risk function plays a core role in the ORSA process; the CRO is the owner of the ORSA report and Risk function a key player in identification of the underlying risks along with the more extreme stresses and scenarios used to test the robustness of the capital position.

The ORSA comprises a number of elements of the Risk Management Framework reflected in the requirements of supporting Risk policies and Business standards, specifically:

- **The risk strategy and risk appetite,** which are used to inform business planning.
- **The capital allocation process and associated capital and liquidity management information** which enables the monitoring of up-to-date capital levels across the company in relation to expected coverage ratios.
- **The identification, measurement, monitoring, managing and reporting principles** (outlined in the Risk Management Framework Policy), which communicate the requirements for each of these activities to those who have responsibility for carrying them out.
- **Stress and scenario testing**, which helps simulate the likely impact of risks on the business.
- **The explicit consideration of risk in the** development **of the business plans and strategy**, and in **performance reporting**.
- **The risk register and risk spectrum**, which record all quantifiable and non-quantifiable risks identified via top-down and bottom-up processes.
- The **use of appropriate data.**

In combination, these elements create a holistic overview of the elements of risk that may impact the business, and which should be taken into account by the management of business units in day-to-day decision-making. These ORSA processes provide the Board with insights on the key risks and current and future capital requirements of the group and legal entities.

The ORSA reporting processes help to connect the strategy and business plans with the forward-looking assessment of risks as well as capital and liquidity requirements over the business planning horizon. They also provide the Board and senior management with the means to assess and challenge the risks and capital requirements associated with the execution of the business plan and key decision-making, including under stressed conditions.

The manner in which the main areas of risk are considered in the overall Solvency needs is clearly evidenced in the forward looking assessments and in the identification of business critical scenarios. This involves a focussed assessment of the likely development of the Company over the planning horizon and the quantification of how that base scenario will impact on the solvency situation. It also involves assessment of the risks that the particular Company is subject to and the derivation of realistic, relevant and business critical scenarios that then form the basis of an assessment of future solvency. The outcome of this scenario analysis feeds into the prioritisation of future management actions.

The Board approved the decision for the Company to adopt the EIOPA Standard Formula (SF) for the purposes of the calculation of the SCR and other Solvency II reporting requirements. As part of the process, variations from the underlying SF model are identified and accounted for in the calculation of the SCR (if warranted).

In accordance with policy, the Board requests and reviews the ORSA annually unless a material event triggers an ad hoc ORSA and an earlier assessment.

Whilst the process will be completed annually an additional or ad hoc ORSA may be required if:

- There is a request from the Board or HoAF
- On receipt of an instruction from the CBI
- There is a shift in company's focus (e.g. restart sale of new business) that has a material impact on the risk profile.

The process for an ad hoc ORSA will be dependent on the exact circumstances but in any event will require input from the CRO, HoAF, CEO and the Board.

B.4 Internal Control System

B.4.1 Overview of Internal Control System

Internal control is an integral part of the Risk Management Framework developed and implemented across the Company, and hence constitutes a key part of the Company's corporate governance. It is a critical contributor to the "safe and sound" operation of the business and underpins the achievement of the company's strategy and business goals. A key outcome is for internal control to be seen as everyone's responsibility, fully embedded in the day to day operations and an integral part of the Company's values, behaviours and business practices.

Internal controls facilitate effective and efficient business operations, the development of robust and reliable internal reporting and compliance with laws and regulations. The Company's system of internal control is built up through the elements of the Risk Management Framework including:

- Board and delegated authorities and management committees;
- The "three lines of defence" model;
- Company risk policies and business standards; and
- Risk appetite frameworks.

A series of requirements have been developed as part of the Internal Controls policy. As part of these requirements, the Company reviews and tests these requirements regularly as part of the governance evaluation. As part of the process the Company ensures that the business adheres to these requirements and discloses any material issues identified.

B.4.2 Overview of Compliance Function

The Compliance function, under the supervision of the Head of Compliance (HoC), is an integral part of the Risk Management Framework and constitutes a key part of the Company's corporate governance. The function is a critical contributor to the prudent and effective operation of the business and underpins the achievement of the Company's strategy and business goals.

The HoC is responsible for identifying and evaluating compliance and regulatory risk and overseeing the implementation of controls for risks identified.

The Company's compliance activity can be split into the following key processes:

- Regulatory risk management
- Legal developments monitoring
- Regulatory developments monitoring

The primary purpose of the Compliance function is to assess and manage the business's exposure to regulatory and compliance risk. This activity can be divided between prudential and conduct regulatory risk. The former, concerns the regulations that ensure the business is being run in a prudent manner, consistent with the stability of the financial system and policyholder protection. Conduct risk, by contrast, concerns the regulations that ensures the Company is delivering fair outcomes to customers. Typically, this requires assessment of the fairness of a product, service standards and financial crime risk (e.g. sanction controls, anti-money laundering, external fraud etc.).

Complementing the oversight of regulatory risk, the Compliance function also monitors and assesses the impact of changes in the legal environment on the operations of the business. The HoC will report any developments through to the Risk & Compliance committee and, when material changes in the law are identified, liaise directly with the applicable first line teams to ensure action is taken.

Regulatory development monitoring involves maintaining a prospective view and overseeing the implementation of any new guidance or regulation.

The Company's ongoing policy towards compliance with relevant financial services sector regulation is set out in the Compliance Policy. This states that regulatory compliance (i.e. ensuring that all applicable financial services regulation is complied with) is the responsibility of the first line of defence. Senior management in the first line of defence are required to establish and maintain appropriate systems and controls to meet the requirements of applicable financial services regulation and legislation (including both: conduct / customer protection regulation; and prudential / financial regulation). The second line of defence is responsible for overseeing all aspects of the first line of defence's compliance responsibilities. The Policy is reviewed annually, and all elements of the business are required to adhere to this standard, while the HoC retains overall responsibility for the implementation of the standard.

B.5 Internal Audit Function

B.5.1 Overview of Internal Audit Function

The Internal Audit function provides independent and objective assessment on the appropriateness and effectiveness of internal controls, the internal control environment, governance, and assurance processes and on the robustness of the Risk Management Framework to the Audit Committee and the Board.

Internal Audit reports to the Board (via the Audit Committee) and to management on the effectiveness of the Company's system of internal controls and the adequacy of this system to manage business risk

and to safeguard the Company's assets and resources. It provides the Company with independent assessments of processes and Internal Controls along with control environment ratings and recommendations for improvements.

B.5.2 Internal Audit Policy

The Internal Audit policy sets out the purpose, activities, scope and responsibilities of the Internal Audit Function applicable to the Company and the arrangements for the management of the function, including ensuring its independence from first and second line management of the Company. The four principal activities of Internal Audit, as set out in the policy are:

- Assessing and reporting (to the Audit Committee and to management as appropriate) on the effectiveness of the design and operation of the framework of controls which enable risk to be assessed and managed.
- Assessing and reporting (to the Audit Committee and executive management as appropriate) on the effectiveness of management actions to address deficiencies in the framework of controls.
- Investigating and reporting on cases of suspected financial crime and employee fraud and malpractice.
- Undertaking designated advisory projects for management, provided that they do not threaten Internal Audit's actual or perceived independence from management.

The Internal Audit policy sets out the controls and control objectives for senior management to implement in order to support Internal Audit in achieving its objectives and obligations. It requires the business to design and operate processes and controls to satisfy the mandatory requirements in the standard based on the size and complexity of the business and the nature of the risks and challenges it faces. Any breaches of the policy must be reported to management.

Additionally, Internal Audit services are provided through the transitional management services agreement with PGMSI. It maintains full oversight on all activities completed by its outsourced partners and it has the contractual right to undertake internal audits of DST as part of an annual audit cycle.

B.5.3 Overview Independence of Internal Audit

The Internal Audit Function provides independent and objective assessment on the robustness of the Risk Management Framework and the appropriateness and effectiveness of Internal Control to the Audit and the Risk & Regulatory Management Committees and the Board.

Internal Audit reports to the Board (primarily via the Audit Committee) and to management on the effectiveness of the Company's system of Internal Controls and the adequacy of this system to manage business risk and to safeguard the Company's assets and resources.

B.6 Actuarial Function

B.6.1 Overview of Actuarial Function

The Actuarial function is accountable for actuarial methodology, reporting to the relevant governing body on the adequacy of reserves and capital requirements, and on the adequacy of any underwriting and reinsurance arrangements.

The Actuarial function has authority to review all areas of the Company and has full, free and unrestricted access to all activities, records, property and personnel necessary to complete its work.

The Head of Actuarial Function (HoAF) leads the Actuarial function. The HoAF therefore plays a key role, by increasing senior management and Board awareness of risk considerations and implementing consistent risk management policies and practices across the organisation. All persons employed by the Actuarial function in a defined 'actuarial' role, are subject to the Company's Fit and Proper minimum requirements to ensure they have the requisite skills and knowledge to complete the responsibilities outlined as part of their role.

The Head of Actuarial Function is outsourced to Milliman. All actuarial figures are provided by Milliman with HLSL actuarial providing support to Milliman in reports and other areas.

B.6.2 Overview of activities of function

A brief overview of the Actuarial function is detailed in the Risk Management Strategy. During the reporting period the Actuarial function was responsible for the following activities:

- Ownership of the Company's actuarial methodology;
- Oversight and review of Company's actuarial calculations;
- Reporting to relevant governing body on the adequacy of reserves and capital requirements;
- Methodology requirements for Company's actuarial systems;
- Ensuring staff receive appropriate training.

The Actuarial function also produces an annual report to the Board which covers all of the information necessary for the Board to form their own opinion on the adequacy of technical provisions and on the underwriting and reinsurance arrangements, including:

a) Methodologies for assessing sufficiency of technical provisions;

b) Non-economic Assumptions;

c) Assess the sufficiency and quality of the data used in the calculation of technical provisions;

d) Conclusions based on the comparison of best estimates against experience;

e) Differences between technical provisions in different years;

f) An opinion on the overall underwriting policy;

g) An opinion on reinsurance adequacy;

h) Recommendations on how shortcomings and deficiencies identified could be remedied.

B.6.3 Actuarial Function Independence and Objectivity

As part of the system of governance required for Solvency II, the Actuarial Function (together with the other control functions set out in the Risk Management Framework) are operationally independent of risk-taking and any other activities which could compromise their control activities. Any conflicts of interest are disclosed and documented as part of the governance structure in place.

B.7 Outsourcing

B.7.1 Overview of Outsourcing Policy

The Company enters outsourcing arrangements where there is a sound commercial rationale and basis and where the risk can effectively be managed. Due diligence is undertaken on the potential range of providers and decision made by the Board (under guidance from the relevant board subcommittee).

The Company has established an Outsourcing Policy that determines the criteria to be considered and processes to be followed when establishing an outsourced arrangement. This recognises that any outsourcing agreement does expose the Company to operation risk from a third party. A Service Level Agreement forms part of the contractual arrangement between both parties.

In brief the policy requires consideration of the following areas;

- Criteria to be considered in deciding whether to outsource;
- Whether the arrangement would be deemed critical or important (Article 49 of the Solvency II Directive);
- Process for selecting a service provider;
- Process for concluding an outsource arrangement including contractual arrangements and approvals;
- Roles and responsibilities;
- Considerations for outsourcing PCF roles;
- Requirement for annual review of the Policy.

The Company is currently utilising several service providers to undertake activities on behalf of the Company.

Outsourcer	Service Provided	Location
Mazars	Internal Audit and HoIA (PCF13)	Ireland
Spector	IT support	Ireland
Milliman	HoAF	Ireland
PGMSI	Risk and Administration Outsource Management	United Kingdom
DST	Policy Administration	Ireland

PGMSI utilises 3rd party suppliers to provide key services. These are DST (previously IFDS) who provide administration services of the policy book, HSBC who provide investment administration services, fund accounting and custody services, and Standard Life Investments who provide investment management services.

B.7.2 Overview of Service Provider and Safeguards in Place

Since acquiring the HLI a TSA has been in place between HLA and PLL to ensure that HLI is in a position to manager DST the third party providing policy administration services. Various service packages are being transferred to HLSL from PGSMI. At the reporting date there is one service package that has yet to be transferred under the TSA and the Company is working with PGSMI to close this off. The services relate to policy administration, audit and risk & compliance. Adequate governance is ensured through a defined MI pack with various performance metrics delivered by PGMSI on a regular basis.

B.8 Assessment of Governance & any other information

The Company aims to continually review and improve its governance and assurance systems to ensure they take account of industry requirements and guidelines, good practice and learnings from internal audits and assurance reviews.

The Board has reviewed and assessed the Systems of Governance, assurance, Internal Control, and Risk Management Framework and has concluded it is appropriate for the nature, scale, and complexity of the business.

C Risk Profile

C.1 Overview of Risk Exposure

This section provides a qualitative assessment of the material risks considered by the Company in its current structure. Risks are classified in a similar manner to the Standard Formula Model. This will ensure that the qualitative assessment can be referenced against the quantitative assessment which is detailed in this report.

C.2 Underwriting Risk

Life underwriting risk is the risk of loss arising from insurance contracts underwritten by the Company.

C.2.1 Lapse Risk

The Company is exposed to lapse risk from changes in the expected lapse rates/surrender rates of policyholder funds which would adversely affect the value of future revenue streams and as a consequence, non-unit reserves.

Changes in expected lapse rates can be triggered by changes in customer behaviour arising from market fluctuations or market developments or arising from customer dissatisfaction based on service or surrender values.

The lapse risk is kept under review in using the quarterly Customer Protection Dashboard which is submitted to the Risk & Compliance Committee and Board.

C.2.2 Expenses Risk

Expense risk arises from adverse variation in the expenses incurred in managing a closed book of business. This module captures the risk there is a change in expected expenses in servicing the policies.

The expense experience can adversely affect expense reserves on the balance sheet. If expenses are higher than allowed for in our assumptions the following will occur:

- Expense assumptions would need to be reviewed and higher expense assumptions incorporated in future estimates. This would increase the expense reserves and reduce Company's Own funds.
- Once off expenses that could not be foreseen or an underestimation of project costs will erode Own funds and cash available in the Company.

To manage these expenses, the Company tracks the actual expenses incurred against plan. Expense experience is actively monitored and senior management continue to actively manage expense risk.

C.2.3 Mortality Risk

The Company has a relatively small mortality risk exposure from its investment products. The company does have a small volume of Term Assurance business but overall the mortality risk component of the Company's book is small.

C.2.4 Immaterial Life Underwriting Risks

Catastrophe (CAT) risks

Catastrophe risks stem from extreme or irregular events that are not sufficiently captured by the charges for the biometric risks, lapse risk and expense risk. These are one time shocks from the extreme adverse tail of the probability distribution that are not adequately represented by the extrapolation from more common events and for which it is difficult to specify a loss value. The exposure to this risk is quite small due to low amounts of mortality risk exposure to the Company.

C.3 Market Risk

Market risk arises from movements in the level of deposit, bond, equity returns and property yields; interest rates, foreign exchange rates, credit spreads as well as other factors such as liquidity and concentration of assets.

It affects both the assets of shareholder and policyholder and the non-unitised reserve liabilities. The standard formula defines a capital charge for interest rate, equity property, spread, concentration and currency risks. It includes a correlation matrix to the degree to which different financial risk are linked and/or offset.

C.3.1 Shareholder Assets

The Company is exposed to market risk from shareholder assets invested in:

- Bonds
- Cash, and
- Collective Investments undertakings.

For further details on the mix of shareholder assets see Assets section of this report.

C.3.2 Policyholder Assets

There is an indirect market risk exposure for the Company via the policyholder assets. This exposure is reflected via the non-unit reserves held on the balance sheet. Lower expected future revenue from policyholder funds due to adverse market performance will result in the Company needing to hold higher non-unit reserves.

The short to medium term outlook on policyholder charges remains cautious, there is a risk that the Company could experience marginal pressure on the back book i.e. fees generated from management charges on policyholder funds will be less than anticipated to cover ongoing expenses, thus additional funds will be required to meet the shortfalls.

The Company is indirectly exposed to market risk through fees earned, management fees are calculated on the market value of policyholder assets under management. Therefore there is the risk that adverse movements in the value of assets in which policyholders are invested results in a reduction in the level of management fees earnt by the Company.

Equity, Bond and Property risk exposure to the Company exists from fees generated from management charges on policyholder funds. This market exposure cannot be mitigated.

C.3.3 Interest Rate Risk

Interest rate risk exists for all assets and liabilities where the net asset value is sensitive to changes in the term structure of interest rates or interest rate volatility. This risk exposure is mainly from the valuation of expected future profits being sensitive to changes to interest rate changes.

C.3.4 Equity Risk

The Company is indirectly exposed to this risk. The impact of a fall in equity adversely affects the balance sheet. There is a loss of value in the expected future profits (due to a fall in management fee income related to FUM) and the cost of the expected claims to policyholders increase due to surrender guarantees given by the company.

C.3.5 Financial Transactions – Foreign Exchange (FX)

The company is aware that the due to the fact the business is multiple currency that expected future profits arising from management charges will fluctuate with changes in Euro exchange rates.

C.3.6 Spread risk

Spread risk reflects the risk of change in asset values from movement in credit spreads on corporate bonds. The Company is exposed to this risk through some of its shareholder assets held at reporting date.

C.4 Credit Risk

Credit Risk describes the risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties, and debtors to which the company is exposed. It can take the form of:

- Counterparty default risk

C.4.1 Counterparty Default Risk

This risk exists when the Company is exposed to a loss if another party fails to deliver in relation to its financial obligations. The loss due to default or deterioration in credit standing of the Company's counterparties and debtors would represent a realisation of this risk. The counterparty default risk sub module can be broken down into four elements:

- Shareholder Bank Deposits

  At year-end 2017, the Company maintained approx. €5.9 million of shareholder cash. These deposits are managed by the Finance Team in accordance with the current investment policy. The shareholder cash is held with a number of different counterparties. Management actively monitor these credit ratings.

- Shareholder European Sovereign Bonds

The holding of European issued sovereign debt does not result in capital charge in respect of counterparty default risk. The Company still however monitors the credit rating of Eurozone sovereign debt on an on-going basis.

- Reinsurance Exposures

  There are two counterparties that offer reinsurance to the Company. The reinsurance across each book of business is as follows:

  - With-profits contract a reinsurance contract exists with PLL
  - Unit-linked internal funds a reinsurance contract exists with PLL.
  - Term assurance contracts a reinsurance contract exists with General Reinsurance UK Limited ("Gen Re")

- Cash Fund Guarantees form a significant part of the counterparty default risk. The Company is exposed to the counterparty risk on these funds because of a guaranteed floor on fund value provided to policyholders. At year end 2017 the exposure to these funds was €30.7m.

C.5 Liquidity Risk

Liquidity risk is the risk that liabilities cannot be met in a timely and cost-effective manner as they fall due. The Company's exposure to liquidity risk is low. The Company's assets are managed in accordance with its asset management and treasury policies. This means that liquid assets are held to match expected short-term liabilities. Investing the net assets predominantly in cash and government gilts provides further liquidity.

The exposure to liquidity risks is low. The Company's assets are managed in accordance with its investment policy. Shareholder assets are invested in a number of banks with strong credit ratings and highly liquid Eurozone sovereign debt.

C.6 Operational Risk

Operational risk stems from inadequate or failed internal processes, personnel or systems, or from external events. A qualitative assessment of key operation issues is discussed below. For the purposes, of ensuring that operational risks highlighted here match those covered by the Standard Formula Model.

C.6.1 Outsourcing Agreements – Excluding DST & PGMSI

The Company actively manages the relationship with all other providers in accordance with Company policy. Risks in relation to these outsourced services are assessed within the RAS process which is regularly reported to the Board..

C.6.2 Outsourcing Agreements – DST & PGMSI

The challenge presented by the handover of control from PGMSI to HLSL is being managed through a detailed project governance process.

PGMSI has a contract with DST for the provision of policy administration and customer management services. A Service Level Agreement forms part of the contractual arrangement. There is a strong governance framework in place, with senior managers from both parties meeting regularly to discuss service and monitor operational risk associated with the agreement. The expenses per policy are fixed under this agreement.

C.6.3 Staff Risk

Given the history and size of HLI, its relatively recent addition to the Harcourt Life group of companies and reliance on services provided under the TSA by PGMSI, there is a reliance on individuals both within the senior management team and functional areas (based on technical knowledge and corporate knowledge).

C.6.4 Financial Reporting

The Company is continuing to work through a number of issues in respect of financial reporting controls. The Company is working towards closing out these issues in 2018.

C.6.5 IT Systems & Infrastructure

The "Asset Look Through" project remains active with the aim of continuing to improve to level of asset look through provided within the regular QRT reporting process.

Cyber risk is an important risk for the LCCGI group of companies. Following a Cyber Risk Internal Audit and the CBI Cyber risk questionnaire during 2016, various actions were agreed with management to address a number gaps in relation to this risk. The majority of these gaps have been addressed during the reporting period and the outstanding items are scheduled to be addressed during 2018.

HLSL IT support is provided by Spector, a third-party IT services provider.

C.6.6 Regulation Risk

The Company is committed to meeting all requirements and establishes project groups to address the design and delivery of requirements as they fall due.

C.7 Policyholder Reasonable Expectations and Technical Provisions

The Head of Actuarial Function is required to detail how PRE has been considered in establishing the Technical Provisions. In the interests of consistency with other reporting requirements the principles have been considered when calculating the Company's Technical Provisions.

C.8 Overview of Risk Measures

The Company's decision to adopt the Standard Formula Model was influenced by: (i) the scale and nature of the insurance risks of the business and (ii) the fact the business is a closed book in run off. The potential risks and benefits associated with the application of an internal model were viewed as not being appropriate to the business, its nature and strategy.

The Standard Formula Model requires balance sheet stress tests to capture each risk's contribution to the SCR. Having considered each Standard Formula stress, management are satisfied that all stresses are appropriate and capital "add-ons" are not merited.

Under Solvency II the regulatory capital requirements require best estimate valuation of liabilities and assets and a solvency capital requirement which is risk driven and dependent on the risk borne by the Company.

The Company does not use transitional arrangements or the matching/volatility adjustment when calculating the SCR. Furthermore, the Company has a TCR of 133% of SCR. A breakdown of the Company's SCR into its constituent parts can be found in the Solvency Capital Requirement and Minimum Capital Requirement section of this report.

C.9 Overview of Risk Mitigation

The risks identified are mitigated by the holding of sufficient capital by the Company. This capital is sufficient to withstand both expected events and unexpected or extreme movements on a 1:200 SII basis. The ORSA exercise and stress testing, which considers the balance sheet following the Scheme, has identified that the current and future capital position is strong, such that the Company can survive a range of stress and shock events. This analysis is based on the solvency cover of the Company being 150% immediately following the completion of the Scheme. Notwithstanding that the Company seeks to ensure that all risks are adequately supported by capital. The Company also has in place measures to identify, quantify, (where possible) manage and mitigate risks in order to avoid their crystallisation or minimise their impact should they occur.

C.9.1 Credit/Counterparty Default Risk

Shareholder bank deposits are relatively low and the exposure to banks is small. This ensures that capital charges associated with banks can be avoided in the event of default of any one bank. This also mitigates concentration risk of shareholder deposits.
Reinsurance counterparty default risk is difficult to economically mitigate. However, a floating charge on assets exists which ensures that the expo sure is restricted to the credit rating of the Company.

C.10 Overview of Risk Sensitivities

This section looks at how sensitive the Company's Solvency II position is to changes in circumstances and assumptions. This section is divided into two sub-sections: sensitivity and scenario testing.

The majority of stresses have been calibrated so that they are approximately equivalent to a 1 in 25-year event under the Standard Formula assumptions. This reflects the level of capital that the Company aims to maintain

The key business risks are targeted and the scope of the testing in this section is proportionate to the scale and nature of the business.

The sections below outline sensitivity tests carried out as part of the HLI ORSA process in 2017 to assess the impact of the portfolio transfers from HLA, ALI and UHL to HLI. At the time of writing this report, that transfer has been approved by the High Court of Ireland and this approach is therefore appropriate for the analysis of future solvency for this Company.

Because the analysis of the combined entity is appropriate, this same analysis has been repeated in each of the SFCRs for HLA, ALI, UHL and HLI.

C.10.1 Sensitivity Testing

Each of the scenarios listed below considers the impact on the balance sheet of a change in the outlook for HLI. The stresses and scenario provide an insight into the financial significance of each risk on the Company's solvency position as well as the long-term impact on the solvency position of the risk occurring.

It should be noted that the stresses/scenario below are not exhaustive but they are proportionate to the nature and scale of the risks faced by the HLI business.
The sensitivities considered are set out in the following table, further details relating to the scenarios can be found in the appendices.

Stress Tests		
ST0	Base Scenario	This is the central scenario
ST1	Expense Scenario	Expenses assumed to be 10% higher than base scenario
ST2	Lapse Up Scenario	Lapses assumed to be 33% higher than base case, with no change to expenses
ST3	Lapse Down Scenario	Lapses assumed to be 33% lower than base case, with no change to expenses
ST4	Spread Scenario	Bond values in ESL assumed to fall by 18% and downgraded by one notch
ST5	Equity Scenario	Value of equity assets assumed to fall by 30%
ST6	Currency Scenario	Value of non-Euro assets assumed to fall by 20%
ST7	Counterparty Default Scenario	Assume a default of 10% of cash assets
SC1	MSA Expense Scenario	The MSA expenses are assumed to increase from €300 to €420

C.10.1.1 Summary of Results

The projected SCR under each scenario is:

SCR		31/03/2017 € million	31/12/2017 € million	31/12/2018 € million	31/12/2019 € million	31/12/2020 € million	31/12/2021 € million
ST0	Base Scenario	14.0	12.1	9.8	8.8	8.1	7.5
ST1	Expense Scenario	14.5	12.4	10.0	8.9	8.2	7.6
ST2	Lapse Up Scenario	13.1	10.9	8.5	7.6	7.0	6.5
ST3	Lapse Down Scenario	15.8	14.1	11.9	10.8	10.1	9.5
ST4	Spread Scenario	14.0	12.0	9.7	8.7	8.0	7.4
ST5	Equity Scenario	13.8	12.0	9.7	8.7	8.1	7.5
ST6	Currency Scenario	12.7	10.9	8.8	7.8	7.2	6.7
ST7	Counterparty Default Scenario	13.9	12.0	9.7	8.7	8.0	7.5
SC1	MSA Expense Scenario	14.3	12.3	10.0	8.9	8.2	7.6

The projected solvency coverage range under each scenario is:

SCR Coverage		31/03/2017	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
ST0	Base Scenario	150% +	150% +	150% +	150% +	150% +	150% +
ST1	Expense Scenario	100% - 133%	133% - 150%	150% +	150% +	150% +	150% +
ST2	Lapse Up Scenario	150% +	150% +	150% +	150% +	150% +	150% +
ST3	Lapse Down Scenario	100% - 133%	100% - 133%	150% +	150% +	150% +	150% +
ST4	Spread Scenario	133% - 150%	150% +	150% +	150% +	150% +	150% +
ST5	Equity Scenario	133% - 150%	150% +	150% +	150% +	150% +	150% +
ST6	Currency Scenario	133% - 150%	150% +	150% +	150% +	150% +	150% +
ST7	Counterparty Default Scenario	100% - 133%	133% - 150%	150% +	150% +	150% +	150% +
SC1	MSA Expense Scenario	100% - 133%	100% - 133%	150% +	150% +	150% +	150% +

C.10.1.2 Commentary

The following can be noted from the Company's projected solvency position under the sensitivities and scenarios tested:

- The Base Scenario is healthy at all points in the projection period.
- The stresses for each sensitivity/scenario are assumed to occur at 31 March 2017. Therefore, any change to assumptions is assumed to immediately impact the opening technical provisions and SCR.
- The pattern is similar in each of the sensitivities/scenarios considered – the excess assets over the TCR improves over the projection period as the business runs off.
- The most onerous sensitivities/scenarios are the lapse down scenario (ST3) and the MSA expense scenario (SC1). In both, the Own Funds are less than the TCR at reporting date, but improve thereafter. In the lapse down sensitivity the deteriorated solvency position is largely caused by an increased SCR (particularly the expense component) and also an increased risk margin. In scenario SC1 the expense component of the BEL increases significant under the revised MSA expense, reducing the Company's Own Funds.
- The Company's Own Funds fall below the TCR in three sensitivities, the expense, lapse and counterparty default sensitivities. However, the position has been rectified by end 2017 in each case.
- In none of the sensitivities/scenarios considered do the Own Funds of the Company fall below the SCR over the projection period.

C.10.2 Scenario Testing

Indicative results of the overall impact on the Company of "other scenarios" (i.e. the impact of 2 or more sensitivities occurring at a point in time) can be generated by aggregating the results of the individual sensitivities as highlighted above. Any small diversification benefits that may occur from combined sensitivities should be disregarded to aid comparison and by doing so, this doesn't change or detract from the overall message.

This "aggregate approach" is reasonable as the impact of sensitivity risk testing on the Company's financials is well understood and linear. Following an analysis of the product suite and risk profile of the combined business, it has been determined that there are no material non-linear risk combinations that require specific scenario testing.

Having examined a number of the "combined sensitivities/scenarios" from those highlighted above (i.e. from ST2 to ST7), e.g. Expense & Counterparty, Expense & Equity, Lapse down & Currency; it is clear that in all but one of these "combined sensitivities" the Company would maintain Own Funds above the SCR. Only the combined impact of the lapse down and counterparty sensitivities would result in the Company's Own funds falling slightly below the SCR. In this instance, a small capital injection would be required from the Company's parent to restore its regulatory capital.

C.10.3 Reverse Stress Testing

In addition to sensitivity and scenario testing, it is also prudent to examine the solvency position from the perspective of the risk of ruin.

By examining the results of SC1 and the base scenario (ST0), the cost increase required to precipitate a breech in Solvency was determined. The annual per policy expense increase could be represented by either an increase in the MSA per policy charge, an increase in the per policy direct costs or a combination of both.

In the unlikely event of such a shock occurring, the Company would require a capital injection from its parent (LCCGI) to restore its regulatory capital.

Consistent with the results of other sensitivity tests, the projected solvency coverage of the business will recover over time following the balance sheet shocks outlined previously. This is a function of the decline in the SCR and the release in risk margin that occur as the business runs off.

D Valuation for Solvency Purposes

D.1 Assets

This section details how assets in the balance sheet are valued under Solvency II rules and how this differs from the statutory accounts valuation basis which is valued in accordance with IFRS. A detailed breakdown of the balance sheet can be found in the appendices.

Listing of Assets	Notes	IFRS € million	Reclass Adjustments € million	Valuation Adjustments € million	Solvency II Position € million
Equities - listed	1	5.4	-5.4	0.0	0.0
Government Bonds	1	22.3	0.0	0.4	22.7
Derivatives	1	0.3	-0.3	0.0	0.0
Collective Investment Schemes	1	159.9	-83.4	0.0	76.4
Assets held for index-linked & unit-linked funds	1	0.0	105.3	0.0	105.3
Reinsurance recoverables	2	14.7	0.0	-0.5	14.1
Cash and cash equivalents	3	23.1	-15.6	0.0	7.5
Loans and Deposits	4	0.6	-0.6	0.0	0.0
Receivables	5	0.4	0.0	-0.4	0.0
Total assets		**226.6**	**0.1**	**-0.5**	**226.1**

Note 1

Equities, fixed and variable rate income securities (government bonds) and collective investment schemes are designated at fair value through profit or loss and accordingly are stated in the statement of financial position at fair value. They are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with the Company's stated risk management policies.

Derivative financial instruments are classified as held for trading. They are recognised initially at fair value and subsequently are re-measured to fair value. Exchange-traded derivatives are valued at the published bid price, or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. The gain or loss on re-measurement to fair value is recognised as income or an expense in the statement of comprehensive income.

There is a €0.4m differences in the valuation basis between Financial Statements and the Solvency II of government bonds. In the Financial Statements the interest accrued on the bonds is classified as receivables whereas under Solvency II this is deemed to be part of the bond value.

Under the Solvency II basis, financial assets backing unit linked contracts are segregated into their own class. This leads to a reclassification adjustment between equities, collective investment schemes (which include equities, bonds, property, short term liquidity investments and diversified assets) and derivatives to assets held for index-linked & unit-linked funds.

Note 2

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Reinsurers' share of insurance contract liabilities are dependent on expected claims and benefits arising under the related reinsured policies.

Note 3

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

There are no differences in the valuation basis between Financial Statements and the Solvency II, however €15.6m is reclassified as assets held for index-linked & unit-linked funds.

Note 4

Loans and deposits consist of bank deposits with a maturity of more than three months at date of acquisition.

There are no differences in the valuation basis between Financial Statements and the Solvency II, however the entire value is reclassified as assets held for index-linked & unit-linked funds.

Note 5

This asset is made up of trade receivables. There is a €0.4m differences in the valuation basis between Financial Statements and the Solvency II of government bonds. In the Financial Statements the interest accrued on the bonds is classified as receivables whereas under Solvency II this is deemed to be part of the bond value.

Financial assets are valued in line with the Fair Value Hierarchy disclosed in the Financial Statements. Further details can be found in the Alternative Methods of Valuation and Any Other Information section

The Company applies the Prudent Person Principle, as described by Article 132 of the Solvency II Directive, in the management of the Company's investment portfolio.

D.1.1 Shareholder box

The Company holds a mixture of cash and government bonds for operational purposes. The year end 2017 cash deposits position is outlined below.

Shareholder Cash Deposits	Currency	EUR Value
Danske Bank Account	EUR	€149,216
HSBC	EUR	€10,908
HSBC	GBP	€107,520
Ignis Euro Liquidity 1 (Offshore Cash)	EUR	€2,272,999

There are no differences in the valuation basis between Financial Statements and the Solvency II.

D.1.2 Sovereign Debt

The Company held no sovereign debt in respect of shareholder holdings at reporting date.

The remainder bond holdings of €22.3m are held to back policyholder unitised With-Profit liabilities. There is a €0.4m differences in the valuation basis between Financial Statements and the Solvency II as outlined in the Assets section above.

D.1.3 With-profits (unitised) Funds

Part of the international portfolio of unitised With-Profits business is 100% reinsured to PLL. The value of the reinsured asset at year end for this block of business was €7.2m. PLL benefits from a strong credit rating, A, and the risk of default is deemed extremely remote.

The remainder With-Profit funds are invested in a series of collective investment undertakings, sovereign debt, and cash/cash equivalent holdings. Further details on the valuation basis for these asset classes are available in note 1 above.

There are no differences in the valuation basis between Financial Statements and Solvency II.

D.1.4 Unit-linked Funds

The unit linked domestic business is 100% reinsured into the internal funds to PLL. The value of the reinsured asset was €6.6m.

The remainder Policyholders' Unit Linked funds are invested with a range of fund managers. As policyholders bear their own investment risks, the Company is not legally liable for any loss should a fund manager default. The Company manages this risk of loss to policyholders by ensuring that only regulated funds are made available to policyholders.

Under the Solvency II basis, financial assets backing unit linked contracts are segregated into their own class. This leads to a reclassification adjustment between equities, collective investment schemes (which include equities, bonds, property, short term liquidity investments and diversified assets) and derivatives to assets held for index-linked & unit-linked funds. Refer to Note 1 above for further details on the valuation of unit linked funds.

There are no differences in the valuation basis between Financial Statements and Solvency II.

D.1.5 Term Assurance

The Company has a small block of non-linked term assurance business. As per table in the Assets section, a reinsurance arrangement is in place with General Reinsurance UK Limited in respect of these contracts. The reinsurance asset in respect of this business represents the reinsurer's share of insurance contract liabilities. These are dependent on expected claims and benefits arising under the related reinsured policies. Please refer to Note 2 above for further details.

D.1.6 Guaranteed Returns

The Company offers a number of guarantees as outlined below

- An MVA free guarantee on the SMI With Profit Investment Bond. Almost the entirety of these liabilities are reinsured to Phoenix Life Limited ("PLL"). The value of the reinsurance asset reflects the value of the guarantee from PLL.

- Premium related guarantees on Guaranteed With Profit Bond policies within the international business.

- For capital protection business there is a guaranteed maturity benefit of twice the original investment, less withdrawals, on the 80th anniversary of the commencement of these policies. This is not a significant guarantee.

- Some products offer a guaranteed minimum death benefit equal to the return of premium. This guarantee is limit to death at age 75 or younger.

An allowance for the time value of the guarantee on the Guaranteed With-Profits Bond product is include in the non-linked BEL. This product has a surrender value guarantee on the 15th anniversary. A Black-Scholes model was used to estimate the time value of the guarantee. All of the guarantees will expire by mid-2018. Therefore, the liability associated with this surrender value guarantee has fallen over 2017 to approx. €0.04 million.

D.1.7 Deferred Tax Asset

Deferred tax for Solvency II valuation purposes is determined on 'temporary differences' between the economic value of assets or liabilities on the Solvency II balance sheet and their tax base. The Company has no deferred tax assets under either the IFRS or Solvency II basis.

D.1.8 Limitations with Look Through Asset Data

Solvency II legislation requires that information is provided on all assets at a very granular level and that the true underlying assets affecting the market value of holdings is known.

The "Asset Look Through" project made significant progress over 2017 and the Company has a much improved level of look through on its assets.

D.2 Technical Provisions

D.2.1 Overview of Value of Technical Provisions

This section details how the technical provisions in the Solvency II balance sheet are valued and how the provisions differ from the reserves in the statutory accounts balance sheet, which are valued in accordance with IFRS rules.

Valuations under Solvency II makes some allowance for uncertainty though the risk margin which is held in addition to the best estimate of liabilities. Under IFRS there is no explicit risk margin, but each valuation assumption includes some margin for prudence which is set in the direction that causes the liability to increase.

These valuation differences impact the valuation in different ways however liabilities are normally lower under Solvency II, in particular on the valuation of investment guarantees due to the allowance for future policyholder exits.

In the table below the gross technical provisions are split by Solvency II line of business and are also split into Best Estimate Liability and Risk Margin.

	Unit Linked € million	Unitised With Profit € million	Non-linked € million	Total € million
Unit Liability	110.3	100.7	-	211.1
Best estimate liability	-3.6	0.2	0.4	-3.0
Risk margin	2.1	0.6	0.0	2.7
Technical provisions	108.8	101.5	0.4	210.8

The following table provides a reconciliation between the IFRS reserves and the Solvency II technical provisions.

IFRS to Solvency II Bridge	31/12/2017 € million
IFRS reserves	217.4
Remove IFRS cash reserve	-6.3
Add in best estimate liability	-3.0
Add in risk margin	2.7
Add in cost reinsurance default	0.0
Solvency II technical provisions	210.8

These changes reflect the following:

- The IFRS cash reserves are floored at zero and calculated using a 0% growth rate.
- No floor is applied to the best estimate liability and as a result the liability is negative, reflecting the fact that the expected future income exceeds the expected future outgo of the business.
- The risk margin of €2.7m represents the expected cost of providing an amount of capital equal to the Solvency Capital Requirement (SCR) for non-hedgeable risks which is necessary to support the insurance obligations over their lifetime.
- There is a small adjustment, of €0.025m made to the technical provisions to reflect the risk of the company's reinsurers defaulting.

D.2.2 Material Adjustments Applied to Technical Provisions

The Company does not make use of any transitional measures when valuing the technical provisions or the SCR. For the avoidance of doubt the following statements are made:

- The company does not use the matching adjustment referred to in Article 77b of Directive 2009/138/EC
- The Company does not use the volatility adjustment referred to in Article 77d of the Directive 2009/138/EC
- The transitional risk-free interest term structure referred to in Article 308c of Directive 2009/138/EC is not applied

- The transitional deduction referred to in Article 308d of Directive 2009/138/EC is applied

D.2.2.1 Recoverables from Reinsurance Contracts

The reinsurance recoveries have two components. The unit liability and the non-unit liability (present value of future cash flows). The unit liability on the reinsurance business represents the number of units multiplied by the unit price for all reinsured funds.

The non-unit reinsurance recoverables are calculated as the discounted value of future cash flows relating to reinsurance contracts. Solvency II requirements in relation to reinsured assets is to apply a credit risk "haircut" on the value of the reinsured assets concerned, based on the credit rating of the reinsurer and the probability of default. This "haircut" equates to approximately €26,000 at year end 2017.

D.2.3 Overview of Basis, Methodology and Assumptions

An overview of any changes to the methodology and assumptions over the reporting period are set out below.

The BEL on the unit linked and unitised with profit business is calculated in two parts, the unit liability and the non-unit liability. The non-unit liability represents the present value of future cash flows on the in-force business.

The unit liability is calculated as the number of units multiplied by the unit price across all funds.

The company uses a deterministic cash flow projection model on a policy-by-policy basis. The best estimate liability is not floored at zero. The projection considers the following cash flows:

- charges due from policyholder funds
- expenses paid by the company
- commissions paid by the company
- benefits in excess of the unit fund paid by the company
- premium charges due by the company

D.2.3.1 Expense Assumption

The expenses incurred by the Company are primarily composed of third party administrator costs and investment expenses paid to asset managers. An expense budgeting exercise was performed to estimate the evolution of these costs. The best estimate assumption was based on the results of this analysis.

D.2.3.2 Lapse Assumption

Lapse assumptions are set with reference to the historic experience on the portfolio of policies held by the Company. Lapse rates are assumed consistent across all product types.

We assumed that a higher number of policyholders surrender on dates where there are surrender value guarantees.

D.2.3.3 Interest rates and inflation

The risk free interest rates used in the cash flow projections are based on the EIOPA yield curve. The curves used depend on the underlying policy currency. So for example GBP policies will be discounted using the GBP yield curve specified by EIOPA at 31 December 2017. The Company did not make use of the matching adjustment or the volatility adjustment at 31 December 2017.

D.2.3.4 Simplifications and Approximations

The Company uses two simplified methods in calculating the technical provisions.

- The calculation of the time value of the guarantee for products that have guaranteed surrender values. The intrinsic value of the guarantee is captured in the cash flow projections model, while the time value of the guarantee is calculated using a closed form solution, which is an out of model adjustment.

- The projection of the SCR underlying the calculation of the risk margin. A series of risk drivers are used to estimate the evolution of the SCR over time.

D.3 Other liabilities

D.3.1 Overview of Value of Other Liabilities

The Company retain a provision in their balance sheet in respect of other liabilities.

Other Liabilities	Solvency II € million	IFRS € million
Debts owed to credit institutions	0.1	0.1
Claims outstanding	3.9	3.9
Trade payables	1.5	1.5
Reinsurance payables	0	0
Total	**5.5**	**5.5**

The valuation of the other liabilities outlined above is consistent between the Solvency II and Financial Statements bases.

D.3.2 Overview of Changes to Basis, Methodology or Assumptions

A shortcoming in the data underlying the technical provisions has been identified. Partial encashments are not reflected in the premium field (although the unit liability reflects these encashments). This leads to an overstatement of the guarantee on some policies (which are a function of premium). The financial impact of this data issue is decreasing as most of the surrender value guarantees expired over 2017.

The cash flow model was updated to no longer reserve for guarantees which have passed their maturity date. This model update led to a small reduction in the technical provisions.

There was an update to the prices applied on some of the with profits business. The 2016 calculations had allowed for some inconsistent use of prices.

The cash flow model was updated to allow for some of the unitised with profits assets which were not previously captured in the calculation. This resulted in a reduction in the technical provisions.

D.4 Alternative Methods of Valuation and Any Other Information

Financial assets are values in line with the Fair Value Hierarchy as outlined below:

Fair Value Hierarchy	Level 1 € 000's	Level 2 € 000's	Level 3 € 000's	Total € 000's
Derivatives		0.3		0.3
Equities	5.4			5.4
Government Bonds	22.3			22.3
Collective Investment Schemes	158.1	1.8		159.9
Loans and Deposits		0.6		0.6
Total Financial Assets	**185.8**	**2.7**	**-**	**188.4**

Level 1 financial instruments. The fair value of financial instruments traded in active markets (such as exchange traded securities and derivatives) is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument. Greater depth and narrower bid-ask spread indicates higher liquidity in the instrument and are classed as Level 1 inputs. For collective investment schemes, fair value is by reference to published bid prices.

Level 2 financial instruments. The fair values of financial instruments traded in active markets with less depth or wider bid-ask spreads which do not meet the classification as Level 1 inputs are classified as Level 2. The fair values of financial instruments not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified at Level 2, only where there is a sufficient range of available quotes. The fair value of unquoted equities, over the counter derivatives, loans and deposits and collective investment schemes where published bid prices are not available are estimated using pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flows are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Level 3 financial instruments. The fair values of financial instruments determined by valuation techniques using non market observable inputs are classified as Level 3. The Company had no Level 3 financial instruments at reporting date.

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the start of each reporting period.

E Capital Management

E.1 Own Funds

E.1.1 Overview of Management of Own Funds

The primary objective of capital management is to optimise the balance between return and risk, whilst maintaining economic and regulatory capital in accordance with risk appetite. The objective of Own Funds management is to maintain, at all times, sufficient own funds to cover the Minimum Capital Requirement (MCR), SCR and TCR. The Company has a TCR of 133% of SCR coverage (and 150% of SCR immediately post the payment of a dividend).

Overall capital risk appetite, which is reviewed and approved by the Board, is set and managed regarding the requirements of a range of different stakeholders including shareholders, policyholders, regulators and rating agencies. Risk appetite is expressed in relation to a number of key capital and risk measures, and includes a Solvency II capital risk appetite of holding sufficient capital resources to enable the Company to meet its liabilities in extreme adverse scenarios, on an ongoing basis.

The Own Funds eligible to cover the SCR comprise of Basic Own Funds (as defined in Regulation 103 of the 2015 Regulations) and Ancillary Own Funds (as defined in Regulation 104 of the 2015 Regulations).

- Basic Own Funds represent the excess of assets over liabilities, the addition of subordinated liabilities and their classification and tiering within Own Funds;

- Ancillary Own Funds include legally binding funding commitments which have received supervisory approval. Examples include letters of credit or guarantees. The Company does not currently recognise any ancillary own funds.

There have been no material changes to the objectives, policies or processes with respect to the management of Own Funds since the ORSA process during the reporting period.

E.1.2 Classification of Own Funds

The Own Funds for the Company are made up of share capital and retained earnings and therefore represents unrestricted Tier 1 Basic Own Funds under Solvency II. These funds are fully eligible to meet the Company's Regulatory Capital Requirements. Own Funds items are classified into three tiers in accordance with quality criteria based on permanency and subordination. The table below summarises the key characteristics that Own Funds must possess to be classified within each tier, in relation to Basic Own Funds:

Own Funds	Description	Key features
Tier 1	Tier 1 includes the highest quality assets and is also divided into 'unrestricted' (primarily share capital, share premium and other reserves) and 'restricted' (primarily undated subordinated debt and qualifying undated hybrid instruments).	Permanence Subordination Undated Absence of redemption incentives, mandatory costs and encumbrances
Tier 2	Tier 2 is primarily subordinated debt (with a minimum duration of 10 years).	Subordination Original minimum duration of 10 years with no contractual opportunity to redeem within 5 years Absence of redemption incentives, mandatory costs and encumbrances
Tier 3	Tier 3 includes any subordinated debt which does not meet the criteria to be classified as Tier 1 or Tier 2 (and has a minimum duration of 5 years), primarily net deferred tax assets and ancillary Own Funds that are approved by the supervisor.	Ancillary Own Funds subject to supervisory approval Subordination Original minimum duration of 5 years

E.1.3 Own Funds by Capital Tier

E.1.3.1 IFRS Net Assets

The table below sets out the Company's Net Assets under IFRS basis.

		31/12/2017	31/12/2016
Net Assets	**Tier**	**€ million**	**€ million**
Called up Share Capital	1	1.5	1.5
Capital Contribution Reserve	1	0.0	145.1
Foreign Currency Translation Reserve	1	-15.8	-18.6
Retained Earnings	1	18.1	-114.3
Total Net Assets		**3.8**	**13.6**

Share Capital

The Company has issued ordinary shares which are classified as equity.

Capital Contribution

The capital contribution reserve represents amounts gifted from the Company's immediate parent in prior years.

The valuation basis of Share Capital and Capital contribution is the same on an IFRS and SII valuation basis.

Foreign Currency Translation Reserve

The Company's functional currency is Sterling. Prior to 1 January 2008, the Company's functional currency was Euros and foreign exchange gains and losses were reflected as a separate component of equity in the Foreign Currency Translation Reserve presented in the statement of changes in equity.

Assets and liabilities denominated in foreign currencies are translated into Sterling at the closing rate at the period end. Income and expenses denominated in foreign currencies are translated at the prevailing rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

With effect from 31 December 2015, the Company's presentation currency was changed from Sterling to Euro. The results and financial position of the Company are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate ruling at the statement of financial position date;
- income and expenses are translated at the average exchange rate for the reporting period; and
- all resulting exchange differences are recognised in other comprehensive income as a separate component of equity.

Translation differences on debt securities and other monetary financial assets measured at fair value are recorded in net investment income.

The valuation basis of Foreign Currency Reserve is the same on an IFRS and SII valuation basis.

Retained Earnings

The retained earnings reserve represents prior years' profit or losses which were not distributed by the Company.

E.1.3.2 IFRS to Solvency II Reconciliation

The following table provides a reconciliation between the IFRS reserves and the Solvency II technical provisions:

IFRS to Solvency II Reconciliation	31/12/2017 € million
IFRS Net assets	3.7
Reduction in Reinsurance Recoverables	-0.5
Add IFRS cash reserve	6.0
Best estimate liability	3.3
Risk margin	-2.7
Cost default	0.0
SII Own funds	**9.8**

The difference in Reinsurance Recoverables is outlined in the Assets section above while the remaining items are outlined in the Technical Provisions section.

There are no adjustments made for the loss absorbing capacity of Technical Provisions and Deferred Taxes.

E.1.3.3 Eligible Own Funds to cover SCR and MCR

The table below outlines the company's SCR and MCR's requirements and level of coverage provided by own funds at reporting date.

Eligible Own Funds coverage of SCR & MCR	31/12/2017 € million
Own Funds	
Tier 1	9.8
Solvency Capital Requirement	9.3
Solvency Ratio	**106%**
Minimum Capital Requirement	3.7
Eligible own funds as a percentage of MCR	**265%**

The level of solvency cover has reduced since previous reporting date. This is a function of an increase in the SCR combined with a reduction in the Company's own funds. The level of cover is currently below the Company's target. However, as part of the Scheme, the Company will receive assets sufficient to bring the level of solvency cover to 150%. This will bring the level of cover back above the target level.

E.1.3.4 Changes to Own Funds Over the Reporting Period

The Own Funds have reduced over the year from end 2016 to end 2017 as outlined in the table below.

Change in Own Funds over the period	31/12/2017 € million	31/12/2016 € million
Own Funds	9.9	20.3

On 11 September 2017, the Company paid a €8m dividend to its parent, Harcourt Life Assurance DAC. As at the report writing, there were no foreseeable dividend distributions.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Overview of Solvency Capital Requirement and Minimum Capital Requirement

The SCR reflects the capital the Company must hold to comply with Solvency II regulations. The Company has adopted the standard formula approach in their calculation of the SCR. The Company's decision to use the standard formula approach was influenced by the nature and scale of the insurance business as well as the fact that the Company is a closed book in run off. The potential risks and benefits associated with the application of an internal model were not viewed as appropriate to the Company's business or strategy.

The MCR reflects a level of capital below which policyholders and beneficiaries are exposed to an unacceptable risk. The Company's MCR is also calculated in line with the standard formula approach.

E.2.2 Solvency Capital Requirement

The SCR is calculated by applying shocks to the value of assets and liabilities held by the Company. This reflects the specific risks borne by HLI.

A breakdown of the Company's SCR at year-end 2017 into its constituent parts is given below. Diversification effects are a by-product of the Standard Formula approach, which uses a prescribed correlation matrix for several risks. The key movements in the SCR from year-end 2016 relate to the currency and expense risk SCR.

The expense assumption was revised at end 2017, this led to an increase in the present value of future expenses which in turn increased the expense shock. The currency risk increased due to improved asset information around the EUR/GBP split of policyholder funds and shareholder assets.

SCR Components	31/12/2017 € million	31/12/2016 € million
Market risk	5.1	2.6
Life underwriting	4.9	4.3
Counterparty	1.9	2.2
Diversification between modules	-3.2	-2.5
BSCR	8.7	6.6
Operational risk	0.6	0.7
SCR	**9.3**	**7.3**

Solvency II recognises the loss absorbing capacity of deferred tax ("LACDT") within the SCR. However, HLI has no tax asset on its balance sheet. Therefore, the SCR has no allowance for LACDT

E.2.3 Minimum Capital Requirement

The MCR for each European Economic Area (EEA) insurance undertaking is calculated using a linear formula that applies prescribed factors to Technical Provisions, written premiums, capital at risk, deferred tax and administrative expenses (all net of reinsurance). The MCR for the Company is calculated as the minimum floor of €3.7m.

E.2.4 Material Changes to SCR and MCR Over Reporting Period

There have been no material changes to the approach to calculating the SCR and MCR over the reporting period.

E.2.5 Overview of Application of Standard Formula

The Company's decision to use the standard formula approach was influenced by the nature and scale of the insurance business as well as the fact that the Company is a closed book in run off. The potential risks and benefits associated with the application of an internal model were viewed as not being appropriate to the Company's business or strategy.

The Standard Formula Model requires stresses to capture each risk's contribution to the Solvency Capital Requirement (SCR).

E.2.5.1 Use of Simplified Calculations

Where the SCR is calculated using the standard formula, the Solvency II regulations specify 23 simplified calculations that may be used across all the standard formula risk modules except operational risk. The Company has not used any of these simplified calculations to calculate its SCR.

E.2.5.2 Substitution of Parameters used in Standard Formula

The Company has not applied any company specific parameters to calculate its SCR.

E.3 Equity risk Sub-Module

E.3.1 Overview of Duration Based Equity Risk Sub-Module in Calculation of SCR

The Company has not applied the duration-based equity risk sub-module in the calculation of the SCR.

E.4 Non-compliance with Minimum Capital Requirement and Solvency Capital Requirement

E.4.1 Overview of Non-Compliance of MCR

The MCR is the absolute minimum level of capital that an insurance company can hold under Solvency II. The CBI has the power to withdraw the authorisation of any insurance company that cannot meet its MCR. The Company did not fail to comply with the MCR at any time during 2017.

E.4.2 Overview of Non-Compliance of SCR

The SCR represents the level of capital required to withstand a 1-in-200 adverse scenario and the CBI has the power to intervene if an insurance company cannot meet its own SCR. The Company did not fail to comply with the SCR at any time during 2017.

Appendices

Appendix – Sensitivity and Scenario Testing

ST1 Expense Stress

This sensitivity stress considers how the HLI's position would deteriorate if the expenses were higher than those budgeted by HLI. The change to expenses is captured in the opening technical provisions as well as in the profits emerging.

Under this sensitivity stress the expenses are assumed to be 10% higher than the base case. The increase is applied to both the direct costs of HLI and to the fees paid to HLSL. Other assumptions and inputs, including expense inflation, are assumed to remain unchanged.

This illustrates the impact of an adverse change in expense risk on the HLI balance sheet.

ST2 Lapse Up Stress

This sensitivity stress considers how the HLI's position would deteriorate if lapse rates were higher than anticipated, but with expenses remaining unchanged. The stress was calibrated to be approximately a 1 in 25-year stress and is consistent with the Standard Formula approach.

Under this stress lapses are assumed to be 33% higher than the base case. Direct expenses are assumed to remain unchanged, other than the "per policy" fee paid to HLSL under the outsourced administration arrangements.

This illustrates the impact of an adverse change in lapse experience on HLI's balance sheet.

ST3 Lapse Down Stress

The impact of a reduction in lapse rates is considered in this sensitivity stress. The approach used is consistent with the lapse up scenario (ST2) outlined above. The lapse rates are assumed to fall by 33% relative to the base scenario.

ST4 Spread Stress

This sensitivity stress assesses the impact of a widening of credit spreads on corporate bonds. The Company is exposed to corporate bond credit spread risk through its investment in the ESL fund.

The value of the assets held in the ESL fund are assumed to fall by 18%. This sensitivity stress was calibrated to be approximately a 1 in 25-year stress, consistent with the Standard Formula SCR stress. In addition to the fall in asset values, the credit rating of bonds in the fund were downgraded by one notch (e.g. from BBB to BB).

ST5 Equity Stress

In this sensitivity stress the equity assets are reduced in value by 30%. This largely impacts the assets in the unit funds, but a small amount of the value of equity assets held directly by HLI have also been reduced by 30%. The fall in the value of the unit funds has two distinct impacts on the projections:

- Future charges on the unit funds fall in line with the fall in fund value. This reduces the value of future fund related charges received.

- Some policies offer guarantees of a minimum return at a specific date or on the death of the policyholder. The value of these guarantees increase when the unit fund values falls.

ST6 Currency Stress

Any non-Euro currencies are assumed to fall relative to the Euro in this sensitivity stress. These currencies are assumed to fall by 20% relative to the Euro. The currencies impacted are largely GBP and USD.

The currency stress will impact the Company in the following ways:

- Future charges on the unit funds fall on any funds invested in non-Euro assets. This reduces the value of future fund related charges.
- Any non-Euro assets or liabilities of the Company (e.g. the ATB strategic investment) will fall in value.

ST7 Counterparty Default Stress

In this scenario it is assumed that there is a default on all cash assets. The loss represents 10% of all cash assets held, both shareholder cash and cash in the unit funds.

This sensitivity stress will impact the unit linked cash funds of HLI's block of business, where the Company has offered guarantees that the fund value will not fall. The Company incurs the cost of the default on these funds.

SC1 MSA Expense Scenario

In this scenario the fees paid to HLSL are assumed to increase. This reflects the risk that the fees collected by HLSL are inadequate to cover its expenses and it is required to renegotiate the fees charge.

The fees are assumed to immediately increase from €300 per policy per annum (the base scenario assumption) to €420 per policy per annum. The other expenses of the Company are assumed to be unchanged from the base scenario. The projected updated fee to HLSL was calculated on the basis that the Group will acquire no further companies (leading to no further economies of scale) and that the new business volumes of Utmost Ireland are 40% of the expected sales.

Appendix – QRTs

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		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	99,113,517.39
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	0.00
Equities - listed	R0110	0.00
Equities - unlisted	R0120	
Bonds	R0130	22,695,754.44
Government Bonds	R0140	22,695,754.44
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	76,416,923.57
Derivatives	R0190	839.38
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	105,333,848.23
Loans and mortgages	R0230	0.00
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	0.00
Reinsurance recoverables from:	R0270	14,145,521.98
Non-life and health similar to non-life	R0280	0.00
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	7,544,156.76
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	7,544,156.76
Life index-linked and unit-linked	R0340	6,601,365.22
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	11,843.74
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	19,848.70
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	7,476,724.43
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	226,101,304.47

Liabilities		
Technical provisions – non-life	R0510	0.00
Technical provisions – non-life (excluding health)	R0520	0.00
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	0.00
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	101,935,768.18
Technical provisions - health (similar to life)	R0610	0.00
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	101,935,768.18
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	101,323,868.54
Risk margin	R0680	611,899.64
Technical provisions – index-linked and unit-linked	R0690	108,851,474.98
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	106,757,462.69
Risk margin	R0720	2,094,012.29
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	61,119.79
Debts owed to credit institutions resident domestically	ER0801	61,119.79
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	
Debts owed to credit institutions resident in rest of the world	ER0803	
Financial liabilities other than debts owed to credit institutions	R0810	0.00
Debts owed to non-credit institutions	ER0811	0.00
Debts owed to non-credit institutions resident domestically	ER0812	
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	
Debts owed to non-credit institutions resident in rest of the world	ER0814	
Other financial liabilities (debt securities issued)	ER0815	
Insurance & intermediaries payables	R0820	3,909,222.67
Reinsurance payables	R0830	63.48
Payables (trade, not insurance)	R0840	1,519,441.80
Subordinated liabilities	R0850	0.00
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	216,277,090.90
Excess of assets over liabilities	R1000	9,824,213.57

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		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		179,503.63	21,280.92	55,982.44					256,747.00
Reinsurers' share	R1420		12,715.57	2,897.37	16,278.06					31,891.00
Net	R1500	0.00	166,788.06	18,363.56	39,704.38	0.00	0.00	0.00	0.00	224,856.00
Premiums earned										
Gross	R1510		179,503.63	21,280.92	55,982.44					256,747.00
Reinsurers' share	R1520		12,715.57	2,897.37	16,278.06					31,891.00
Net	R1600	0.00	166,788.06	18,363.56	39,704.38	0.00	0.00	0.00	0.00	224,856.00
Claims incurred										
Gross	R1610		9,960,121.17	10,684,970.99	93,373.84					20,738,466.00
Reinsurers' share	R1620		1,368,296.49	741,844.51						2,110,141.00
Net	R1700	0.00	8,591,824.68	9,943,126.48	93,373.84	0.00	0.00	0.00	0.00	18,628,325.00
Changes in other technical provisions										
Gross	R1710		4,195,518.00							4,195,518.00
Reinsurers' share	R1720									0.00
Net	R1800	0.00	4,195,518.00	0.00	0.00	0.00	0.00	0.00	0.00	4,195,518.00
Expenses incurred	R1900	0.00	627,884.52	673,578.94	5,886.27	0.00	0.00	0.00	0.00	1,307,349.73
Administrative expenses										
Gross	R1910		199,047.45	213,533.17	1,866.02					414,446.64
Reinsurers' share	R1920									0.00
Net	R2000	0.00	199,047.45	213,533.17	1,866.02	0.00	0.00	0.00	0.00	414,446.64
Investment management expenses										
Gross	R2010		148,471.66	159,276.71	1,391.89					309,140.26
Reinsurers' share	R2020									0.00
Net	R2100	0.00	148,471.66	159,276.71	1,391.89	0.00	0.00	0.00	0.00	309,140.26
Claims management expenses										
Gross	R2110									0.00
Reinsurers' share	R2120									0.00
Net	R2200	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Acquisition expenses										
Gross	R2210									0.00
Reinsurers' share	R2220									0.00
Net	R2300	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Overhead expenses										
Gross	R2310		280,365.41	300,769.06	2,628.36					583,762.83
Reinsurers' share	R2320									0.00
Net	R2400	0.00	280,365.41	300,769.06	2,628.36	0.00	0.00	0.00	0.00	583,762.83
Other expenses	R2500									
Total expenses	R2600									1,307,349.73
Total amount of surrenders	R2700									0.00

S.05.02.01

		Home country	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			GB	AT	CH	LB	DE	
		C0220	C0230	C0230	C0230	C0230	C0230	C0280
Premiums written								
Gross	R1410	238,010.98	6,705.68	0.00	0.00	0.00	0.00	244,716.66
Reinsurers' share	R1420	30,563.69	287.68					30,851.38
Net	R1500	207,447.29	6,418.00	0.00	0.00	0.00	0.00	213,865.28
Premiums earned								
Gross	R1510	238,010.98	6,705.68	0.00	0.00	0.00	0.00	244,716.66
Reinsurers' share	R1520	30,563.69	287.68				0.00	30,851.38
Net	R1600	207,447.29	6,418.00	0.00	0.00	0.00	0.00	213,865.28
Claims incurred								
Gross	R1610	5,281,088.17	10,327,022.84	666,049.53	1,198,297.19	284,772.47	1,119,743.95	18,876,974.15
Reinsurers' share	R1620	1,891,295.42	45,400.71	195,740.12	76,247.94		202,856.69	2,411,540.88
Net	R1700	3,389,792.75	10,281,622.12	470,309.41	1,122,049.25	284,772.47	916,887.25	16,465,433.27
Changes in other technical provisions								
Gross	R1710	863,745.09	2,619,835.85	119,838.43	285,906.72	72,562.20	233,629.88	4,195,518.16
Reinsurers' share	R1720							0.00
Net	R1800	863,745.09	2,619,835.85	119,838.43	285,906.72	72,562.20	233,629.88	4,195,518.16
Expenses incurred	R1900							0.00
Other expenses	R2500							
Total expenses	R2600							0.00

S.12.01.02

		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
				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
Technical provisions calculated as a whole	R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030	100,935,376.49		106,757,459.58			388,489.09		
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0040	7,242,857.68		6,614,993.13	0.00		316,873.28	0.00	0.00
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	R0050	7,242,857.68		6,614,993.13			316,873.28		
Recoverables from SPV before adjustment for expected losses	R0060								
Recoverables from Finite Re before adjustment for expected losses	R0070								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	7,227,936.06		6,601,365.03			316,220.47		
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	93,707,440.42		100,156,094.55	0.00		72,268.62	0.00	0.00
Risk Margin	R0100	574,228.98	2,094,012.23			37,670.64			
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110								
Best estimate	R0120								
Risk margin	R0130								
Technical provisions - total	R0200	101,509,605.47	108,851,471.81			426,159.73			0.00
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0210	94,281,669.40	102,250,106.78			109,939.26			0.00
Best Estimate of products with a surrender option	R0220	100,935,376.49	106,757,459.58			0.00			
Gross BE for Cash flow									
Cash out-flows									
Future guaranteed and discretionary benefits	R0230		112,600,707.13			614,529.94			
Future guaranteed benefits	R0240	71,326,872.58							
Future discretionary benefits	R0250	31,430,764.58							
Future expenses and other cash out-flows	R0260	6,810,730.03	9,422,088.16			131,573.34			
Cash in-flows									
Future premiums	R0270	0.00	0.00			357,614.19			
Other cash in-flows	R0280	8,632,990.29	15,265,336.67			0.00			
Percentage of gross Best Estimate calculated using approximations	R0290	0.0000	0.0000			0.0000			
Surrender value	R0300	100,795,904.95	110,213,657.05			0.00			
Best estimate subject to transitional of the interest rate	R0310								
Technical provisions without transitional on interest rate	R0320								
Best estimate subject to volatility adjustment	R0330								
Technical provisions without volatility adjustment and without others transitional measures	R0340								
Best estimate subject to matching adjustment	R0350								
Technical provisions without matching adjustment and without all the others	R0360								
Gross TP Amount calculated using simplified methods	R0370	312.26							

	Accepted reinsurance						Health insurance (direct business)				
	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl. Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	C0190	C0200	C0210
0.00					0.00						0.00
0.00					0.00						0.00
0.00					208,081,325.15						0.00
0.00					14,174,724.09		0.00	0.00	0.00	0.00	0.00
					14,174,724.09						0.00
					0.00						0.00
					0.00						0.00
0.00					14,145,521.56						0.00
0.00					193,935,803.59		0.00	0.00	0.00	0.00	0.00
0.00					2,705,911.85						0.00
					0.00						0.00
					0.00						0.00
					0.00						0.00
0.00					210,787,237.00	0.00			0.00	0.00	0.00
0.00					196,641,715.45	0.00			0.00	0.00	0.00
					207,692,836.06						0.00
					16,364,391.53						0.00
					357,614.19						0.00
					23,898,326.96						0.00
					211,009,562.00						0.00
					0.00						0.00
					0.00						0.00
					0.00						0.00
					0.00						0.00
					0.00						0.00
					0.00						0.00

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		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	1,451,400.00	1,451,400.00			
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	8,372,779.10	8,372,779.10			
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	34.47	34.47			
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						
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	9,824,213.57	9,824,213.57			
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					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	9,824,213.57	9,824,213.57			
Total available own funds to meet the MCR	R0510	9,824,213.57	9,824,213.57			
Total eligible own funds to meet the SCR	R0540	9,824,213.57	9,824,213.57	0.00	0.00	0.00
Total eligible own funds to meet the MCR	R0550	9,824,213.57	9,824,213.57	0.00	0.00	
SCR	R0580	9,300,492.74				
MCR	R0600	3,700,000.00				
Ratio of Eligible own funds to SCR	R0620	1.056300000				
Ratio of Eligible own funds to MCR	R0640	2.655200000				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	9,824,213.57
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	1,451,434.47
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	8,372,779.10
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0.00
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	0.00

S.25.01.21

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	5,060,379.41	5,060,379.41	
Counterparty default risk	R0020	1,877,738.81	1,877,738.81	
Life underwriting risk	R0030	4,923,689.12	4,923,689.12	
Health underwriting risk	R0040	0.00	0.00	
Non-life underwriting risk	R0050	0.00	0.00	
Diversification	R0060	-3,189,572.26	-3,189,572.26	
Intangible asset risk	R0070	0.00	0.00	
Basic Solvency Capital Requirement	R0100	8,672,235.08	8,672,235.08	

Calculation of Solvency Capital Requirement				
		Value		
		C0100		
Adjustment due to RFF/MAP nSCR aggregation	R0120	0.00		
Operational risk	R0130	628,257.65		
Loss-absorbing capacity of technical provisions	R0140	0.00		
Loss-absorbing capacity of deferred taxes	R0150	0.00		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0.00		
Solvency Capital Requirement excluding capital add-on	R0200	9,300,492.74		
Capital add-on already set	R0210			
Solvency capital requirement	R0220	9,300,492.74		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400	0.00		
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0.00		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0.00		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0.00		
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0.00		
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation (*)	R0450	4	* 1- Full recalculation 2 - Simplification at risk sub-module level 3 - Simplification at risk module level 4 - No adjustment	
Net future discretionary benefits	R0460	0.00		

S.28.01.01

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	0.00

Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations		C0040
MCRL Result	R0200	1,387,697.85

Total capital at risk for all life (re)insurance obligations		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	62,276,675.84	
Obligations with profit participation - future discretionary benefits	R0220	31,430,764.58	
Index-linked and unit-linked insurance obligations	R0230	100,156,094.55	
Other life (re)insurance and health (re)insurance obligations	R0240	72,268.62	
Total capital at risk for all life (re)insurance obligations	R0250		21,786,141.62

Overall MCR calculation		C0070
Linear MCR	R0300	1,387,697.85
SCR	R0310	9,300,492.74
MCR cap	R0320	4,185,221.73
MCR floor	R0330	2,325,123.18
Combined MCR	R0340	2,325,123.18
Absolute floor of the MCR	R0350	3,700,000.00
Minimum Capital Requirement	R0400	3,700,000.00