Solvency and Financial Condition Report (SFCR)

31 December 2018

Area Life International Assurance Designated Activity Company

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A. Business and Performance

The new, harmonised EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by insurers and some of that is required to be published on the Company's public website.

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate Administrative Body that has the responsibility for all of these matters is the Company's Board of Directors, with the help of various governance and control functions that it has put in place to monitor and manage the business.

Area Life is a life insurance undertaking, incorporated in Ireland, which is closed to new business (other than increments on existing policies) and which sold a range of savings and protection products to Italian residents through bancassurance and intermediary channels. The Company's financial year runs to 31 December each year and it reports its results in Euro.

The principal activity carried out by the Company continues to be life assurance and this is transacted under the Freedom of Establishment provisions of the EU Third Life Directive in Italy. The Company has a permanent establishment of a Branch in Italy based in Milan. Branch accounts are prepared with local taxes paid based on the profitability reported in the Branch. The Branch tax is used to offset against local Irish taxes due.

The Company has been closed to new business since 2007 and is currently in run-off. A revised business plan has been prepared on the basis of finding a company within the Aviva Group into which the Company portfolio can be transferred. Given that the Company is currently regulated in Ireland, the proposal is that, following regulatory consent, the receiving entity would be an Aviva Ireland regulated entity. The business has revised the assumed transfer date to 31 March 2020. This is subject to board approval from the Irish regulated entity.

The Company is required to hold sufficient assets to match its policyholder liabilities at all times and a primary responsibility of the Board is to ensure that the Company's capital is adequate to cover the required solvency for the nature and scale of the business, and the expected operational requirements of the business. A number of mechanisms are in place to evaluate those levels and the outcome of those assessments indicate that the Company's capital is adequate at this time and for the expected requirements in the short to medium term.

A.1. Business

ALI is a regulated life assurance private company limited by shares. The Company's operating address / registered office, is:

One Park Place
Hatch Street
Dublin D02 E651
Ireland

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The Central Bank of Ireland ("CBI") is responsible for financial supervision of the Company. The CBI's address is:

Central Bank of Ireland,
1 New Wapping Street,
North Wall Quay
Dublin 1,
Ireland

The Company's external auditor is PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm. Their address is:

Spencer Dock
North Wall Quay, North Wall,
Dublin 1,
Ireland

The Company's financial year end is 31 December each year. The Company is closed to new business and continues to exist, administering its existing policies in line with their contract terms and conditions. ALI outsources its administration services to AIH and Aviva Spa. Service Level Agreements which set out the roles and responsibilities, policies and procedures along with relevant KPIs, performance review procedures etc. are in place in respect of these outsourced arrangements.

A.2. Underwriting Performance

The Company has been authorised to write class I and class III business by the Central Bank of Ireland. All business is written on a Freedom of Establishment basis into Italy.

The following class I products have been written by the Company:

- Rendita Classica: Regular premium deferred annuities;
- Capitale Classica: Regular premium deferred capital policies;
- Mista Classica: Regular premium endowment assurance;
- Vita Moderna: Regular premium deposit administration savings plans;
- Vita Classica: Level Term assurance business; and
- Mutuo Sicuro: Decreasing Term Assurance.

There are investment guarantees on the first four products in terms of minimum levels of yield applied to the revaluation of benefits based on book yields. Guaranteed annuity conversion terms are available at maturity for Rendita, and for the Capitale and Mista business written with a 4% Technical Rate. Historically take up rates have been very low in practice. From a Solvency II perspective the first four products fall under the "insurance with profit participation" category while the last two are categorised as "other life insurance".

The following class III products types have been written by the Company:

- Single premium unit-linked whole of life assurance;
- Regular premium unit-linked endowment assurance;
- Recurrent premium unit-linked whole of life contracts;
- Regular premium unit-linked endowment assurance; and
- Single premium unit-linked endowment assurance contracts.

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The death benefits generally range from 100.1% to 101.5% of unit value. A number of the products also offer annuity conversion options at non-guaranteed rates. Surrender penalties are used on most product types.

From a Solvency II perspective all class III business falls under the "index-linked and unit-linked insurance" category.

New premiums received during the year, relate to regular premiums on existing regular premium policies, and a small amount of top-up premiums.

A.2.3 Underwriting Result

Set out below is ALI's underwriting performance, as measured in the financial statements, for 2018 and 2017 respectively:

	Note	2017	2017
		€000's	€000's
Earned Premiums on insurance contracts, net of reinsurance			
- Gross premiums written	**3**	1,453	2,547
- Outward reinsurance premiums		(277)	(599)
Premiums on insurance contracts, net of reinsurance		**1,176**	**1,948**
Investment income and realised gains	**4**	915	1,347
Unrealised gain (loss) on investments		(3,182)	1,770
Other Technical Income, net of reinsurance		28	15
Claims Incurred on insurance contracts, net of reinsurance			
Claims Paid:			
- Gross amount		(37,966)	(16,610)
- Less Reinsurers' share		12,699	5,558
Claims on insurance contracts net of reinsurance		**(25,267)**	**(11,052)**
Change in the provision for claims on insurance contracts:			
- Gross amount net of Reinsurer`s share	**16**	(2,756)	(406)
Total Claims incurred on insurance contracts net of reinsurance		**(28,023)**	**(11,458)**
Change in other technical provisions, net of reinsurance			
Life assurance provision, net of reinsurance			
- Gross Amount		49,382	16,103
- Less Reinsurer`s share		(17,457)	(6,679)
Technical provision for insurance business	**16**	**31,925**	**9,424**
Change in investment contract liabilities	**13**	1,310	(577)
Total		**33,235**	**8,847**
Other Charges:			
- Net operating expenses	**5**	(1,513)	(1,942)
- Investment expenses and charges		(147)	(170)
- Other Technical Charges, net of reinsurance		(709)	(1,372)
- Deferred acquisition cost movement		(39)	(20)
- Tax attributable to the life assurance business	**7**	-	-
Total		**(2,408)**	**(3,504)**
Balance on the Technical Account – Life Assurance Business		**1,741**	**(1,035)**

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A.2.3 Comaprison of Key Metrics Against Plan

A.2.3.1 Premiums

Premiums Receivable

(Insurance and Investment)

Summary	Year to Date		
	Actual	Plan	Variance
Traditional	855,762	901,651	(45,889)
Linked	845,415	706,439	138,976
Total premiums	**1,701,177**	**1,608,090**	**93,087**
Reinsurance	(277,391)	(300,455)	23,064
Total Net Premiums	**1,423,786**	**1,307,635**	**116,151**

A.2.3.1 Claims

Claims Incurred

(Insurance and Investment)

Summary	Year to Date		
	Actual	Plan	Variance
Traditional	25,718,017	30,975,269	5,257,252
Unit Linked & Index linked	16,028,249	14,622,174	(1,406,075)
Total Claims	**41,746,266**	**45,597,443**	**3,851,177**
Reinsurance recovery	(12,699,333)	(11,859,565)	(839,768)
Total Net Claims	**29,046,933**	**33,737,878**	**4,690,945**

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A.2.3.1 Expenses

Expenses Incurred

ALI company	Year to Date		
	Actual	Plan	Variance Plan
Consultancy fees	13,056	114,000	100,944
Professional Services	161,004	169,000	7,996
Salaries & Directors Fees	347,639	385,000	37,361
Administration	72,085	29,000	(43,085)
Miscellaneous	-	-	-
Total ALI company expenses (Net)	**593,784**	**697,000**	**103,216**
ALI branch			
Consultancy fees	264,999	88,000	(176,999)
Professional Services	32,482	200,000	167,518
Inter-Group Services	445,406	366,000	(79,406)
Administration	83,242	84,000	758
Miscellaneous	-	-	-
Total ALI branch expenses	**826,129**	**738,000**	**(88,129)**
ALI Total Expenses	**1,419,913**	**1,435,000**	**15,087**
Commission (Net)	93,335		
TOTAL	**1,513,248**		

A.3. Investment Performance

The Company invests in the following portfolios of assets supporting its linked and non-linked business:

(i) Linked Investment Portfolio:

	2018 €000s	2017 €000s
Collective Investment Undertakings	27,630	44,421
Cash	322	253
Total	**27,952**	**44,674**

The linked investment portfolio returned net unrealised losses for the year to 31 December 2018 of €1,923k and a net realised loss of €224k. Rebates from investment managers of the collective investment undertakings amounted to €112k for the year.

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Linked products were designed with internal funds that invested in one or more predetermined collective undertakings so that the Company was not required to provide any investment advice.

(ii) Non-Linked Portfolio

	2018 €000s	**2017 €000s**
Government Bonds	49,845	58,321
Supranational Bonds	-	5,015
Corporate Bonds	2,007	9,580
Total	**51,852**	**72,916**

Net unrealised losses of €1,259k arose on the non-linked investment portfolio. Realised losses of €319k arose during the year to 31 December 2018. The portfolio generated €1,198k of fixed interest income for the year

All investment income movements are recognised in the profit and loss account in the period in which they arise. Coupons are accrued from the last coupon date.

A.4. Performance of Other Activities

The company's only activity is that of a life assurer with portfolios of both linked and non-linked products. The Company has been closed to new business since 2007 and is currently in run-off. The main company operational focus continues to be the servicing of existing policyholders, payments of claims and the protection of customer reasonable expectations.

Net operating expenses of €1,513k (2017: €1,942k) include the costs associated with the design and implementation of a framework to secure compliance with continuing developments in the regulatory environment including Solvency II.

The Company has entered into reinsurance treaties for quota share and surplus risk on a funds withheld basis. The cost of servicing the reinsurance deposit was €1,561k for the year (2017 : €1,372k)

The Company operates in the Italian market on a permanent establishment basis. The Italian branch incurs Italian tax on the Italian GAAP profits arising in the Italian branch. The Italian tax charge for the Branch was nil for 2018 (2017: €nil)

The profit per the financial statements, after tax for the year to 31 December 2018 was €1,741k (2017: Loss €1,035k). No dividends were paid during the year (2017: €nil)

A.5. Any Other Information

ALI entered into run-off in 2007 with the intention to complete a portfolio transfer to Aviva Italy by the end of 2017. A business plan has been prepared on the basis of finding an alternative company within the Aviva Group into which The Company portfolio can be transferred. Given that ALI is currently regulated in Ireland, the proposal is that, following regulatory consent, the receiving entity would be an Aviva Ireland regulated entity. This is subject to approval by the board of the Irish regulated entitiy. The business has revised the assumed transfer date to 31 March 2020.

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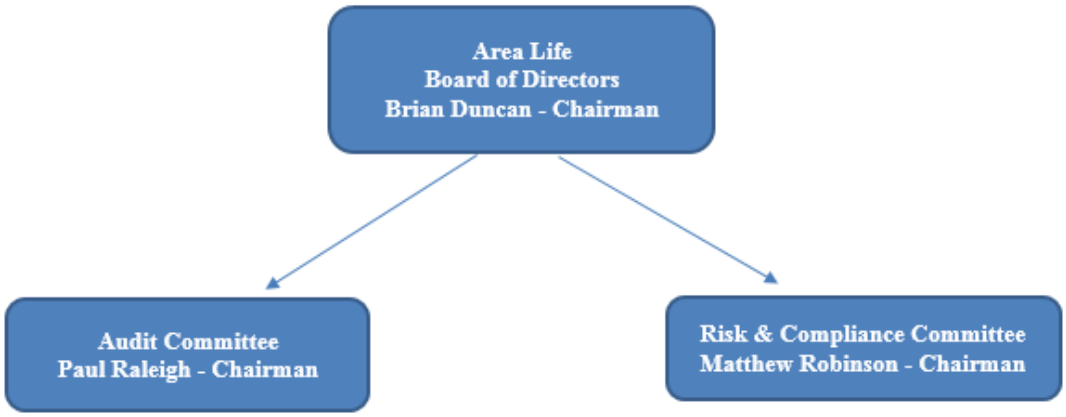
B. System of Governance

B.1. General Information on the System of Governance

The Company is classified as a Low Risk firm under the Central Bank of Ireland's risk-based framework for the supervision of regulated firms, known as PRISM or Probability Risk and Impact SysteM and is subject to the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015.

Board & Committees at 31 December 2018



Board of Directors at 31 December 2018

Name	Status on Board	Membership of Sub Committees
Brian Duncan*	Independent Non Executive	Audit
Paul Raleigh	Independent Non Executive	Audit*
Matthew Robinson	Non Executive	Risk* & Audit
Alberto Vacca	Non Executive	Audit
Martin Cosgrove	Managing Director	Audit

Chairman*

Conor Molloy (Audit Committee Chairman) resigned from the Board effective 31 January 2018. Martin Cosgrove and Paul Raleigh were appointed to the Board on 21 March 2018 as CEO and Audit Committee Chairman respectively.

Company Secretary
Laura O'Hare, Aviva Ireland

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The Board

The Board is responsible for directing the affairs of the Company in a manner that promotes the success of the Company for the benefit of its shareholder and in a way which is consistent with its Articles of Association, applicable regulatory and current corporate governance requirements. The Company is in run-off and the Board's strategy is to portfolio transfer the business to an alternative company within Aviva Group. Given that ALI is currently regulated in Ireland, the proposal is that, following regulatory consent, the receiving entity would be an Aviva Ireland regulated entity. The business has revised the assumed transfer date to 31 March 2020.

The Board is assisted in its duties by the Audit and Risk Committees who operate under Board approved Terms of Reference. By delegating certain functions to the Committees, the Board does not absolve themselves of their own responsibility for the Company.

It is the Board's responsibility to:

- Challenge constructively on issues presented to them or for which they are responsible under the Board terms of reference or otherwise, and contributing to the development of the Group's strategy;
- Scrutinise the performance of Management in meeting agreed goals and objectives and monitoring the reporting of performance;
- Satisfy themselves that financial controls and systems of risk management are robust and defensible and that on that basis they may rely on the accuracy of financial information presented to them;
- Ensure a satisfactory dialogue with shareholders on strategy and other relevant matters; and
- Have an appropriate role in the performance review and remuneration decisions of executive Directors and Key Function Holders in accordance with Solvency II remuneration requirements.

Board Risk Committee

The Risk Committee is responsible for assisting the Board in its oversight of risk, reviewing the Company's risk appetite and risk profile in relation to capital and liquidity, reviewing the effectiveness of the Company's risk management framework, reviewing the methodology used in determining the Company's capital requirements, stress testing, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring the Company's regulatory requirements.

The Company has appointed an independent Head of Actuarial Function (HoAF). As part of the annual reporting cycle, ALI's HoAF will provide reports to support his opinion on the level of adequacy of technical provisions, the Company's underwriting and reinsurance practices, views on risk management practices and his contribution to them, and also his views on the adequacy of the scenarios supporting the Own Risk and Solvency Assessment (ORSA).

It is the Risk Committee's responsibility to:

- Review and monitor the Company's future risk strategy and its risk appetite, in particular in relation to capital and liquidity, franchise value, conduct, reputational and operational risk with respect to the Company and recommend the approval of, and any material changes to such risk appetite to the Board;
- Review and challenge the Company's methodology for creating its forward-looking risk profile at both an individual and aggregate level (subject to materiality); review and challenge the forward-looking risk profile against its risk strategy and capital and liquidity risk appetite; to review the drivers of the changes, if any, in the Company's risk profile and their implications for capital, liquidity and franchise value;

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- Review Management's view of emerging and potential risks; review and challenge proposed Management actions when the Company's position against risk appetite reaches the trigger point for escalation to the Risk Committee;
- Review and robustly assess (i) the design, completeness and effectiveness of the Company's risk management framework relative to its activities including those that would threaten its business model, future performance, solvency or liquidity, (ii) the adequacy and quality of the Company's risk management function, and (iii) the effectiveness of risk reporting (including timeliness and risk events);
- Review the methodology and assumptions used in the Group's model for determining its economic and regulatory capital requirements; satisfy itself that the assumptions and calibrations used reflect Aviva's forward-looking risk profile and that the potential impact of un-modelled and unquantifiable risks have been in taken into consideration in determining economic and, where appropriate, regulatory capital; to receive independent internal and/or external reports on the methodologies and assumptions, and satisfy itself that the models are fit for purpose; to review the overall outcomes and implications of these models; and, with input from the Audit Committee as appropriate, to review the adequacy of the Group's processes and the effectiveness of controls over the determination of its economic and regulatory capita, and to make recommendations where appropriate;
- Review and recommend to the Board for approval, risk policies and material changes to these; review relevant Aviva Business Standards which require Board ownership or which support the Board in meeting its responsibilities. Monitor compliance with risk policies and Business Standards and Management's actions to remedy any breaches;
- Review the scenarios (covering both economic and other future risk outlooks over the business plan horizon) and stress tests which the Company uses to assess the adequacy of its economic and regulatory capital and liquidity; and review and challenge the outcome of these tests and the proposed actions which might need to be taken in light of the outcomes;
- Satisfy itself that risks to the business plan are adequately identified and assessed as part of the business planning process through an own risk and solvency assessment, including stress-testing and scenario analysis, and that appropriate mitigants, management actions and contingency plans are in place in relation to risks to the business plan, or arising as a result of the business plan and monitor the Company's medium-term capital management plan and recommend it to the Board for approval;
- Satisfy itself that risk-based information (including own risk and solvency requirements, returns on economic capital, capital and liquidity reports, stress testing and contingency planning) is appropriately considered and used effectively by management in making business decisions;
- If a significant transaction is due to be proposed to the Board, to ensure that a due diligence appraisal of the proposition is undertaken before the Board takes a decision whether to proceed, focusing in particular on the capital, regulatory and liquidity risk appetite of the Company and Group and ensuring that the implications of the transactions on the capital, liquidity and franchise value risk appetite in respect of current and future capital requirements is taken into account;
- Review periodic reports from the risk function on significant risk exposures and monitor management's mitigating actions. To assess the adequacy and effectiveness of the Company's risk management approach;
- Review and recommend to the Board for approval any material regulatory filings;
- Review material, pending or prospective legal actions involving the Company and whether any lesson learned from them about risks and controls are being applied where appropriate within the Company;
- Regularly receive reports on the performance and oversight of important outsourced functions and supplier arrangements that support a business critical function;
- Review, on behalf of the Board, the terms of any new important outsourced functions or supplier arrangements that support a business critical function; and
- Annually review the Company's fit and proper framework.

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Regulatory

- Monitor the relationships with the Company's regulatory authorities, developments and prospective changes in the regulatory environment, and the Company's plans to influence future regulatory policies. Oversee the regulatory landscape in respect of conduct matters and review the actions taken in relation to any regulatory developments which may have a material impact on the Company;
- Review whether the Company has satisfactory controls in place to ensure that its customers are treated in accordance with both the Aviva plc Group's Policies and regulatory requirements; and to review any risk mitigation plans arising from regulatory reviews, and the Company's response to such plans;
- Review significant breaches or potential breaches of regulations and the steps taken to ensure that the underlying root causes of any regulatory control failures are being addressed;
- Review the Company's procedures - and compliance with them - relating to prevention of financial malpractice and crime, including but not limited to fraud, money laundering, breach of sanctions, bribery & corruption, and to note any material issues which arise and monitor their resolution; and
- Review the adequacy and quality of the Company's compliance and risk functions.

Audit Committee

The Audit Committee, working closely with the Company's Risk Committee, is responsible for monitoring the integrity of the Company's financial statements and the effectiveness of the systems of internal control including having comfort in respect of Group whistleblowing provisions and for monitoring the effectiveness, performance, independence and objectivity of the internal and external auditors.

It is the Audit Committee's responsibility to:

- Investigate, or cause to be investigated, any activity within its terms of reference;
- Seek any information that it requires from any employee / advisor of the Company in order to perform its duties may require all such employees / Advisors to co-operate with any request made by the Committee;
- Obtain at the Company's expense, with the approval of the Chairman of the Board, external legal or independent professional advice from such advisers as the Audit Committee shall select, who may at the invitation of the Audit Committee attend meetings as necessary;
- Meet for despatch of its business, adjourn and otherwise regulate its business as it shall see fit, including approving items of business by the written consent of its members in accordance with the procedure set out in the Company's Articles of association;
- Cause the Company to pay (to the extent it has not already done so) all:
    - professional fees to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company entities;
    - professional fees to any advisors employed by the Audit Committee under its Terms of Reference; and
    - ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
- Delegate any of its duties as is appropriate to such persons or person as it thinks fit.

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B.1.1: Chief Risk Officer ("CRO")

A Chief Risk Officer is appointed via a formal outsourcing arrangement with Aviva (Italy), to oversee the implementation of the Company's Risk Management Policy, reporting to the Risk Committee and the Company's Managing Director.

The responsibilities of the CRO include:

- The oversight of the Company's Enterprise Risk Management framework (ERM);
- Identification of risk events and reporting new and emerging risks, such that these can be assessed and material issues reported to the Board Risk Committee, who will determine whether the issue is of such significance that it needs to be reported to the Company's regulator; and
- To ensure that the annual 'Own Risk and Solvency Assessment' (ORSA) is prepared and submitted to the Risk Committee who engage with the process and recommend outputs to the Board for strategic consideration.

B.1.2: Compliance Officer

A Compliance Officer is appointed, via a formal outsourcing arrangement with Aviva (Ireland), with responsibility for the implementation of the Company's Compliance Policy and effective processes. The Compliance Officer reports to the Risk Committee and the Board, and raises issues as they arise, to the Company's Managing Director.

The responsibilities of the Compliance Officer include:

- To report on significant instances of non-compliance to the Risk Committee and the Company's management;
- To monitor Compliance within the Company and its service providers, making recommendations where change is required, and to maintain the Company's Breach Register; and
- To monitor legal and regulatory change and to inform the Company and its service providers where such changes have implications for the Company's processes.

B.1.3: Head of Actuarial Function ("HoAF"):

The function of the HoAF is outsourced to Aviva (Italy). The responsibilities of the HoAF and the Actuarial Function, in line with guidance from the Central Bank of Ireland and the Society of Actuaries in Ireland, include, but are not limited to the following matters:

- Calculation of the firm's technical provisions;
- Assessing the consistency of the internal and external data used in the calculation of technical provisions against the data quality standards as set out in Solvency II;
- Continuous monitoring of the solvency position of the Company and the required level of statutory reserves;
- Reporting on the solvency position of the Company; and
- The provision of advice and support to the Company on the ORSA process, including the financial consequences of stresses and scenarios and the impact of management actions.

B2. Fitness and Probity Requirements

The company places a high value on appointing persons who are fit and proper and has adopted a fitness and probity policy (the policy).

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The policy is aligned to the Central Bank of Ireland's Guidance on Fitness and Probity Standards 2014. The Board is responsible for reviewing and adapting the policy on an annual basis.

The policy sets out the due diligence checks which are performed when appointing Controlled Functions (CF) or Pre Approved Controlled Functions (PCF). All PCFs and CF's are required to have the necessary knowledge, skills, experience, expertise, competencies, professionalism, fitness, probity and integrity to carry out their duties. In addition, all PCFs are required to:

1. Be competent and capable;
2. Act honestly, ethically and with integrity; and
3. Be financially sound.

All PCF holders must receive approval from the Central Bank of Ireland prior to their appointment.
All CF and PCF holders are subject to an ongoing annual attestation that they comply with the company's policy and the CBI Fitness and Probity Standards.

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

Own Risk Solvency Assessment ("ORSA")
Annually and on an ad-hoc basis, if circumstances materially change, the Company prepares an ORSA. The objective of the ORSA process is to enable the Board to assess its capital adequacy in the light of its assessments of its risks and the potential impacts of its risk environment, and enable it to make appropriate strategic decisions. The Board requires that the ORSA process produces meaningful reports on the adequacy of the Company's capital and risk sensitivities that can be used in shaping strategy and risk appetite.

The ORSA process is a circular process that relies on key elements of the business:

- Board strategy, policies and plans;
- The Solvency II Pillar I Balance Sheet standard model results, and base assumptions used;
- The ERM process and its outputs, which identifies the key risks;
- The Risk Committee who review, challenge and approve the test scenarios including the ORSA output;
- The Actuarial Function who run the tests on the Balance Sheet, for capital adequacy and produce the resultant output;
- The Risk Function, Actuarial Function and management who assess the outputs and prepare the reports;
- The Risk Committee and Board's assessment of the output and resultant capital, strategy and risk appetite review;
- ORSA Reporting to the Company's regulator, the Central Bank of Ireland.

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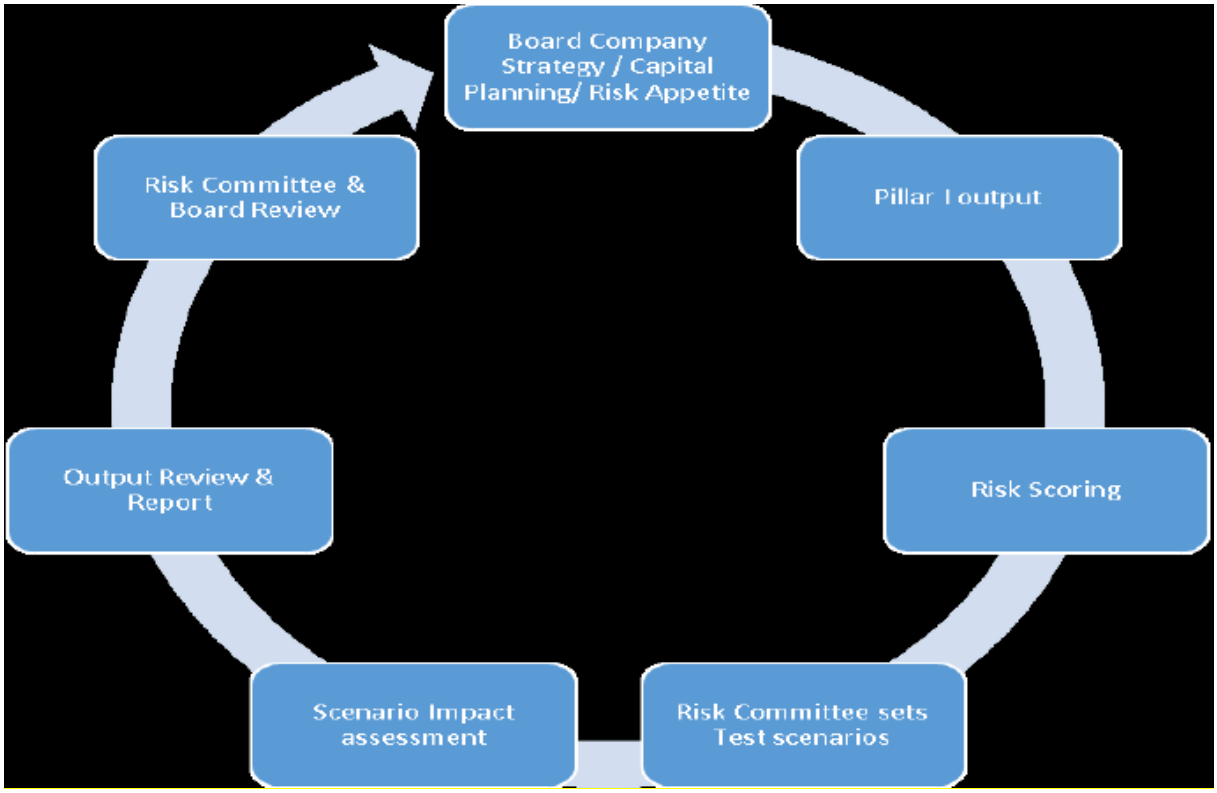

The Board has determined that the Solvency II standard formula should be used to calculate the required solvency capital and to assess the overall solvency needs. A base case projection of the Solvency II Balance Sheets and Solvency Capital Requirements ('SCR') position is produced using the standard formula, as well as actuarial and key run-off assumptions. The results are subjected to a range of scenario testing that is reviewed by management and challenged by the Board and, where appropriate, potential management actions are noted and conclusions drawn.

Based on the output of the scenario testing performed, all of the scenarios tested would lead to an immediate breach of risk appetite in the event of recognition of a delay to the portfolio transfer requiring further capital support, i.e. if the assumed transfer date was to change the net asset position of the Company would fall. In the absence of cost reduction or asset rebalancing measures, which should be immediately investigated, additional capital is required to withstand foreseeable shocks as outlined above. The amount of capital required would be substantially higher if the transfer was to be further delayed and that amount of capital increases significantly with time.

The key risks identified in the ORSA that the Company faces, and key observations drawn from the ORSA are:

Risk Type	**Within Company Control**	**Comment**
Strategic Risk	Partly	The intended portfolio transfer of the business is delayed or cannot be completed.
Expense	Yes	ALI is exposed to expense risk both in terms of the level of expenses incurred in administering the business and in the timing of the portfolio transfer as this drives the level of expense reserves required to be held by the Company. With respect to expense inflation, the main mitigating actions available are to continue to analyse and monitor expenses and to remain efficient by achieving ongoing improvements to processes across the business.
Interest Rate	Partly	ALI is exposed to fluctuations in interest rates in so far as they impact the amount of fee income earned, the level of benefits paid out, the valuation of the Best Estimate Liabilities (BEL) and the value of the assets backing those liabilities. The bonds backing ALI's traditional liabilities provide a good duration match for IFRS reporting purposes. The asset liability position is actively managed by the

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		ALI Investment Committee, which reports to the Risk Committee.
Spread	Partly	ALI is exposed to spread risk on its bond portfolio, either those backing the traditional liabilities or those contained within unit linked funds. 89% of the assets backing ALI's traditional portfolio are invested in Italian government and other EU debt. The widening of credit spreads on these assets would lead to a material exposure for the company in terms of potential reductions in the net asset position. It should be noted that the relatively short duration of the asset portfolio (2-5 years) means that the effects would reverse relatively quickly as long as the assets are not sold or default.
Taxation	No	Increased taxation is likely to erode the Company's net asset position over time.

B.4. Internal Control System

ALI's Internal Control System comprises robust and efficient control activities at all levels of the organisation. Strategies, business plans and company-wide objectives are set in line with the wider strategic requirements of Aviva Group.

The Internal Control System comprises five interrelated components:

- Control environment;
- Risk assessment;
- Control activities;
- Monitoring; and
- Information and communication ("Reporting").

B.4.1 Monitoring

Monitoring of ALI's Internal Control System is performed using the three lines of defence model as follows:

Level 1: Business Operations

ALI Management is responsible for the implementation, effectiveness and enforcement of internal controls. Daily control activities are embedded within the procedures of each business operation to facilitate management in monitoring and overseeing its internal control systems such as approvals, authorisations, verifications, reconciliations and management reviews.

ALI's Internal Control System comprises efficient control activities across all levels of the organisation. Strategies, business plans and company-wide objectives are set in line with the wider strategic requirements of Aviva Groups.

Level 2: Oversight and Challenge

The Audit Committee, Risk Committee and Control Functions oversee the activities and controls in ALI's business operations and challenge the completeness, accuracy and appropriateness of risk identification and risk assessments, and the implementation and adequacy of controls.

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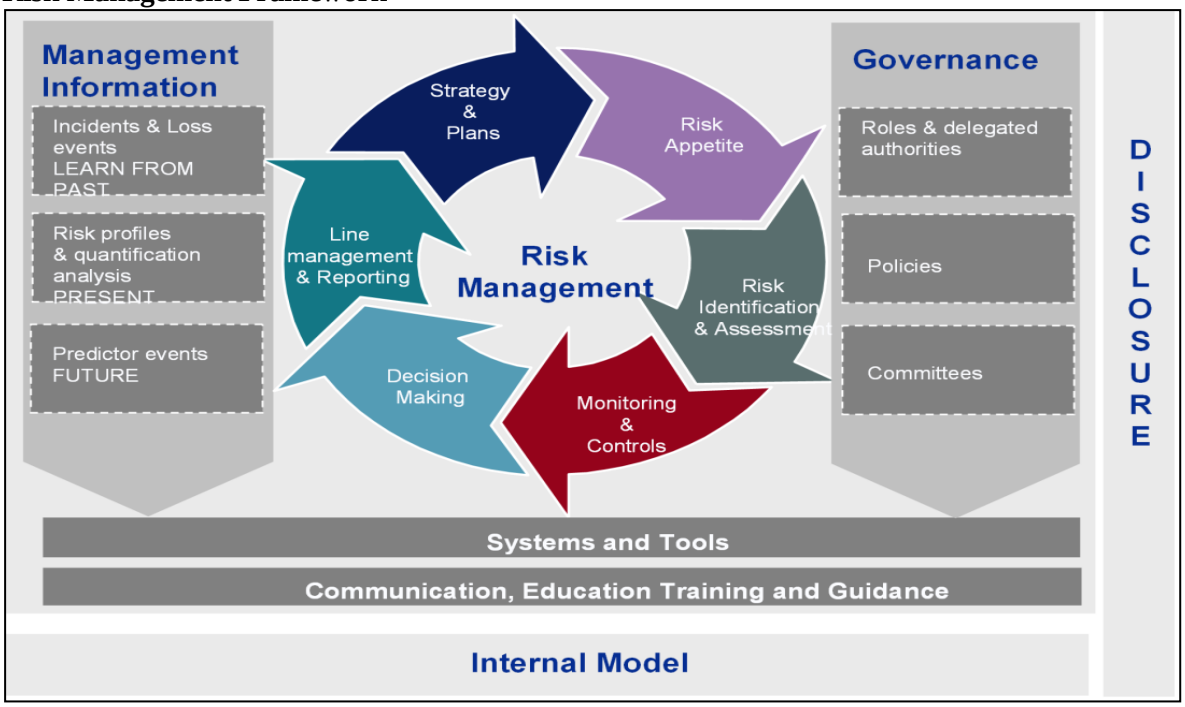
Risk Function

Risk Management Framework



ALI's CRO is charged with oversight and supervision of the identification, assessment, management, monitoring, reporting and communication of risk within ALI. The CRO provides assurance to the Risk Committee on ALI's risk exposure and the adequacy of ALI's internal controls to mitigate such risks.

The CRO shall be able to communicate on his own initiative with any staff member and obtain access to any records necessary to allow him to conduct his duties.

Compliance Function

ALI's Compliance function is responsible for implementing, and monitoring the effectiveness of, measures to comply with applicable laws, regulations and administrative provisions. The Compliance function assesses the appropriateness of ALI's compliance procedures and guidelines and follows up with Management on control deficiencies in relation to compliance risks. The Compliance function at ALI has a Compliance Policy, Compliance Plan which sets out the activities performed by the Compliance function in order to fully perform its duties. The Compliance Plan is approved by the Board annually.

The Compliance Officer shall be able to communicate on their own initiative with any staff member and obtain access to any records necessary to allow the Compliance Officer to conduct their duties.

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Actuarial Function

Actuarial Function's monitoring role includes the calculation and assessment of technical provisions and Solvency capital requirement on a regular basis for the purpose of risk identification and risk assessment. In assessing the sufficiency and quality of data, risks relating to inadequate data are monitored. In expressing opinions relating to underwriting and re-insurance, the risks relating to the writing of insurance business are assessed.

Level 3: Independent Assurance

The Internal Audit Function provides independent and objective assurance on the appropriateness and effectiveness of ALI's Internal Control System, and it ensures that controls are in place for identified risks and those controls are designed and operating effectively. The third line of defence also reviews the effectiveness of the first and second lines of defence and suggests improvements as required.

The Internal Audit function shall be able to communicate on its own initiative with any staff member and obtain access to any records necessary to allow it to conduct its duties.

B.5. Internal Audit Function

The Internal Audit function is outsourced to Aviva (Ireland). Internal Audit plays an important role in evaluating the effectiveness of controls and contributes to ongoing effectiveness through identification of weaknesses and recommendations for improvement. Internal Audit performs reviews based on an annual Internal Audit Plan and reports its findings to the Audit Committee.

B.6. Actuarial Function

The Actuarial Function has a number of designated roles relevant to ALI's Internal Control System relating to assessing the sufficiency and quality of data used in the calculation of technical provisions, informing and advising management as to the reliability and adequacy of technical provisions, expressing an opinion on the overall underwriting policy and the adequacy of reinsurance arrangements, and expressing an opinion on the suitability of the scenarios tested as part of the ORSA.

The Actuarial Function services to support the business are outsourced to Aviva (Italy).

Article 48 of the Solvency II Directive requires the Actuarial Function to:

- Coordinate the calculation of technical provisions;
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- Compare best estimates against experience;
- Inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- Have internal processes and procedures in place to ensure the appropriateness, completeness and accuracy of the data used in the calculation of their technical provisions, or use appropriate approximation methods if insufficient data of appropriate quality exists;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of reinsurance arrangements; and
- Contribute to the effective implementation of the risk-management system.

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B.7. Outsourcing

Outsourcing is an arrangement of any form between ALI and a service provider by which that service provider performs a process, a service or activity which would otherwise be performed by ALI itself.

The key activities which are outsourced by ALI are:

- IT services outsourced to Aviva Italy under an Intra Group Agreement;
- Policy administration is outsourced to Aviva Italy under an Intra Group Agreement;
- Fund management and administration is outsourced to Aviva Italy under an Intra Group Agreement;
- The HoAF role is outsourced to Aviva (Italy);
- The CRO role is outsourced to Aviva (Italy);
- The DPO role is outsourced to Aviva (Italy);
- The Internal Audit Function is outsourced to Aviva (Ireland); and
- The Compliance Function is outsourced to Aviva (Ireland).

In outsourcing any activity, ALI must ensure that any outsourcing:

- Does not unduly increase operational risk; and
- Does not negatively affect service to customer.

ALI determines for each outsourcing arrangement whether the arrangement is material or not. Material activities are defined as:

- Activities of such importance that any weakness or failure in the provision of these activities could have a significant effect on ALI's ability to meet its regulatory responsibilities, deliver services to policyholders and/or to continue in business;
- Any other activities requiring a licence from a relevant supervisory authority;
- Any activities having a significant impact on ALI's risk management; and
- The management of risks related to these activities.

Typically an outsourcing arrangement will be material if it involves any of the following activities:

- The investment of assets or portfolio management;
- Claims handling;
- The provision of regular or constant compliance, internal audit, accounting, risk management or actuarial support;
- The provision of data storage; and
- The provision of on-going, day-to-day systems maintenance or support.

B.8. Any Other Information

The Company has assessed its corporate governance systems and internal controls and has concluded that it provides effective and prudent management of the business which is proportionate to the nature, scale and complexity of a company in run-off.

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C. Risk Profile

ORSA Process

C.1.1 Risk Profile of the Company

To enable a consistent, systematic and disciplined approach towards risk management, ALI categorises its main risks as follows:

- Market – where ALI's balance sheet position depends on financial markets;
- Business – risks associated with carrying out life insurance business, such as expense risk, persistency risk and new business risk;
- Insurance – risks associated with the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities;
- Operational – risks associated with ALI's processes and systems, and external events such as outsourcing, catastrophes, legislation, or external fraud;
- Credit – risks associated with a loss or potential loss from counterparties failing to fulfil their financial obligations;
- Financial Risks – risks associated with ALI's finance function including Financial Reporting, Capital Management, Liquidity and Tax;
- Strategic – unintended risks that can result as a by-product of planning or executing a strategy;
- Reputational – the risk's ALI's business suffers through loss of reputation, due to issues such as mis-selling, conduct and consumer related issues; and
- Legal, Regulatory and Compliance Risks – the risk of sanction and fines through breaches of legal, regulatory and compliance obligations.

C.1.2 Risk assessment

The CRO and management (ALI and AIH) consider and assess the full range of risks that affect ALI on an annual basis. This is discussed with the Risk Committee and ultimately recommended to the Board for approval. This process enables new, emerging and evolving risks, including strategic and reputational, to be identified and understood should they arise.

Risks are assessed quantitatively through ALI's Risk Appetite Framework. Risk appetite is monitored against pre-defined tolerance levels, documented in ALI's Risk Appetite Framework, approved by the Board, monitored by the Risk function, and reported to the Risk Committee.

The existing Risk Appetite Statement considers risks from a Solvency II perspective primarily in terms of impact on capital. Risks are assessed on a quarterly basis through the Company's risk reporting.

C.1.3 Governance around ORSA Scenario Setting and Review of Results

The risk profile of the Company has been reviewed to help inform (a) the selection of scenarios in Section 6.3 below and (b) to form a view on the appropriateness of the standard formula for SCR calculation purposes. The process used to decide the scenarios is as follows:

- The scenarios used in the YE 2017 ORSA were considered in the first instance;
- The proposed scenarios were determined based on events that may have a materially negative impact on the business in terms of changes to the level of own funds, which is the key concern for ALI given the low level of own funds at the Company's disposal;

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- The level of solvency capital identified within each sub risk module of the 30 September 2018 SCR (adjusted to reflect the revised business plan) was also used to identify potential risks which could materially impact on the financial strength of the Company;
- Consideration was given to reverse testing;
- An analysis of the change in the Solvency II balance sheet during 2018 was performed to determine the key drivers, which in turn helped inform whether new risks should be considered for ORSA purposes; and
- The scenarios were presented and agreed by the Risk Committee and the Board.

The results of the scenario testing and the methodologies used were discussed with Group Risk Function in AIH and faced Board challenge in December 2018 before being finalised for submission to the CBI.

Scen.	Description of scenario	Comment
Base	Base Scenario	For the purposes of the analysis the base scenario assumes a transfer date of 31 December 2019 to an Aviva Ireland entity, continuation of ALI's existing expense base pre-transfer and demographic assumptions consistent with those used for quarterly reporting to the CBI at 30 September 2018.
1	Italian Government bond spread +50bps	Unique and instantaneous shock occurred as at Q3-18
2	Italian Government bond spread +100bps	Unique and instantaneous shock occurred as at Q3-18
3	Italian Government bond spread +150bps	Unique and instantaneous shock occurred as at Q3-18
4	Corporate bond spread +50bps	Unique and instantaneous shock occurred as at Q3-18
5	Severe lapse UP (additive)	Important increase (+5%) on lapse rate assumptions that, being permanent, has an impact on FY18 best estimate in proportion to the residual duration
6	Operational Risk Event	Extraordinary operational event which worth €1.1m occurring only during 2019 which is similar to the events of "happy end bonus" and saving units". It is a breach of the reasonable policy holders expectations
7	6-months delay of Portfolio Transfer	The authorization from CBI to transfer the portfolio in Ireland comes with a delay of 6-months, thus it is effective from 30 June 2020. So, it is assumed to increase the reserve by €0.5m during the 2019, when such information comes true
8	No Portfolio Transfer	This scenario covers the situations where either the High Court or CBI will not grant the portfolio transfer to an Aviva Ireland company or the Board of an Aviva Ireland company does not agree to the proposed transfer. Since the future expenses (in run off) increase by €5m, the Best Estimate in FY19 will suddenly increase by the same amount. The effects of this event are permanent in each year of the projection period

All of the above scenarios would lead to a decrease of the SCR/MCR ratios but would stay always above the appetite, except for the scenario "No portfolio transfer" in which, due to the high level of the expense technical provision to set up, the OF would undergo a sudden and severe decrease which, in turn, would entail the fall of the MCR ratios below the 100% from FY19 to the end of the projection period.

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The key risks identified in the ORSA that the Company faces, and key observations drawn from the ORSA are:

Risk Type	Within Company Control	Comment
Strategic Risk	Partly	The intended portfolio transfer of the business is delayed or cannot be completed.
Expense	Yes	ALI is exposed to expense risk both in terms of the level of expenses incurred in administering the business and in the timing of the portfolio transfer as this drives the level of expense reserves required to be held by the Company. With respect to expense inflation, the main mitigating actions available are to continue to analyse and monitor expenses and to remain efficient by achieving ongoing improvements to processes across the business.
Interest Rate	Partly	ALI is exposed to fluctuations in interest rates in so far as they impact the amount of fee income earned, the level of benefits paid out, the valuation of the Best Estimate Liabilities (BEL) and the value of the assets backing those liabilities. The bonds backing ALI's traditional liabilities provide a good duration match for IFRS reporting purposes. The asset liability position is actively managed by the ALI Investment Committee, which reports to the Risk Committee.
Spread	Partly	ALI is exposed to spread risk on its bond portfolio, either those backing the traditional liabilities or those contained within unit linked funds. 89% of the assets backing ALI's traditional portfolio are invested in Italian government and other EU debt. The widening of credit spreads on these assets would lead to a material exposure for the company in terms of potential reductions in the net asset position. It should be noted that the relatively short duration of the asset portfolio (2-5 years) means that the effects would reverse relatively quickly as long as the assets are not sold or default.
Taxation	No	Increased taxation is likely to erode the Company's net asset position over time.

C.1. Underwriting Risk

The key risk drivers resulting in life underwriting risk for ALI are:

Expense risk
ALI is exposed to expense risk both in terms of the level of expenses incurred in administering the business and in the timing of the portfolio transfer as this drives the level of expense reserves required to be held by the Company.

With respect to expense inflation, the main mitigating actions available are to continue to analyse and monitor expenses and to remain efficient by achieving ongoing improvements to processes across the business. Expenses are closely monitored by the Company on a monthly basis to early address any potential overruns.

Lapse Risk
This is the risk that policyholders' behaviour in discontinuing and reducing premiums or withdrawing benefits prior to the maturity of the contract is worse than expected. The lapse SCR under Solvency II arises from the maximum reduction in Own Funds arising from three predefined shocks (an increase in lapse rates of 50%, a decrease in lapse rates of 50%, and the immediate surrender of 40% of the business which would lead to a surrender strain). ALI's products have been designed to withstand adverse developments in lapse or paid up experience through the use of surrender penalties or benefit reductions on policies becoming paid up. Notwithstanding lapse risk is one of the key risks facing the business and therefore is a large component of the overall SCR requirements.

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Mortality Risk
Mortality risk is the risk that actual policyholder death experience on life insurance policies is higher than expected. For unit linked business the exposure is limited due to the low levels of sum assured on the products. For Mista and Term business the death benefits are linked to the sum assured assigned to the policy at inception. For Rendita and Capitale business the death benefits are linked to the maximum of the surrender value and level of premiums paid which reduces the overall level of exposure. For traditional business the level of exposure is reduced through the use of reinsurance. Additionally the business has generally been targeted at pre-retirement lives where mortality rates are lower. Thus the level of sensitivity to mortality risk is low.

Longevity Risk
Longevity risk is the risk that policyholders and annuitants live longer than expected. ALI's traditional business has been written with various guaranteed annuity options available to policyholders. Historically take up rates on these options have been very low and guarantees in respect of all Rendita policies and Mista and Capital polcieis with technical rate 4 were internally reinsured to AIH for policies maturing from 1 January 2009, which significantly reduces the exposure for the Company.

Catastrophe risk
This is similar to Mortality risk but assumes a severe mortality stress that applies for a short period e.g. a pandemic type event. Given the nature of the benefits and the level of reinsurance in place the sensitivity to catastrophe risk is low.

C.2. Market Risk

The key risk drivers resulting in market risk for ALI are:

Interest Rate Risk
ALI is exposed to fluctuations in interest rates in so far as they impact the amount of fee income earned, the level of benefits paid out, the valuation of the Best Estimate Liabilities (BEL) and the value of the assets backing those liabilities.

The bonds backing ALI's traditional liabilities provide a good duration match to the corresponding liabilities. The asset liability position is actively managed by the ALI Investment Committee, which reports to the Risk Committee.

There are investment guarantees on the traditional business in terms of minimum levels of yield applied to the revaluation of benefits these are based on book yields and thus are not impacted by fluctuations in market yields, unless of course the bonds backing the liabilities are sold. Additionally the negative BEL on the unit linked business provides a natural hedge against changes in interest rates on the traditional business. Thus the overall level of sensitivity to interest rates is low.

Equity Risk
ALI is exposed to market movements from unit-linked contracts both with respect to earnings and with respect to economic capital. The value of in-force business for unit-linked business can be negatively impacted by adverse movements in equity markets. For ALI one of the key drivers of the Market Risk SCR is the equity risk module.

Currency Movements
The value of in-force business for unit-linked business can be negatively impacted by adverse currency movements. However based on the initial look through assessment there appears to be limited exposure to currency fluctuations in respect of this business.

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For the traditional business ALI has no exposure to currency movements as the liabilities and backing assets are all Euro denominated.

Property Risk
Only very limited policyholder assets are invested in property. Thus the level of risk capital held by the Company is minimal.

Spread Risk
ALI is exposed to spread risk on its bond portfolio, either those backing the traditional liabilities or those contained within unit linked funds.

Risk capital is held in respect of ALI's corporate bond portfolio which represents c. 11% of ALI's traditional assets. The remainder of ALI's traditional portfolio is backed by Italian government and other EU debt. As the standard formula assumes a zero risk charge on EU member state's issued debt no additional risk capital is held in respect of this sovereign debt.

Concentration Risk
Similar to spread risk, risk capital is held in respect of ALI's corporate bond portfolio.

ALI is also exposed to concentrations in terms of reinsurance exposure and cash held at bank although these are allowed for in the counterparty default risk module.

C.3. Credit Risk

Credit risk is the risk that the Company is exposed to lower returns or loss if another party fails to perform its financial obligations to the Company. Credit risk can be sub-divided as follows:

Counterparty Default Risk
This is the risk of losses due to the unexpected default of the counterparties and debtors of the Company e.g. default on a reinsurance arrangement. The counterparty risk charge is driven off the Company's exposure to different banks and reinsurance counterparties.

Bank Exposure
ALI maintains deposits with a number of banks, the key ones being Banca Populare di Cremona (rated BBB by Fitch) and Allfunds Bank (rated Ba2 by Moody's). The Company has placed upper limits on the level of exposure it is willing to accept.

Reinsurance Exposure
The counterparty exposure on the quota share treaty is mitigated by the reinsurance deposit held removing the need for additional risk capital to be held. The level of exposure on the internal reinsurance treaty with AIH is low due to the low levels of take up on the guaranteed annuity options.

A Reinsurance Strategy appropriate to the Company's overall risk profile to manage, control, supervise and be responsible for entering into reinsurance arrangements has been drafted. The Reinsurance Strategy sets out exposure limits per reinsurer linked to credit rating.

Asset default risk
Approximately 89% of ALI's traditional liabilities are backed by Italian government and other EU debt. ALI is potentially exposed to the risk of partial or full default of these investments. As the standard formula assumes a zero risk charge on EU member state's issued debt no additional risk capital is held in respect of this exposure.

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The Company holds additional capital in respect of its soverign bond exposure from an Own Solvency Needs Assessment perspective.

C.4. Liquidity Risk

The risk that ALI does not have sufficient liquidity to meet its obligations when they fall due, or would have to incur excessive costs to do so.

ALI's liquidity position is robust. ALI's Liquidity Policy outlines the processes in place for liquidity management. These include:

- CRO and Investment Committee oversight of liquidity management;
- Monitoring of short- and medium-term liquidity needs; and
- Liquidity management processes e.g. match policyholder liabilities having regard to the nature, term and currency of the liabilities.

The expected profit included in future premiums ("EPIFP") means the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy. For the purposes of calculating the technical provisions premiums are assumed in respect of the traditional portfolio (categorised as "insurance with profit participation") and term assurance business (categorised as "other life insurance").

There are no future profits expected from the term assurance business due to the duration of the inforce business. The traditional business produces have also been designed to protect the profitability of the business against deviations in experience through the use of surrender penalties and reduced benefits in the event of policies being made paid up.

C.5. Operational Risk

ALI defines Operational risk as the risk of loss resulting from processes, people and systems. Key operational risks to the Company include those related to data security, IT systems, reserving, process failure, and loss of key staff.

Outsourcing and Process Risk
ALI outsources its administration to AIH. ALI mitigates its outsourcing risk by monitoring the service providers adherence to the requirements of the outsourcing SLA which sets out the roles and responsibilities, policies and procedures along with relevant KPIs, performance review procedures etc.

Other Operational Risks
Independent challenge of the business functions is provided through the CRO, Internal Audit and Compliance functions. The CRO in AIH is responsible for providing independent challenge of the business functions within the Branch and provides additional assurance to management.

C.6. Other Material Risks

Branch Tax Risk
Historically the amount of Branch tax paid has been volatile and difficult to predict for the Company. The level of Branch tax payable is material for ALI and variations in the result can significantly affect ALIs' net asset position. Models have been developed, following discussions on the reserving methodologies and accounting principles used by AIH for Italian GAAP reporting purposes, to project forward the Italian GAAP balance sheet and P&L in order to estimate the future amount of Branch tax payable.

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Strategic Risk
A business plan has been prepared on the basis of finding an alternative company within the Aviva Group to transfer the business to. Given that ALI's is currently regulated in Ireland, the likelihood is that the receiving entity would be an Aviva Ireland regulated entity.

Consequently the business has revised the assumed transfer date to 31 March 2020, based on analysis performed by ALI and AIH. Based on the work performed to date with respect to the transfer, this timeline appears to be achievable.

Reputational Risk
Every risk type mentioned above has potential consequences for ALI's reputation; therefore, effectively managing each type of risk helps ALI reduce threats to its reputation.

ALI endeavours to preserve its reputation by adhering to applicable laws and regulations, and by adhering to Company policies, to the CBI's Fitness & Probity regime and to Group principles of integrity and good business practices. The Company is required to comply with consumer legislation in Italy. The service level agreement between ALI and AIH has been written to ensure adherence to IVASS / CONSOB consumer protection rules.

Legal, Regulatory and Compliance Risks
The Company has no material litigation risks. In line with the CBI Fitness and Probity regime the Company has in place PCFs for all key control function roles to provide challenge to Management in addition to Board and Risk Committee challenge.

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D. Valuation for Solvency Purposes

D.1. Assets

The following table summarises the company's financial assets at 31st December 2018:

	31-Dec-18 €000	31-Dec-17 €000
Assets held for index-linked and unit-linked contracts	27,952	44,674
Government Bonds	46,031	63,697
Corporate Bonds	6,231	9,657
Reinsurance recoverables from: Life and health similar to life, excluding health and index-linked and unit-linked	16,644	23,662
Insurance and intermediaries receivables	260	431
Cash and cash equivalents	1,587	5,112
Any other assets, not elsewhere shown	2,682	3,514
Total	**101,387**	**150,749**

Linked investments are invested in collective investment undertakings which are externally managed funds and are valued at fair value under Solvency II based on market prices at the reporting date. No significant estimates or judgements are used in the valuation of these investments.

Fixed income securities are quoted instruments in active markets and therefore the market price at 31st December 2018 has been applied. No significant estimates or judgements are used in the valuation of these investments.

Debtors comprise of insurance recoverables valued based on best estimate of the recoverable value. This category contains a tax asset recoverable from the Italian government of €1.70m (2017: €2.50m) arising from the advance payment of Italian policyholder Italian tax obligations which is expected to be recovered either by a deduction from tax withheld from policyholder payments or by offset against taxes payable to the Italian revenue authorities within a period of five years. This asset is carried at its full recoverable value without discounting it for the time value of money.

Cash at bank is valued at fair value in respect of bank accounts held in Italy and Ireland.

Accrued interest is valued based on the coupons receivable on fixed income securities based on the fixed coupon rates applied to the nominal holding of the securities accrued daily since the last coupon payment date.

D.2. Technical Provisions

The Technical Provisions have been calculated as the sum of a best estimate plus a risk margin. The calculations have been performed on a best estimate basis margin in accordance with Articles 75 to 86 of the Solvency II Directive. They represent a realistic estimate of the Company's future obligations with an

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allowance for some deviation for plausible changes in estimation in the form of the risk margin. They are not expected to be sufficient to meet the Company's obligations in all scenarios.

The breakdown of the technical provisions (net of reinsurance) as at 31 December 2018 is outlined below:

€m's	31 December 2018	31 December 2017
Insurance With Profit Participation	30.6	43.8
Index Linked and Unit Linked Assurance	26.4	43.6
Other Life Insurance	-	2.7
Total	**57.0**	**90.1**

The key source of uncertainty for the Company is the timing of the portfolio transfer, as any extension to the transfer date equates directly to additional expense overruns and Branch taxes being incurred while the Company remains a regulated entity in Ireland.

D.2.1.1 Policy Reserves

The best estimate liabilities have been calculated on a deterministic basis using best estimate assumptions. Best estimate liabilities have been calculated to allow for all material cashflows. The cashflows have been projected over a sufficiently long time period to allow for all material cashflows.

D2.2 Risk Margin

The risk margin is a part of technical provisions necessary to ensure that the value of technical provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations. The risk margin is calculated by determining the cost of capital to support elements of the SCR over the lifetime of the business. For the purposes of the calculation the following elements of the SCR are captured:

- Underwriting risk with respect to the transferred business;
- Credit risk with respect to reinsurance contracts; and
- Operational Risk.

Assets are assumed to be chosen such that they would minimise the SCR and thus are ignored for the purposes of the calculation. Additionally the Company has assumed the Level 3 simplification, i.e. the SCR is assumed to run off in proportion to the run off of the total net of reinsurance Best Estimate Liabilities for the business as a whole. For the purposes of the projections the net of reinsurance Best Estimate Liabilities are run off over a 30 year period at which point they are virtually extinguished.

D.2.3 Contract Boundaries

The boundary of a contract is defined such that obligations which relate to insurance or reinsurance cover which might be provided by the undertaking after any of the following dates do not belong to the contract, unless the undertaking can compel the policy holder to pay the premium for those obligations:

- the future date where the insurance or reinsurance undertaking has a unilateral right to terminate the contract;
- the future date where the insurance or reinsurance undertaking has a unilateral right to reject premiums payable under the contract; or

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– the future date where the insurance or reinsurance undertaking has a unilateral right to amend the premiums or the benefits payable under the contract in such a way that the premiums fully reflect the risks.

The technical provisions assume the following:

- For Mista, Capitale and Rendita business the projections assume that premiums will be receivable until maturity of the policy, or the projected surrender or paid up date if sooner. Thus the projections assume all future cashflows fall within the boundaries of the contract;
- For annuities in payment the projections assume all future cashflows fall within the boundaries of the contract;
- For term assurance business the projections assume that premiums will be receivable until maturity of the policy or the projected surrender date if sooner. Thus the projections assume all future cashflows fall within the boundaries of the contract; and
- For unit linked business the projections assume that all policies are immediately made paid up.

D.2.4 Loss Absorbing Features of Technical Provisions

For Mista, Capitale and Rendita business, the Company revalue benefits annually where the assigned yield on the relevant fund exceeds the technical rate assigned to the policy (either 4%, 3% or 0%). The assigned yield is equal to the yield on the fund multiplied by the participation rate.

The participation rate is determined by the Board. The minimum participation rate is 80% and has been used as the basis for determining the level of technical provisions.

In theory future bonuses could be reduced to allow for reductions in yield in a shocked interest rate environment. The nature of the yield declaration means that this would only happen for reinvested assets as yields are known in advance for the existing bond portfolio, assuming they are held to maturity.

D.2.5 Transitional Measures

The Company does not apply 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 Directive 2009/138/EC.

The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.2.6 Assumptions

Details of the key assumptions used for the purposes of calculating the best estimate liabilities are set out below.

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D.2.6.1 Risk Discount Rate

The projected cash flows are discounted to the valuation date using a risk-free yield curve, i.e. the annual zero coupon spot rates published by EIOPA for Solvency II purposes.

D.2.6.2 Fund Growth Rate

Unit growth rates have been derived from the same EIOPA risk free yield curve noted in Section D.2.6.1 above.

D.2.6.3 Bonus Rates

For Mista, Capitale and Rendita business, the company revalue benefits annually where the assigned yield on the relevant fund exceeds the technical rate assigned to the policy (either 4%, 3% or 0%). The assigned yield is equal to the book yield on the fund multiplied by the participation rate. The minimum participation rate is 80%. No specific reserve is held for future revaluations, however the yield curve is adjusted to allow for expected future bonuses implied by the book yields up to 2024 (implied by the asset valuations backing the AreaGest fund) and the technical rates of the individual policies. After 2024 revaluations are assumed to be driven by yields available in the marketplace.

The projected annual level of book yields on the AreaGest fund and the corresponding exposure each year based on the run off of the existing assets backing the AreaGest fund are set out below. As the existing portfolio is replaced the assumed projected annual levels of book yields are assumed in line with risk free market yields, i.e. the EIOPA risk free yield curve.

Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Cen_Q318	1.25	-0.02	0.29	-1.67	0.92	0.04
Cen_FY18	1.13	0.66	0.36	-1.01	1.47	0.33
Cen_HY18	0.95	0.68	0.83	-0.64	1.27	0.99

Area Life

LoB	Bel 2018	Bel 2019	Bel 2020	Bel 2021	Bel 2022	Bel 2023	Bel 2024	Bel 2025
Insurance With Profit Participation	46.867.433	23.106.194	18.474.758	16.939.835	15.447.403	13.038.383	9.330.684	8.379.786
Index Linked and Unit Linked Assurance	26.143.279	21.051.213	15.109.546	12.763.023	11.164.326	9.824.633	8.271.322	7.071.711
Other Life Insurance	25.259	20.912	16.096	10.689	6.915	4.459	3.202	2.082
Total	**73.035.970**	**44.178.319**	**33.600.400**	**29.713.548**	**26.618.644**	**22.867.474**	**17.605.208**	**15.453.579**

In order for future revaluations TR4, TR3 and TR0 yields would need to exceed 5%, 3.75% and 0% respectively, i.e. technical rate divided by 80%, so if the respective yields do not exceed these amounts the policy returns will equal the technical rate which are embedded into the sum assured levels set at policy inception.

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D.2.6.4 Expenses

Per Policy Expenses

ALI entered into run-off in 2007.

The expense recorded during 2018 are slightly more than € 1.2m as shown in the exhibit below:

Input

Latest View 2018	Aviva Life	
Acquisition	€	-
Maintenance	€	1.205
Total	**€**	**1.205**
Opex	€	1.040
Acquisition	€	-
Claims	€	165
Investments	€	0
Total	**€**	**1.205**
Total 2018	**€**	**1.205**

Only part of these, less than € 0.2 million, are due to the management of portfolio and to the claim settlement activities: €155,200 were overhead expenses and expenses for asset servicing whereas the remainder €21,300 were costs for claim settlements.

The rest of additional expenses incurred during 2018 are worth € 1.025 million.

It has been decided that 2019 will mirror 2018 whilst from 2020 onwards the additional expenses will reduce to nil since the proposed transfer of portfolio to Aviva Ireland.

Therefore:

- 180K€ as recurrent cost translated in unitary cost per policy and applied annually during the run-off of the portfolio;

- 1.025K€ only for 2019 as an add-on on Best Estimates (hereafter BEL) since ARLF is expected to merge with AVIVA Ireland by the end of March 2020.

There is an additional expense reserve by € 0.25 million that would enable the insurer to face any eventual delay of the portfolio transfer of 3 months.
The recurrent costs have been entirely attributed to the portfolio in force as fixed amount whilst costs proportional to the volumes (ie technical provisions) have been set to zero.
The exact attribution of those fixed costs within the lines of business has been done in proportion to their contribution to the point in time reserves, where term insurance counts for 10 times a single participating contract or unit linked and where annual / recurrent premiums contracts count double compared to single premiums.

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That said, the new best estimate expenses assumptions for 2019 are:

FY18 Policy servicing						
Legal Entity	**Unit P.U.**	**Unit P.A.**	**Non Linked P.A.**	**Risk P.A.**	**Risk CPI/PU**	**Pension scheme**
Area Life	14,59	60,48	89,57	24,74	9,43	28,68

FY18 Claims	
Legal Entity	**All**
Area Life	12,97

Total Expenses

A separate expense reserve is held to allow for expected additional business expenses until the business is transferred. For the purposes of the valuation this is assumed to happen in March 2020.

Actual incurred expenses for 2018 were used to estimate 2019 expense levels.

The total expenses are split between those expected to be incurred by the Company and Branch respectively. This split has been performed based on analysis performed by the Company. The expense split is important as it is one of the key drivers behind the tax charge incurred within the Italian Branch. Details of the expected expenses to be incurred in 2018 and 2019 are set out below:

Expense Category €000's	**2018 Actual**			**2019 Estimate**			**2020 Estimate**		
	Comp.	**Branch**	**Total**	**Comp.**	**Branch**	**Total**	**Comp.**	**Branch**	**Total**
Consultancy fees	13	265	278	7	-	7	7	-	7
Professional Services	161	32	193	168	33	201	172	33	205
Salaries/Directors Fees	348	-	348	503	-	503	516	-	516
Inter-Group Services	-	445	445	-	305	305	-	312	312
Administration	72	83	155	70	87	157	72	88	160
Total	**594**	**826**	**1,420**	**748**	**425**	**1,173**	**767**	**433**	**1,200**

The final budgeted figure for 2019 and 2020 are €1,173k and €1,200k respectively.

For the purposes of the expense overrun reserve calculation total expenses expected to be incurred up to the portfolio transfer date less modelled expense allowances in the per policy reserve calculations are taken into account.

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Expense Inflation

The inflation rate used for projecting expenses per policy are inflated in accordance with the following exhibit that has been cascaded by Group and used throughout the legal entities of Aviva in Europe. Although the Italian inflation is slightly higher (1.7%), the difference is considered not material enough to be worth to modify such a procedure in place just for the Italian legal entities..

t	inflation rate	inflation rate	t
1	1,36%	1,55%	11
2	1,02%	1,57%	12
3	0,91%	1,59%	13
4	0,97%	1,54%	14
5	1,09%	1,42%	15
6	1,18%	1,27%	16
7	1,28%	1,20%	17
8	1,38%	1,22%	18
9	1,47%	1,33%	19
10	1,52%	1,52%	20

D.2.6.5 Persistency

Area Life is an Entity with a very low amount of historical data for the development years consider that this Company is closed to New Business. Historical data for the different Lapse leads was used in the analyses where available.

Products / Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7 +
TRAD A	N/A	N/A	N/A	N/A	N/A	N/A	3,2%
TERM A	N/A	N/A	N/A	N/A	N/A	N/A	7,6%
LINKED A	N/A	N/A	N/A	N/A	N/A	N/A	8,9%
LINKED S	N/A	N/A	N/A	N/A	N/A	N/A	26,0%

The impacts of the changed lapse assumptions are given below. The in-force results are based on the Q318 model as last available official Solvency II position at the time of tests.

The analysis included also the study of the Paid - up policies and their reactivation (reinstatement of the previous status where recurrent premiums begin to be paid again). The number of paid up is represented as a percentage of the number of lapsed policies and the number of reinstated policies as a percentage of the number of paid ups. Estimates are derived by checking the policy status and apply the division between corresponding quantities. Paid ups and reinstated policies are aggregated according to the lapse lead classification which is fully compliant with Solvency II.

		Paid UP			Reinstatement rate		
Business Type		TRAD	UL	MULTIRAMO	TRAD	UL	MULTIRAMO
Lapse Lead		1	9,11	13,16	1	9,11	13,16
Arlf	928	21.9%	3.5%	0.0%	41.3%	0.0%	0.0%

All the assumption referring to Paid Up and reactivation are based on experience and therefore they don't include any expert judgment.

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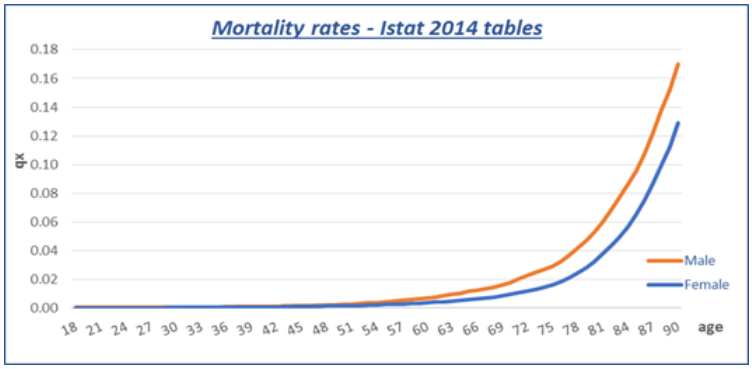
D.2.6.6 Mortality

The Company's mortality rates are assumed to be equal to the one provided by the official ISTAT mortality tables used in the analysis. This decision was taken due to the fact that the sample size of the Company's portfolio is too small to make inference about the experienced mortality as it is in run-off.

The base mortality rates are taken from the ISTAT (Italian National Institute of Statistics) 2014, split by gender. Annuities in payment as well as the additional provision for guaranteed annuity options are calculated on the base of A62, that is a mortality table in use in Italy built up thanks to a joint work of the national association of actuaries and the national association of insurers. It's based on the forecast probability to be alive of people born on 1962.



D.2.6.7 Guaranteed Annuity Take Up Rates

For Mista and Capitale business, policyholders are allowed to convert their lump sum policy proceeds to annuities at maturity at guaranteed rates. For the Rendita Classica, there is an option to convert the annuity to a lump sum on guaranteed terms. The assumption is not a material assumption for the purposes of calculating the technical provisions as all Rendita policies, and Mista and Capitale policies with technical rate 4, converting to guaranteed annuities with maturity dates from 1 January 2009 are fully reinsured to Aviva SpA (Italy). Historically the rates observed by the Company have been very low. This is consistent with observed experience on the wider book of business administered by AIH.

Take up rates in annuity are set to 10% for individual contracts (deferred annuities, deferred capital and endowment) and 100% for PIP. This amends the previous assumption that was worth only 2%.

The underpinning reason lays on the last observation by 8.3% for individual contracts (cases occurred during 2018 compared to the exposures).

PIP assumption reflects the local regulation about "pillar 3": additional pensions at retirement through insurance contracts – paid recurrently via the annuity - have tax benefits compared to lump sum (and also the lump sum cannot be settled in all the cases).

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D.2.6.8 Participation Rate

For Mista, Capitale and Rendita business, the Company revalue benefits annually where the assigned yield on the relevant fund exceeds the technical rate assigned to the policy (either 4%, 3% or 0%). The assigned yield is equal to the yield on the fund multiplied by the participation rate. The participation rate is determined by the Board.

The minimum participation rate is 80% and has been used as the basis for determining the level of technical provisions.

D.2.6.9 Tax

Tax is assumed to be incurred at the Italian corporation tax rate of 30.8% (IRES or Corporate Income Tax of 24.0%, IRAP or Regional Income Tax of 6.8%).

D.2.7 Reinsurance Recoverables

Reinsurance Treaties are in place covering the Mista Classica, Rendita Classica and Capitale Classica products on a quota share and surplus basis. Reinsurance premiums are paid to the reinsurers and the reinsured element of claims are recovered annually. The reinsurers have deposited their share of the technical provisions for the policies covered by the treaties and the Company pays an annual interest on the outstanding balance. The deposit reduces in line with policies being claimed from the portfolio.

D.2.8 Comparison with Financial Statements

The financial statements are prepared in accordance with the Companies Act 2014 and in accordance with FRS 102 and 103 (effective for all accounting periods beginning on or after 1 January 2015) issued by the Financial Reporting Council, together with the provisions of Statutory Instrument No. 262/2015 European Union (Insurance Undertakings: Financial Statements) Regulations 2015 (effective from 17 June 2015).

The table below shows the differences between the technical provisions for financial statement and solvency II purposes :

€m's	Financial Statements	Solvency II
Insurance With Profit Participation	28.6	30.2
Index Linked and Unit Linked Assurance	29.2	26.1
Other Life Insurance	1.7	-
Total	**59.5**	**56.4**

The main difference between the two sets of figures is that the Solvency II figures are calculated using best estimate assumptions compared to more prudent assumptions for financial statements purposes. As experience emerges over time the additional prudence in the financial statements will be released.

D.3. Other Liabilities

D.3.1 Deferred Tax Liability

A deferred tax liability (DTL) at a rate of 30.82% has been established in resect of the change in free assets from the transition to Solvency II from the FRS balance sheet. AS FRS reserves have become more aligned with SII BEL, since year end 2017, there has been a substantial decrease in the deferred tax liability recognised in the SII Balance Sheet.

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Below illustrates the movement between FRS and SII resulting in the DTL recognised at year end 2018.

	€000's
FRS Technical Provisions*	57,970
SII BEL	73,036
SII Reinsurance Asset	(16,644)
SII Risk Margin	591
Movement FRS v SII	987
DTL per SII Balance Sheet	304

*FRS Technical Provisions shown above include reinsuers share of claims outstanding of €1.56m.

D.4 Alternative methods for valuation

The Company does not use any alternative methods for valuation.

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E. Capital Management

E.1. Own Funds

This Capital Management Policy sets out the principles, the division of roles and responsibilities and the approaches to capital management employed by ALI to manage and monitor its solvency and capital requirements.

The strategic objectives of capital management within ALI are:

- **Regulatory compliance**: To ensure compliance with ALI's regulatory capital requirements;
- **Efficient capital allocation**: To manage and allocate capital efficiently to achieve sustainable returns and facilitate growth objectives; and

ALI strives to ensure that it maintains capital levels which are consistent with the ALI Risk Appetite Framework, the ALI Corporate strategy, as well as statutory minimum requirements at both a point in time and on a forward looking basis.

E.1.1 Characteristics of Own Funds

Own funds are comprised of paid-in ordinary share capital, a paid up irrevocable capital contribution, retained earnings and a reconciliation reserve. The Company has adequate available assets to meet the capital requirements for the SCR and MCR. The Company has set an internal target to maintain in excess 140% of the calculated SCR and MCR.

The breakdown of the Company's own funds and capital coverage ratios are set out below (figures are in €m's):

Capital and Reserves:	**31 December 2018**	**31 December 2017**
Ordinary share capital	26.5	26.5
Other own fund items approved by the supervisory authority as basic own funds	4.2	2.3
Subordinated Loan	0	0
Reconciliation Reserve	(21.4)	(22.0)
Solvency II Net Assets	**9.3**	**6.8**
Less 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	-	1.9
Solvency II Basic Own Funds	**9.3**	**4.9**
Of which: Unrestricted Tier 1	*9.3*	*4.9*
Eligible Own Funds to cover SCR	9.3	4.9
Solvency Capital Requirement	2.2	2.7
Solvency Capital Requirement Ratio	423%	178%
Eligible Own Funds to cover SCR	9.3	4.9
Minimum Capital Requirement	3.7	3.7
Minimum Capital Requirement Ratio	252%	133%

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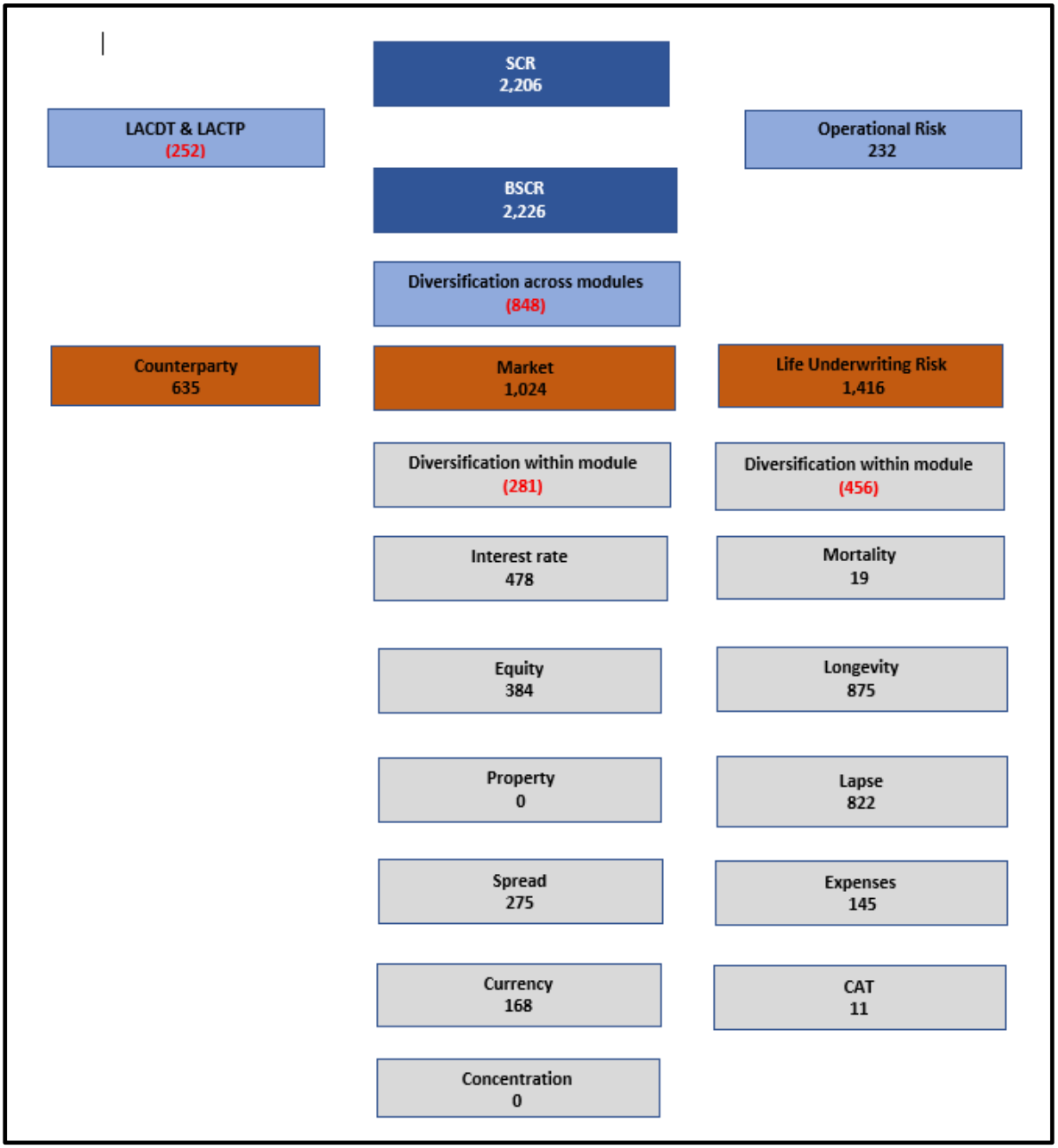
E.2. Solvency Capital Requirement and Minimum Capital Requirement

The amount of the Company's Solvency Capital Requirement and Minimum Capital Requirement at 31 December 2018 are €2.2m and €3.7m respectively. The chart below shows the components of the SCR (using the Standard Formula) at 31 December 2018.



The Company uses EIOPA's Solvency II Standard Formula. It does not use Company specific parameters and does not use simplified calculations in its computation.

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The Minimum Capital requirement at 31 December 2018 is €3.7m which is the absolute minimum prescribed by legistation.

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Company has not opted to use the duration-based equity risk sub-module, of the Solvency II regulations.

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Appendix: Annual Quantitative Reporting Templates

	Assets		
R0010	Goodwill	**R0010**	0
R0020	Deferred acquisition costs	**R0020**	0
R0030	Intangible assets	**R0030**	0
R0040	Deferred tax assets	**R0040**	0
R0050	Pension benefit surplus	**R0050**	0
R0060	Property, plant & equipment held for own use	**R0060**	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	52,262,214
R0080	Property (other than for own use)	**R0080**	0
R0090	Holdings in related undertakings, including participations	**R0090**	0
R0100	Equities	**R0100**	0
R0110	Equities - listed	**R0110**	0
R0120	Equities - unlisted	**R0120**	0
R0130	Bonds	**R0130**	52,262,214
R0140	Government Bonds	**R0140**	46,031,085
R0150	Corporate Bonds	**R0150**	6,231,129
R0160	Structured notes	**R0160**	0
R0170	Collateralised securities	**R0170**	0
R0180	Collective Investments Undertakings	**R0180**	0
R0190	Derivatives	**R0190**	0
R0200	Deposits other than cash equivalents	**R0200**	0
R0210	Other investments	**R0210**	0
R0220	Assets held for index-linked and unit-linked contracts	**R0220**	27,952,556
R0230	Loans and mortgages	**R0230**	0
R0240	Loans on policies	**R0240**	0
R0250	Loans and mortgages to individuals	**R0250**	0
R0260	Other loans and mortgages	**R0260**	0
R0270	Reinsurance recoverables from:	**R0270**	16,644,177
R0280	Non-life and health similar to non-life	**R0280**	0
R0290	Non-life excluding health	**R0290**	0
R0300	Health similar to non-life	**R0300**	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	16,644,177
R0320	Health similar to life	**R0320**	0
R0330	Life excluding health and index-linked and unit-linked	**R0330**	16,644,177
R0340	Life index-linked and unit-linked	**R0340**	0
R0350	Deposits to cedants	**R0350**	0
R0360	Insurance and intermediaries receivables	**R0360**	259,655
R0370	Reinsurance receivables	**R0370**	0
R0380	Receivables (trade, not insurance)	**R0380**	0
R0390	Own shares (held directly)	**R0390**	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
R0410	Cash and cash equivalents	**R0410**	1,586,775
R0420	Any other assets, not elsewhere shown	**R0420**	2,682,195
R0500	**Total assets**	**R0500**	101,387,572

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CHM	**Liabilities**		
R0510	Technical provisions – non-life	**R0510**	0
R0520	Technical provisions – non-life (excluding health)	**R0520**	0
R0530	TP calculated as a whole	**R0530**	0
R0540	Best Estimate	**R0540**	0
R0550	Risk margin	**R0550**	0
R0560	Technical provisions - health (similar to non-life)	**R0560**	0
R0570	TP calculated as a whole	**R0570**	0
R0580	Best Estimate	**R0580**	0
R0590	Risk margin	**R0590**	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	47,212,058
R0610	Technical provisions - health (similar to life)	**R0610**	0
R0620	TP calculated as a whole	**R0620**	0
R0630	Best Estimate	**R0630**	0
R0640	Risk margin	**R0640**	0
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	47,212,058
R0660	TP calculated as a whole	**R0660**	0
R0670	Best Estimate	**R0670**	46,892,691
R0680	Risk margin	**R0680**	319,367
R0690	Technical provisions – index-linked and unit-linked	**R0690**	26,415,150
R0700	TP calculated as a whole	**R0700**	0
R0710	Best Estimate	**R0710**	26,143,039
R0720	Risk margin	**R0720**	272,111
R0730	Other technical provisions	**R0730**	0
R0740	Contingent liabilities	**R0740**	0
R0750	Provisions other than technical provisions	**R0750**	38,239
R0760	Pension benefit obligations	**R0760**	0
R0770	Deposits from reinsurers	**R0770**	9,590,647
R0780	Deferred tax liabilities	**R0780**	304,321
R0790	Derivatives	**R0790**	0
R0800	Debts owed to credit institutions	**R0800**	0
R0810	Financial liabilities other than debts owed to credit institutions	**R0810**	0
R0820	Insurance & intermediaries payables	**R0820**	6,258,421
R0830	Reinsurance payables	**R0830**	1,561,140
R0840	Payables (trade, not insurance)	**R0840**	683,250
R0850	Subordinated liabilities	**R0850**	0
R0860	Subordinated liabilities not in Basic Own Funds	**R0860**	0
R0870	Subordinated liabilities in Basic Own Funds	**R0870**	0
R0880	Any other liabilities, not elsewhere shown	**R0880**	0
R0900	**Total liabilities**	**R0900**	92,063,227
R1000	**Excess of assets over liabilities**	**R1000**	9,324,345

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S.05.01.02

Premiums, Claims and Expenses by line of Business			Line of Business for: life insurance obligations			
			Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Total
			C0210	C0220	C0230	C0300
	Premiums written					
R1410	Gross	**R1410**		855,762	845,415	1,701,177
R1420	Reinsurers' share	**R1420**		277,391		277,391
R1500	Net	**R1500**		578,371	845,415	1,423,786
	Premiums earned					
R1510	Gross	**R1510**		855,762	845,415	1,701,177
R1520	Reinsurers' share	**R1520**		277,391		277,391
R1600	Net	**R1600**		578,371	845,415	1,423,786
	Claims incurred					
R1610	Gross	**R1610**		25,701,219	16,040,069	41,741,288
R1620	Reinsurers' share	**R1620**		12,699,333		12,699,333
R1700	Net	**R1700**		13,001,886	16,040,069	29,041,955
	Changes in other technical provisions					
R1710	Gross	**R1710**				
R1720	Reinsurers' share	**R1720**				
R1800	Net	**R1800**				
R1900	**Expenses incurred**	**R1900**		761,226	752,022	1,513,248
R2500	**Other expenses**	**R2500**				
R2600	**Total expenses**	**R2600**				1,513,248

Annex I

S.05.02.01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		IT					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	**R1410**		1,701,177					
Reinsurers' share	**R1420**		277,391					
Net	**R1500**		1,423,786					
Premiums earned								

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Gross	**R1510**		1,701,177					
Reinsurers' share	**R1520**		277,391					
Net	**R1600**		1,423,786					
Claims incurred								
Gross	**R1610**		41,741,288					
Reinsurers' share	**R1620**		12,699,333					
Net	**R1700**		29,041,955					
Changes in other technical provisions								
Gross	**R1710**		-					
Reinsurers' share	**R1720**		-					
Net	**R1800**		-					
Expenses incurred	**R1900**		1,513,248					
Other expenses	**R2500**							
Total expenses	**R2600**							

Annex I

S.12.01.02

Life and Health SLT Technical Provisions

		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 as a whole	**R0020**								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	**R0030**	46,867,433		26,143,039			-	25,259	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	16,644,177							
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	30,223,256		26,143,039			-	25,259	
Risk Margin	**R0100**	317,721	272,111			1,646			
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0110**								
Best estimate	**R0120**								
Risk margin	**R0130**								
Technical provisions - total	**R0200**	47,185,153	26,415,150			26,905			

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		Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
					Contracts without options and guarantees	Contracts with options or guarantees			
		C0100	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0210**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0220**								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	**R0030**		73,035,730						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		16,644,177						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**		56,391,553						
Risk Margin	**R0100**		591,478						
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0110**								
Best estimate	**R0120**								
Risk margin	**R0130**								
Technical provisions - total	**R0200**		73,627,208						

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Annex I						
S.23.01.01						
Own funds						
		Total	**Tier 1 - unrestricted**	**Tier 1 - restricted**	**Tier 2**	**Tier 3**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	26,445,400	26,445,400			
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**					

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Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	- 21,292,054	- 21,292,054			
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	4,171,000	4,171,000			
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	9,324,346	9,324,346			
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	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	9,324,346	9,324,346			
Total available own funds to meet the MCR	R0510	9,324,346	9,324,346			
Total eligible own funds to meet the SCR	R0540	9,324,346	9,324,346			
Total eligible own funds to meet the MCR	R0550	9,324,346	9,324,346			
SCR	R0580	2,206,235				

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MCR	**R0600**	3,700,000
Ratio of Eligible own funds to SCR	**R0620**	4.2264
Ratio of Eligible own funds to MCR	**R0640**	2.5201

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	9,324,346
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	30,616,400
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	- 21,292,054
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	269,039
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	
Total Expected profits included in future premiums (EPIFP)	**R0790**	269,039

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	**USP**	**Simplifications**
		C0110	**C0090**	**C0100**
Market risk	**R0010**	1,024,095		-
Counterparty default risk	**R0020**	634,519		-
Life underwriting risk	**R0030**	1,415,619		-
Health underwriting risk	**R0040**			-
Non-life underwriting risk	**R0050**			-
Diversification	**R0060**	- 848,419		
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	2,225,814		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	232,153

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Loss-absorbing capacity of technical provisions	**R0140**	- 14,752	
Loss-absorbing capacity of deferred taxes	**R0150**	- 236,979	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**		
Solvency Capital Requirement excluding capital add-on	**R0200**	2,206,235	
Capital add-on already set	**R0210**		
Solvency capital requirement	**R0220**	2,206,235	
Other information on SCR			
Capital requirement for duration-based equity risk sub-module	**R0400**		
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**		
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**		
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	492,229	

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Annex I

S.28.01.01

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

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	1,260,653.46

		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	29,731,027	
Obligations with profit participation - future discretionary benefits	R0220	492,229	
Index-linked and unit-linked insurance obligations	R0230	26,143,039	
Other life (re)insurance and health (re)insurance obligations	R0240	25,259	
Total capital at risk for all life (re)insurance obligations	R0250		3,813,763

Overall MCR calculation

		C0070
Linear MCR	R0300	1,260,653
SCR	R0310	2,206,235
MCR cap	R0320	992,806
MCR floor	R0330	551,559
Combined MCR	R0340	992,806
Absolute floor of the MCR	R0350	3,700,000
		C0070
Minimum Capital Requirement	R0400	3,700,000

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