

DARTA SAVING LIFE ASSURANCE dac

SOLVENCY AND FINANCIAL CONDITION REPORT 2018

COVERING THE PERIOD 1 JANUARY 2018 TO 31 DECEMBER 2018

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Overview

This report has been prepared in accordance with the requirements set out in Regulations 34,52, 55 to 57, 255 and 258 of Statutory Instrument 485 of 2015, the European Union (Insurance and Reinsurance) Regulations 2015[1] ("The 2015 Regulations")[2] and Articles 290 to 298, 305 to 311, 359 and 365 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ("Solvency II Delegated Acts").

This report also seeks to fulfil the requirements included in the European Insurance and Occupational Pensions Authority ("EIOPA") Guidelines on reporting and public disclosure ("The EIOPA Reporting Guidelines") and Guidelines as issued by the Central Bank of Ireland ("Central Bank").

Reporting period

This report covers the period 1 January 2018 to 31 December 2018, inclusive. Comparative information is provided where applicable.

Approval

This report was approved by Darta's Board of Directors on 15 April 2019.

Summary

Overview of the Company

Darta Saving Life Assurance dac ("Darta" or the "Company") is authorised in Ireland to transact life assurance business in the European Union ("EU") under the 2015 Regulations.

We operate on a Freedom of Services basis through the application of an outsourcing business model. This allows us to manufacture and distribute our products in a low-cost and flexible manner.

We mainly distribute unit-linked products through Allianz Bank in Italy. We have entered into a number of agreements with non-Allianz distributors. We are also exposed to mortality risk through the features of certain of our products.

[1] The 2015 Regulations have the effect of transposing Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ("Solvency II Directive") into Irish Law effective 1 January 2016.

[2] These requirements are practically identical to those requirements of Articles 35, 51, 53 to 55, Paragraph 2 of Article 254 and 256 of Directive 2009/138/EC.

We also distribute unit-linked products, on a limited scale, through brokers in Lithuania on a Freedom of Services basis.

Detailed information on our business profile is set out in Section A.1 below

Performance

Over recent years we have enjoyed success selling unit-linked insurance products in Italy, through Allianz Bank. In addition, we are considering ways in which our products range, distribution channels, and geographical footprint could be diversified.

The table below shows premiums, claims, expenses and change in technical provisions combined with the investment returns for our material lines of business.

	Index linked and unit linked insurance	
	2018 €'000	2017 €'000
Premiums earned (net of reinsurance)	2,303,027	3,078,605
Claims incurred (net of reinsurance)	(1,376,357)	(1,409,455)
Changes in technical provisions (net of reinsurance)	378,659	(2,229,427)
Expenses	(228,271)	(223,477)
Investment Income	(1,014,582)	832,177
Operating profit	62,476	48,423

Although we sell business outside of Italy, the current volume sold is equal to less than 1% (2017: less than 1%) of the total business sold during the year. Therefore, we have determined that information pertaining to non-Italian business is not material. Likewise, the amount of other life insurance sold during the reporting period, as relates to the Long Term care risk product, is also not material. Approximately 7% of our premium revenue is sourced from non-Allianz affiliated brokers in Italy.

The following table sets out our profits for the material lines of business and geographies where business is carried out over the reporting period, as reported in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS").

	Profit after tax 2018 €'000	Profit after tax 2017 €'000
Index linked and unit linked insurance	66,723	58,323

Differences between underwriting performance set out above and IFRS profit after tax relate to income and expense items relating directly to our Shareholders and the effect of taxation.

Detailed information on our performance during the reporting period is set out in Sections A.2, A.3 and A.4 below.

System of Governance

We have maintained an effective System of Governance, which provides for prudent and sound management of the business.

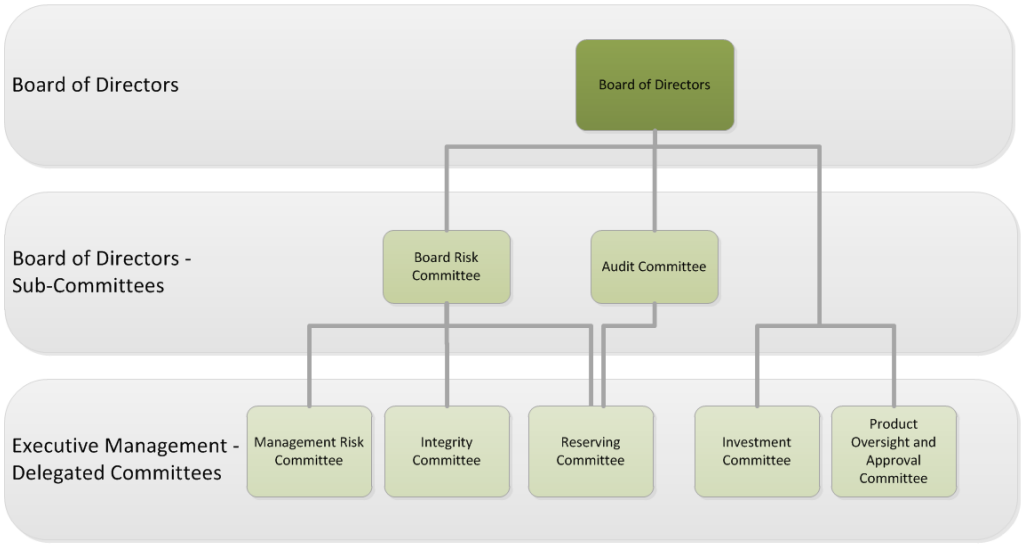
The ultimate responsibility for the business rests with the Board of Directors ("the Board"). The Board delegates certain responsibilities to its Committees and senior management, while retaining responsibility for overall control and strategic decisions. We place a high value on appointing fit and proper individuals and seek to ensure that each individual is suitably qualified to perform the role for which they have been recruited and that they are honest and trustworthy.

We have implemented a comprehensive risk management system, consistent with Allianz Group standards and industry best practice, referred to as the Risk Management Framework. The Chief Risk Officer ("CRO") and the Risk Management Function are responsible for setting an auditable framework for all risk-related activities undertaken. The Framework is achieved via the development, maintenance and monitoring of risk policies, limits and guidelines as well as the risk measurement methodology, and is compliant with all applicable regulatory requirements.

We have put a comprehensive suite of internal controls in place, based on a three lines of defence model with graduated control responsibilities.

We perform a regular assessment of our Own Risk and Solvency needs ("the ORSA"), as directed by the Board. The ORSA is a collection of interlinked processes that have been implemented to identify, assess, monitor, manage and report on the short and long term risks that we face and to determine the amount of capital ("Own Funds") necessary to ensure that overall solvency needs are met at all times.

The following diagram sets out a summary of the governance structures we have put in place.



There have been a number of material changes in the System of Governance during the reporting period.

The following appointments and resignations took place during the year:

- D. Moia, a Group Director, resigned as a member of the Audit Committee and as a Director on 26 October 2018.
- A. Agnelli was appointed as a Group Director effective from 12 November 2018. Mr Agnelli became a member of the Audit Committee at the same time as becoming a Board Member.
- Dr F. Rossaro left the Board Risk Committee effective from 27 July 2018 and became a member of the Investment Committee on 26 October 2018.
- P. Colton became a member of the Board Risk Committee effective from 27 July 2018.

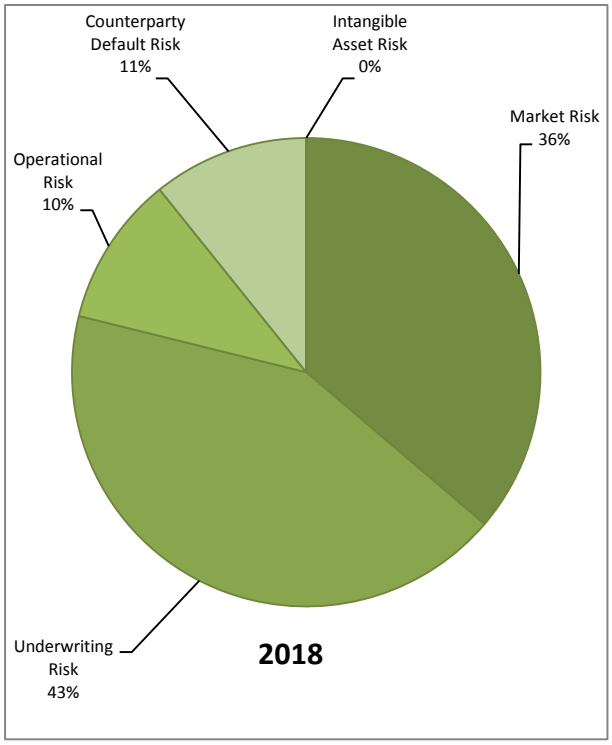
The Reserving Committee was established as a stand-alone committee for the first time during 2018. Prior to this time, the Management Risk Committee ("MRC") carried out the all of the duties of the Reserving Committee. The Head of Actuarial Function ("HOAF") was appointed as the chair of this Committee.

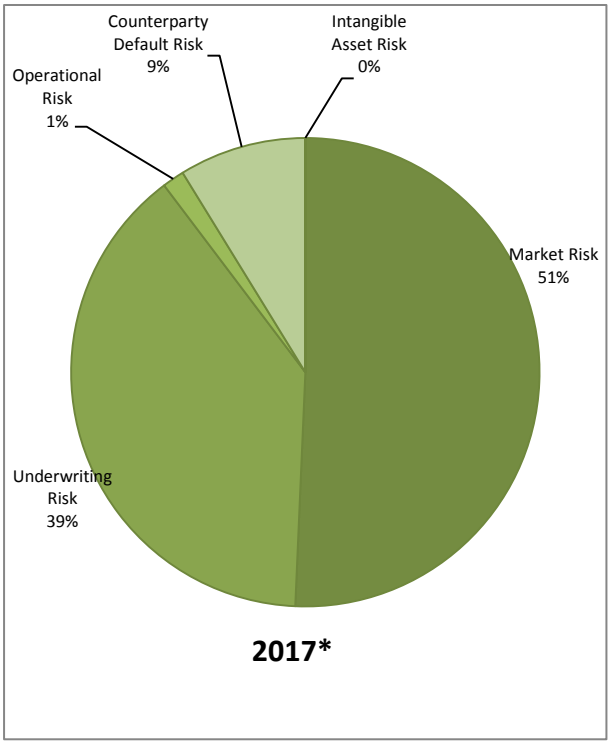
In line with the legal requirements for mandatory auditor rotation under Statutory Instrument 312 of 2016, PricewaterhouseCoopers ("PwC") was appointed as the Allianz Group external auditor effective from 1 January 2018.

Detailed information on the System of Governance and related topics is set out in Section B below.

Risk profile

Risk is measured and managed based on the calculations derived using the Standard Formula, as set out in Solvency II. The resulting risk profile, as set out in the chart below, indicates how risks are distributed over different risk categories and determines the regulatory capital requirements in accordance with Solvency II.





* The subcomponents of the 2017 Solvency Capital Requirement ("SCR") calculation have been revised as compared to those originally published in the 2017 SFCR. Refer below for further detail.

The approach applied in calculating the Operational Risk capital charge has been modified in the current year in line with recent clarifications issued by the European Insurance and Occupational Pensions Authority ("EIOPA"). This resulted in a significant increase in the amount of capital held in respect of operational risk as compared to the previous year.

Section C provides a detailed description of our risk exposure by category of Solvency II risk.

Valuation for solvency purposes

The recognition and measurement of assets and liabilities under Solvency II is the same as IFRS, with exceptions relating to the following balances summarised in the table below:

	2018 €'000	2017 €'000
Equity per Financial Statements	355,419	303,641
Adjusted for:		
Deferred Acquisition Costs not recognised	(69,237)	(68,493)
Deferred income not recognised	26,439	30,600
Solvency II Technical provisions movement	398,852	458,625
Solvency II deferred tax liability	(44,219)	(52,223)
Remove IFRS deferred tax asset	(291)	(299)
Adjustment to Italian Withholding Tax Asset	-	(432)
Other	69	-
Excess of assets over liabilities for Solvency II purposes	**667,032**	**671,419**

Further detail on the valuation of assets, technical provisions and liabilities under Solvency II is provided in Section D below.

Capital Management

We operate a defined Capital Management Framework. The primary objective of this Framework is to ensure adequate capital is available to fulfil regulatory requirements and specifically to cover the SCR and Minimum Capital Requirements ("MCR") at all times. The Framework consists of a target capital level which is set based on an assessment of risk exposures and our ability to withstand potential stresses as determined through the operation of the ORSA. Secondary objectives include adding economic value over the cost of capital and having shareholders participate in the economic development through, for example, dividend payments.

Year-on-year SCR has remained relatively stable. SCR, as derived using the Solvency II Standard Formula, amounted to €338 million (2017: €337 million). Our SCR coverage ratio at 31 December 2018 was 197% (2017: 199% as revised from 227%), as covered by eligible Tier 1 Own Funds of €667 million (2017: €671 million).

Our SCR, as at 31 December 2017, was revised in November 2018 following the outcome of a review performed by the Central Bank of Ireland, as part of their ordinary supervisory engagement cycle, over our SCR calculation process. Modifications introduced, as approved by the Board and submitted to the Central Bank, comprise:

- Amendments to the amount of spread risk and interest risk in the market SCR sub-module recognised as a result of applying shocks to improved look-through data.
- Amendments to the currency risk components of the market risk SCR sub-module as a result of a change in methodology in the identification of foreign currency exposure.

- Amendments to the expense risk component of the underwriting risk SCR sub-module based on direction received from the Central Bank of Ireland on how expense and inflation shocks should be applied to specific expenses.

Refer to section E.2.1 for further detail.

Our Minimum Capital Requirement ("MCR") as at 31 December 2018 amounted to €104.2 million (2017: €106.6 million).

More detail on our Capital Management approach is provided in Section E below.

A. Business and Performance

A.1 Business

A.1.1 Standing data

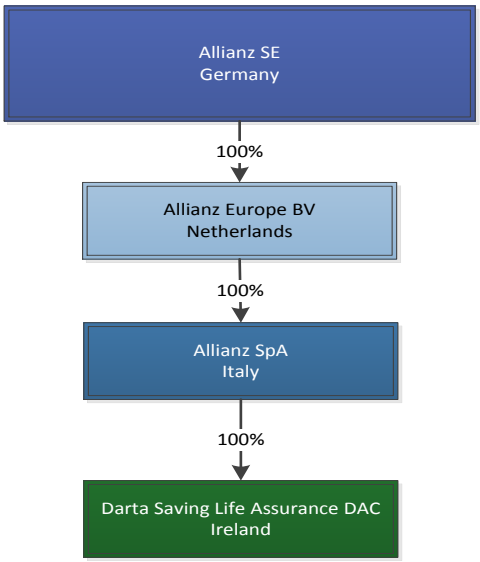
Name of Entity	Darta Saving Life Assurance dac	We are a Designated Activity Company incorporated in Ireland under the Companies Act, 2014.
Auditors	PwC	Signing Partner: Paraic Joyce PwC's address is: PricewaterhouseCoopers One Spencer Dock, North Wall Quay, Dublin 1 Due to legal rotation requirements and following a formal tender process, PwC were appointed as our external auditors effective for the 2018 fiscal year. Prior to this time, KPMG acted as the Company's auditors.
Holders of qualifying holdings in Darta	Allianz SpA (Parent) Allianz SE (Ultimate Parent)	Allianz SpA, incorporated in Italy, hold all of the issued share capital and voting rights. Allianz SpA is ultimately held by Allianz SE, which is the ultimate parent. Allianz SpA's address is: Largo Ugo Irneri 1 Trieste Italy. Refer to the simplified group structure, as set out in Section A1.3 below, for details of our position within the Group.

A.1.2 Supervision

Level	National Competent Authority	Contact details
Allianz SE (Ultimate parent)	German Federal Financial Supervisory Authority ("BaFin")	The German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" – BaFin) Graurheindorfer Str. 108 53117 Bonn Postfach 1253 Germany
Darta (local level)	Central Bank of Ireland	Central Bank of Ireland, North Wall Quay Spencer Dock PO Box 11517 Dublin 1 Republic of Ireland

A.1.3 Simplified group structure

The following diagram sets out a simplified group structure, displaying the Company's parent and ultimate parent and their voting rights:



A1.4 Related undertakings

As at 31 December 2018, we do not hold any subsidiaries. We did not hold any subsidiaries during 2017.

A.1.5 Material lines of business

Our material lines of products are grouped in product families. Each product within a family offers similar features and benefits.

Product	Type	Country sold	Distributor
Bonus Builder	Unit Linked without guarantees	Italy	Allianz Bank
Challenge Family (excluding Challenge Plus)	Unit Linked without guarantees	Italy Lithuania	Non-Allianz Brokers
Challenge Plus	Unit Linked without guarantees	Italy	Allianz Bank
Challenge Private (new in 2018)	Unit Linked without guarantees	Italy	Allianz Bank
Philosophy (closed to new business)	Unit Linked without guarantees	Italy	Allianz Bank
Personal Target	Unit Linked without guarantees	Italy	Allianz Bank Non-Allianz Brokers
Progetto Reddito Family	Unit Linked without guarantees	Italy	Allianz Bank Non-Allianz Brokers
Blazar	Unit Linked without guarantees	Italy	Allianz Bank Non-Allianz Brokers
Private Bond Portfolio	Unit Linked without guarantees	Italy	Non-Allianz Brokers Allianz Bank

A.1.6 Material changes in business

Products

During the year, we developed Challenge Private. A unit linked investment product aimed at high net worth individuals who have the objective of capital accumulation.

A.2 Underwriting performance

The table below shows premiums, claims, expenses and change in technical provisions combined with the investment returns for our material lines of business.

	Index linked and unit linked insurance	
	2018 €'000	2017 €'000
Premiums earned (net of reinsurance)	2,303,027	3,078,605
Claims incurred (net of reinsurance)	(1,376,357)	(1,409,455)
Changes in technical provisions (net of reinsurance)	378,659	(2,229,427)
Expenses	(228,271)	(223,477)
Investment Income	(1,014,582)	832,177
Operating profit	62,476	48,423

Although we sell business outside of Italy, the current volume sold is equal to less than 1% (2017: less than 1%) of the total business sold during the year. We have determined that information pertaining to non-Italian business is not material. Therefore, we have chosen not to disclose geographical splits in the table above. Likewise, the amount of other life insurance sold during the reporting period as relates to the Long Term care risk product is also not material and has not been disclosed as a separate line of business in the table above.

The following table sets out our IFRS profits for the material lines of business and geographies where business is carried out over the reporting period.

	Profit after tax 2018 €'000	Profit after tax 2017 €'000
Index linked and unit linked insurance	66,723	58,323

Differences between our underwriting performance set out above and IFRS profit after tax relate to income and expense items relating directly to our Shareholders and the effect of taxation.

A.3 Investment performance

A3.1 Investment performance

The following table provides an overview of the performance of investments held on behalf of our Policyholders and on behalf of our Shareholders over the reporting period together with a comparison with the previous reporting period, as shown in our IFRS financial statements:

	2018	2017
	€'000	€'000
Policyholder investment return : Index-linked and unit-linked business		
Investment Income from equities	1,170	1,446
Interest income from fixed interest securities	7,097	9,371
Investment Income from Collective Investment funds	13,562	17,593
Income from other financial assets	8,704	8,449
Net realised gains on financial assets	147,451	289,165
Net unrealised (losses)/gains on financial assets	(1,192,566)	506,153
Total policyholder Investment income	**(1,014,582)**	832,177
Shareholder investment return		
Interest income from financial assets	1,009	1,288
Interest expense from cash	(287)	(126)
Net realised losses on financial assets	(1,237)	-
Net unrealised gains on financial assets available for sale	6	-
Total Shareholder Investment income	**(509)**	**1,162**
Investment Management Expense	**7,489**	**11,566**

The overall reduction in investment income year on year reflects the reduction in the size of our underlying book and the poor market performance experienced during 2018.

A3.2 Gains/losses recognised directly in equity

The following table sets out the composition of our other comprehensive income, as shown in our IFRS financial statements:

	2018 €'000	2017 €'000
Movements in financial assets available for sale:		
Fair value movement	63	(1,192)
Deferred tax effect of fair value movement	(8)	149
Net gain/(loss) recognised directly in equity	**55**	**(1,043)**

A3.3. Investment in securitisation

At the time of this report, we do not hold any assets in securitisation vehicles.

A.4 Performance of other activities

We lease our business premises subject to an operating lease. This arrangement is not considered to be material to our overall performance.

We do not have any material finance leasing arrangements in place at this time; therefore, we do not have anything further to report in this regard.

We do not participate in other activities.

A.5 Any other information

All material information regarding the business and performance has been set out above.

B. System of Governance

B.1 General information

B.1.1 Overview of governance arrangements

This Section provides a detailed overview of the governance arrangements we have in place.

B.1.1.1 Board of Directors

Members as at 31 December 2018	Responsibilities
J. Ruane (INED) (Chair) T.D. Kingston (INED) J. Lyons (NED) P. Colton (INED) G. Viseri (Group Director) F. Rossaro (Group Director) G. Fassina (Group Director) A. Agnelli (Group Director from November 2018) J. Finnegan (Executive Director and Chief Executive Officer ("CEO"))	The role of the Board is to organise and direct the affairs of the Company, acting on a fully informed basis, in good faith, with due diligence and care in a manner designed to protect the interests of the shareholder and other stakeholders such as policyholders, regulatory bodies and staff.

Details of the changes in the members of the Board of Directors during the year are set out in Section B.1.3 below.

B.1.1.2 Board of Directors – Sub-Committees

These Sub-Committees represent the Board sitting as sub-committees of the full Board.

Members as at 31 December 2018	Summary of responsibilities
Board Risk Committee J. Lyons (NED) (Chair) T. D. Kingston (INED) P. Colton (INED) (appointed July 2018) J Finnegan (Executive Director and CEO)	The Board Risk Committee is established separately from the Audit Committee and is responsible for providing oversight and advice to the Board on the risk exposures of the Company and future risk strategy. The Board Risk Committee provides direction and oversight in relation to regulatory policies and procedures, including those relating to risk identification, assessment, management and monitoring and oversees the Risk Management

Members as at 31 December 2018	Summary of responsibilities
	Function.
Audit Committee T. D. Kingston (INED) (Chair) P. Colton (INED**)** A. Agnelli (Group Director) (appointed November 2018)	The Audit Committee supports the Board in considering activities that expose or may expose the Company to material audit or financial risk. The Audit Committee works closely with the Company's Risk Committee to ensure the successful operation of the Risk Management Framework and Internal Control Systems.

B.1.1.3 Executive Management – Delegated Committees

Members as at 31 December 2018	Reporting line	Summary of responsibilities
Investment Committee CEO (Chair) F. Rossaro (Group Director) (appointed 26 October 2018) Chief Risk Officer ("CRO") Head of Actuarial Function ("HOAF") Head of Finance ("HOF") Head of Product Development	Board	The Investment Committee is responsible for: • Ensuring that the Company's investment portfolios which include Policyholders' and Shareholders' assets are managed and invested in accordance with the Company's Investment Policy, Investment Mandates and Investment Guidelines. • Assessing and approving the investment transactions on behalf of the Shareholder's portfolio in accordance with set transactions limits and thresholds. • Formulating, assessing and approving Investment management mandates and changes to them. • Recommending to the Board the appointment or removal of fund managers

Members as at 31 December 2018	Reporting line	Summary of responsibilities
		and the mandate to be given to them. • Overseeing the performance of Investment Managers. • Monitoring the performance of Policyholders' and Shareholders' investments. • Recommending the closure or merging of non-performing funds, subject to pre-approved criteria. • Recommending to the Board the appointment and the removal of investment administration providers and custodians.
Management Risk Committee CRO (Chair) CEO Head of Compliance HOAF HOF Chief Operating Officer ("COO") Operations Manager	Board Risk Committee	The MRC is responsible for: • Identifying, assessing, monitoring, managing and reporting on the key and material risk exposures. • Helping the Board Risk Committee to define and monitor adherence to the Company's Risk Appetite. • Escalating unacceptable risks and exposures identified to the Board Risk Committee and Allianz SpA's Chief Risk Officer, as appropriate. • Recommending mitigating activities or remediation actions to address risk and compliance events or exposures identified.

Members as at 31 December 2018	Reporting line	Summary of responsibilities
		• Reviewing the adequacy of risk management policies and assessing whether they have been appropriately implemented. • Acting as the Governance Control Committee.
Product Approval and Oversight Committee ("PAOC") HOAF (Chair) CEO Head of Product Development CRO Head of Compliance COO HOF	Board	The PAOC is responsible for: • Co-ordinating the process for the design and review of: ○ new products ○ modifications to existing products ○ continued appropriateness of existing products. • Co-ordinating the review of current products to ensure that the risk of detriment to customers arising in respect of those products is monitored closely. • Facilitating communication between relevant departments within the Company, relevant to the product approval and oversight process. • Co-ordinating projects to ensure that the product complies with all relevant legislation and does not expose the Company to litigation or Regulatory sanction. • Informing the Board of all product developments in

Members as at 31 December 2018	Reporting line	Summary of responsibilities
		the quarterly report to the Board, through the Head of Product Development. • Assessing the profitability and sustainability of our products.
Reserving Committee HOAF (Chair) CEO CRO HOF	Board Risk Committee/ Audit Committee	The Reserving Committee has been established as a stand-alone committee during 2018. Prior to this, the MRC performed the duties of the Reserving Committee. The Reserving Committee is responsible for: • Ensuring all model parts are sufficiently documented. • Monitoring and reviewing models, assumptions and parameters. • Overseeing project management of model changes and related projects. • Ensuring model change controls are in place and adhered to. • Ensuring an appropriate IT system is in place for modelling and reporting tasks. • Reviewing, challenging and recommending assumption updates for approval by the Board Risk Committee and Audit Committee, as appropriate. • Ensuring that the models

Members as at 31 December 2018	Reporting line	Summary of responsibilities
		and reserves comply with all relevant guidelines, policies and regulations. • Reviewing the Actuarial Report on Technical Provisions. • Monitoring the status of and tracking the recommendations arising from the Actuarial Report on Technical Provisions. • Reviewing, challenging and recommending the technical provisions for approval by the Audit Committee.
Integrity Committee CEO (chair) CRO Head of Compliance HOAF COO HOF	Board Risk Committee	The Integrity Committee coordinates activities concerning Fraud prevention, detection and response, with a core focus on Internal Fraud and handling of whistle-blower complaints. This includes the oversight of an effective Anti-Fraud Programme in accordance with applicable laws and regulations, taking into consideration our particular exposure to the risk of unlawful or unethical conduct.

In addition, all of the members of our management team across the organisation attend a monthly meeting and provide status updates on each of their areas for the information of the other managers.

B.1.2 Overview of the Solvency II Functions

B.1.2.1 Actuarial Function

The Actuarial Function, as led by the HOAF (PCF-48), has been outsourced to Allianz Global Life dac ("AGL"), in line with our outsourcing policy.

The HoAF is supported by a team of actuaries and trainee actuaries of varying levels of experience (three of which are dedicated exclusively to Darta and six are shared between AGL and Darta). In addition, we have a service level agreement ("SLA") in place with Allianz SpA Group Risk and Actuarial Services to help support us with the calculation of the Technical Provisions and Market Value Balance Sheet ("MVBS" or "Solvency II Balance Sheet") for the purposes of Solvency II. These calculations are subject to review by the HOAF.

The HOAF has a direct reporting line to the Board. The HOAF is independent of all other functions and departments within Darta.

Refer to Section B.6 for more detail on the Actuarial Function.

B.1.2.2 Compliance Function

Our Compliance Function is led by the Head of Compliance (PCF-15). The Head of Compliance is an employee of Darta and is supported by a team of eight. Five of whom are dedicated full time to the Company, and three are shared between AGL and Darta.

The Compliance Function is responsible for oversight, risk detection, prevention and advice with respect to the Compliance Risk areas of the Company. The Compliance Function is designed to supplement, not supplant, the responsibility of the Board and of senior management to ensure compliance with legislation and applicable guidelines.

The Head of Compliance reports directly to the CEO and has direct access to the Chairman of the Board Risk Committee, if required. In line with all Allianz Group entities, there is a reporting line through to Group Compliance to ensure regulatory oversight from a Group perspective. This does not imply the transfer of responsibility or decision making outside of the Company and the Board remains responsible for Compliance issues.

More detail on the Compliance Function is provided in Section B.4.2 below.

B.1.2.3 Internal Audit

We have an Internal Audit Function in place. The Board, in line with a Group-wide initiative, has, outsourced the Internal Audit Function to Allianz Ireland. This outsourcing relationship is conducted in accordance with our Outsourcing Policy. The Head of Internal Audit (PCF-13) is supported by 1.25 FTE[3] auditors.

The Head of Internal Audit reports directly to the Chairman of the Audit Committee. The Internal Audit Function has a functional reporting line to the Audit Functions at both our parent and ultimate parent levels and is subject to oversight by same. Steps have been taken to ensure that the Internal Audit Function remains independent of all other functions at all times.

More detail on the Internal Audit Function is provided in Section B.5 below.

B.1.2.4 Risk Function

The Risk Function is headed by the CRO (PCF-14). The role of the Risk Function, as carried out by the CRO, encompasses the measuring, mitigating, controlling and monitoring of all risks to the Company, having regard to the risk appetite and any regulatory requirements. The CRO is supported by one additional team member in Ireland and by the Allianz SpA Group Risk Department in Italy.

The CRO reports directly to the CEO and has direct access to the Chair of the Board Risk Committee. In line with all Allianz Group entities, he also has a functional reporting line to the Allianz SpA CRO and Allianz Group CRO. This does not imply the transfer of responsibility or decision making outside of the Company and the Board remains responsible for risk issues.

More detail on the implementation of the Risk Function is provided in Section B.3.1.2 below.

B.1.3 Material changes to the System of Governance

A. Agnelli, an employee of Allianz S.p.A, was appointed to the Board as a Group Director effective as of 12 November 2018. He assumed membership of the Audit Committee at the time of his appointment to the Board.

On 26 October 2018, D. Moia resigned from his position as a director of Darta following a change in his role within the Allianz.

P. Colton assumed membership of the Board Risk Committee effective from 27 July 2018.

[3] Full time equivalent

Effective 25 October 2018, F. Rossaro resigned from the Board Risk Committee. Dr Rossaro continues to be a Director of the Company and was appointed to the Investment Committee on 26 October 2018.

The Reserving Committee has been established as a stand-alone committee for the first time during 2018. Prior to this time, the MRC carried out the all of the duties of the Reserving Committee.

No other material changes have occurred.

B.1.4 Assessment of System of Governance

The overall System of Governance is designed and aligned appropriately and proportionately to support our business model and its underlying risk strategy and risk profile. Our operational and organisational setup has been designed to enable risk management structures and embed effective internal controls within the Company.

We continuously aim to improve the compliance and governance systems that we have put in place by ensuring that they are reviewed and evaluated. Where applicable recommendations are made to the Board regarding the enhancement and development of the system. These recommendations include observations from the outcomes from controls monitoring, root cause analysis of complaints, breaches and risk events.

Our Internal Control Policy requires that we undertake a review of the System of Governance on an annual basis. This exercise was undertaken in 2018 by Internal Audit as supported by the Compliance, Risk, Finance and Actuarial Functions. This review covered both the design effectiveness and operating effectiveness of the Internal Control framework.

Based on the outcomes of this review, we have concluded that our System of Governance is considered adequate to the nature, scale and complexity of the risks inherent in the business.

B.1.5 Remuneration

B.1.5.1 Policy and principles

The Board of Directors have approved a Remuneration Policy. The aim of this policy is to ensure that risk-taking incentives provided by our remuneration practices are consistent with our risk appetite and do not encourage unauthorised or unwanted risk-taking that would otherwise breach our appetite.

Each Employee's total annual remuneration comprises an annual fixed component and an annual variable component. The fixed component represents a sufficiently high proportion of the total remuneration so that the system does not give rise to negative

effects. We operate a fully flexible bonus policy, such that there is no obligation to pay bonuses if it is not appropriate to pay a bonus in the circumstances.

The variable component of an individual's salary is based on a combination of the performance of the employee in relation to established goals and targets and our overall results. Targets are agreed in the first quarter of each year. The measurement of the employee's performance in relation to established goals and targets takes into account factors other than financial performance and includes the ability for senior management to exercise judgment in deciding whether or not to pay out the bonus. Factors considered include acquired skills, personal development, compliance with our internal rules and procedures, compliance with the standards governing the relationship with policyholders and contribution to the performance of the Company as a whole. The measurement of the overall results includes an assessment of whether these results are sustainable in the long-term. From 2019, the financial performance target component as agreed with the Head of Compliance and the Chief Risk Officer is not linked to the performance of the Company in order to remove any potential conflicts of interests.

The variable component of remuneration for any employee is limited to a maximum percentage of the employee's total remuneration, as set by the Board from time to time.

B.1.5.2 Remuneration factors

Additional factors that are taken into account when determining whether employees are entitled to receive bonus payment are:

- Executive risk takers: The measurement of performance as a basis for variable remuneration includes an adjustment for current and future risks and the potential impact of these risks for the Company.
- Employees are not remunerated according to assumptions that incentivise an excessive risk-taking or an underestimation of the existing risks.

B.1.5.3 Pension arrangements

We operate a defined contribution pension scheme for all employees. There were no supplementary pension payments made during the reporting period, nor were there any early retirement schemes in operation in respect of any member of staff during the reporting period.

B.1.6 Transactions with shareholders, directors and persons who exercise significant influence

Our shareholder, Allianz SpA, provides:

- Fiscal and legal support services

- Technical support relating to the calculation of the Technical Provisions.
- Technical support relating to the calculation of the Solvency Capital Requirements under the Solvency II Standard Formula and the calculation of the Minimum Capital Requirement.

During December 2018, we completed a dividend payment of €15 million (2017: €10 million) to Allianz SpA.

B.2 Fit and proper requirements

We are subject to the Fit and Proper Requirements established under the Fitness and Probity Standards, as issued under Section 50 of the Central Bank Reform Act, 2010, the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations, 2011 (S.I. No. 437 of 2011) and Regulation 45 of the 2015 Regulations.

To ensure that all persons who effectively run the Company or have other key functions are and remain fit to provide sound and prudent management through their professional qualifications, knowledge and experience and remain proper by being of good repute and integrity we have put a Fitness and Probity Policy place.

B.2.1 Fit and proper – general requirements

The specific standard of fitness required for each position in scope of the Fitness and Probity Policy is set out in order to ensure that individuals occupying or proposed for such roles are competent and capable. For each position the minimum level of previous experience, technical knowledge and qualifications in a particular area are set out.

The standard of probity required for the performance of positions within scope of the Fitness and Probity Policy shall always be on the same level irrespective of the nature, scale and complexity of the Company or the responsibilities of the particular position. Therefore, each person holding a position in scope of the Fitness and Probity Policy must be honest, ethical, act with integrity and be financially sound.

B.2.2 Fit and proper – monitoring process

Initial due diligence

The assessment of the individual's fitness for a role includes a review of previous experience, knowledge and professional qualifications, and demonstration of due skill, care, diligence and compliance with the relevant standards of the sector the person has worked in. The assessment is based on the review of the individual's curriculum vitae, in-depth interview process, obtaining references and carrying out due diligence checks.

The assessment of an individual's probity is based on their reputation reflecting any past conduct, criminal record, financial record and supervisory authority record. The

assessment is based on due diligence checks verified by the Compliance Function and senior management.

Each proposed individual is required to certify that they are aware of the Fitness and Probity Standards and agree to abide by those Standards. They are also required to certify that they are not aware of any issues that may put their fitness or probity in doubt.

All reasonable steps are undertaken to ensure that sufficient information is obtained to enable us to properly make informed decisions as to the fitness and probity of our employees.

For certain positions within scope of the Fitness and Probity Policy, approval from the Central Bank is required prior to appointment by the Board.

Regular Reviews

Individuals holding positions subject to the Fitness and Probity Policy are assessed on a regular basis to ensure on-going compliance by that person with the relevant requirements for their position. The assessment is performed as a part of the annual performance review process during which the person's continuing fitness for the role is assessed and any compliance infringements, which may possibly lead to the person not being considered proper, are taken into account. We investigate any concerns noted from the review and re-assess the fitness and probity of the person concerned, where applicable. The process for the assessment of results of fitness and probity reviews is set out in the Fitness and Probity policy.

As part of this annual on-going performance monitoring, individuals holding positions subject to the Fitness and Probity Policy are required to certify that they are aware of the Fitness and Probity Standards, confirm there is no change in circumstances that would result in non-compliance with the Standards and agree to continue to abide by those Standards.

Where positions subject to Fitness and Probity Policy are outsourced to a regulated service provider, we are required to obtain a written confirmation on an annual basis that the service provider's employees working within the outsourced function continue to meet Fitness and Probity Standards. Outsourced service providers, that are not regulated entities, are required to put in place processes that are equivalent to those we have in place in respect of their employees. Additionally, service providers provide an attestation to us in respect of fitness and probity of those individuals within the service provider who hold positions subject to Darta's Fitness and Probity Policy annually.

B.3 Risk Management System, including the Own Risk and Solvency Assessment

B.3.1 Risk Management System

B.3.1.1 Risk Management System

We have a Risk Management System in place with a primary objective of ensuring that all material quantifiable and non-quantifiable risks we face are adequately identified, assessed, monitored, mitigated and reported on in a timely manner.

We have implemented a comprehensive risk management process (referred to as the Risk Management Framework) that is consistent with Allianz Group standards and industry best practices. The Risk Management Framework covers all material quantitative and qualitative risks that we are exposed to. Components of this Risk Management Framework include:

i) **Risk identification and assessment** – Risk identification and assessment forms the foundation for risk management. The Risk Management Framework sets out processes for the identification of risk at the business operation level and company level (through the Top Risk Assessment process). In addition, emerging risks are identified and discussed on at least a quarterly basis as part of our risk horizon scanning process.

ii) **Risk Appetite, Risk Strategy and policies** – The Risk Appetite Statement sets out the aggregate level and types of risk we are willing to assume within our risk capacity to achieve our strategic objectives and business plan.

Our Risk Strategy defines our risk appetite in a manner that is consistent with our business strategy. It ensures that rewards are appropriately based on the risks taken and that the level of capital required, and the commensurate delegated authorities, is in line with our overall risk capacity and strategy.

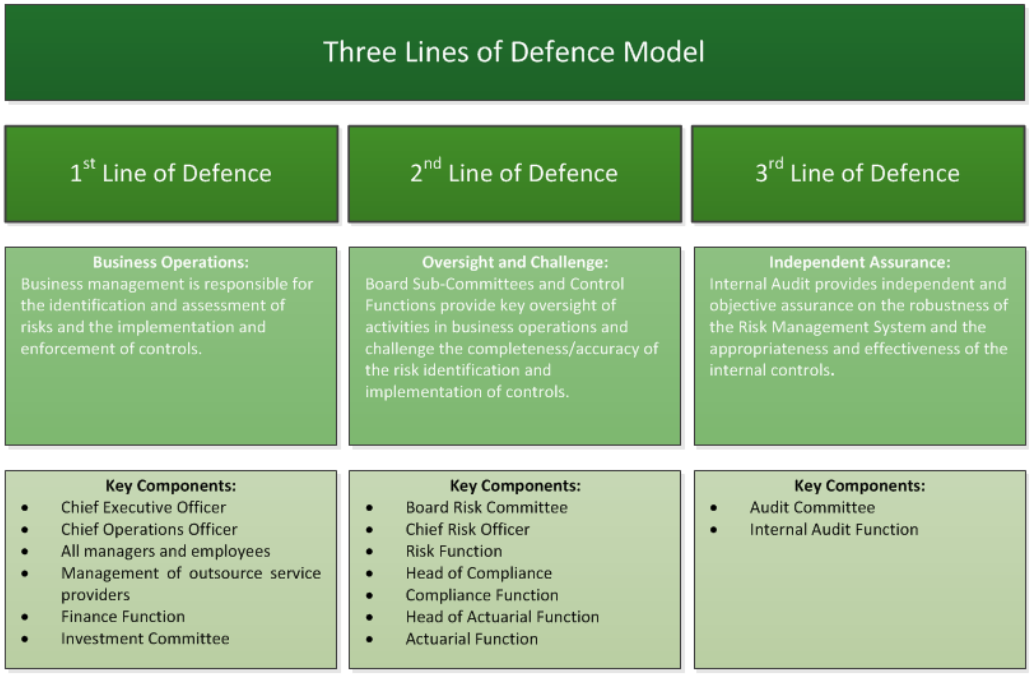
Our policies define our approach to risk management and define how the controls, procedures, limits and escalation procedures are implemented to ensure that risks are managed in line with our Risk Appetite. The Board has approved a wide range of policies covering operational aspects and risk aspects of our business. Our policies are subject to regular review.

iii) **Risk reporting and monitoring** – We have implemented a comprehensive qualitative and quantitative risk reporting framework, in line with Allianz Group requirements. The reporting framework provides senior management and the Directors with transparent risk indicators to help them to understand our risk profile and where it stands in relation to our stated risk appetite. Examples include Key Risk Indicator dashboards, emerging risk radars, ORSA reports and Top Risk Assessments. Each of

these documents are reviewed and discussed at the MRC and Board Risk Committee, where action plans are agreed to address such risks identified.

iv) **Communication and transparency –** Transparent risk disclosure provides the basis for communicating our strategy and performance to internal and external stakeholders, ensuring a sustainable positive impact on risk awareness and risk culture.

In implementing the Risk Management Framework, we have established a "Three Lines of Defence" model for the management of risks, as outlined below:



B.3.1.2 Implementation of the Risk Function

The main objectives of the Risk Management Function are:

- Supporting the first line-of-defence by helping ensure employees at all levels of the Company are aware of the risks related to their business activities and how to properly respond to them.
- Supporting the Directors with development of a Risk Strategy and Risk Appetite.
- Monitoring of our risk profile to ensure it remains within our approved risk appetite and following up on instances of any breaches (i.e. via resolution directly with the first line-of-defence and other stakeholders or escalation to the Directors).

We have implemented a Risk Management Policy which sets out the roles, responsibilities, tasks and reporting requirements in respect of all risk matters.

The Risk Function is responsible for:

- The oversight, review and supervision of the identification, measurement, management, reporting and monitoring of risks.
- Monitoring our compliance with capital requirements.
- Developing and maintaining the Risk Management Framework and associated policies.
- Providing independent oversight of all risk management activities.
- Providing independent reporting to the Board Risk Committee and MRC on risk issues, including changes in our risk profile.
- Providing independent assurance to the CEO and the Board Risk Committee that key risks are identified and managed.
- Monitoring and reporting on our compliance with our Risk Appetite Statement on a monthly basis to the MRC and quarterly to the Board Risk Committee.
- Developing an annual Risk Management Plan for performing the risk management cycle which includes the completion of the Top Risk Assessment.
- Compiling and maintaining the Corporate Risk Register based on the Top Risk Assessment results.
- Facilitating the production of the ORSA and reporting thereon.

B.3.2 Own Risk and Solvency Assessment ("ORSA")

B.3.2.1 Overview

The ORSA is a comprehensive assessment of all risks in the business to determine whether current and future capital will be sufficient to ensure sustained adequacy of solvency coverage in the face of these risks. The ORSA is an integral part of our business strategy and takes the nature, scale and complexity of the risks inherent in the business into consideration. We assess our overall solvency needs using the Solvency II Standard Formula.

B.3.2.2 The ORSA process

The ORSA is the collection of interlinked processes and sub-processes implemented to identify, assess, monitor, manage and report on the short term, medium term and long term risks that we face and to determine the Own Funds necessary to ensure that overall solvency needs are met at all times. The ORSA is not a single report prepared once each year. Instead, it is the culmination of an iterative process on a continuous basis carried out throughout the year.

We perform a regular formal assessment (at least annually) of our solvency needs in respect of our own risk profile, approved risk appetite, risk tolerances and strategy of the business. Generally, the ORSA is prepared to coincide with the business planning

cycle, thereby allowing us to review our strategy and amend future business plans due to significant changes in pricing, product mix, price of reinsurance etc. In order to achieve this, the Board take an active part in directing the ORSA and challenging the results.

In addition to the formal ORSA, the Risk Function run mini stress scenarios through our ORSA "sandbox tool". The "sandbox tool" was developed by Milliman and approximates the impacts on SCR of a number of stressed assumptions, in a simplified way. The output from this analysis is used by the Risk Management Function to perform a limited analysis of the potential capital impacts of scenarios of our own choosing and to determine whether or not more detailed analysis would be required, or whether an ad-hoc or formal ORSA should be run. The tool is updated from time to time to ensure it continues to align with Darta's SCR, as calculated by Allianz SpA's Group Risk team.

The performance of the ORSA is coordinated by the Risk Management Function and incorporates the input from different areas of the business (including the key control functions). The Board of Directors play a key role in steering the ORSA process and challenging the results. The ORSA comprises three stages:

- **Current state –** we determine our current risk profile. The assessment of current solvency needs determines whether we are adequately capitalised based on an identification and assessment of all material risks we are currently exposed to. This assessment takes risk capital, available capital and stress scenario impacts to the solvency position, as well as the effectiveness of the internal control system into consideration. Risk capital under the ORSA reflects our own view of the risks we are exposed to and therefore, may be increased due to other risks that are not currently quantified by the Standard Formula.
- **Future state –** wherein we determine possible future solvency needs based on stress and scenario testing, including reverse stress testing. As part of the ORSA, our potential own funds and liquidity needs are assessed against our planning forecasts and under a range of forward-looking stress tests or stressed scenarios. The impact of each of these is assessed in order to ascertain its impact on our capital/solvency position and liquidity position. Projections are aligned with our regular planning horizon of three years.
- **Reporting –** The outcome of the formal ORSA is documented in an ORSA report that contains all information relevant to the overall ORSA conclusion, the results of the ORSA and an assessment of what actions should be taken. Typically, the sandbox scenarios run by the Risk Function are reported on to the MRC, and Board Risk Committee, as part of the regular risk reporting package and to the full Board Risk Committee on a quarterly basis.

Certain events or conditions could trigger performance of an additional ORSA outside of the regular annual process. The decision to perform an ad-hoc ORSA is ultimately coordinated by the CRO. The ad-hoc ORSA is required to be designed such that the

potential impact on solvency can be understood. Whether the ad-hoc ORSA is extended to consider other risks is at the discretion of the CRO, in consultation with the Board.

B.3.2.3 Review and approval of the ORSA

Each ORSA is subject to review by the MRC and Board Risk Committee, before being reviewed, discussed and approved by the Board. Once approved by the Board, the ORSA is distributed to all relevant staff and to the Central Bank. The HOAF is required to issue an opinion over the formal ORSA that comprises a critical assessment of the stresses selected for the cash flow models and the content of the overall ORSA report.

B.3.2.4 Determination of Own Solvency Needs

Our Own Solvency Needs are determined based on the:

- Outcomes of the Top Risk Assessment process
- Observation arising from the Business planning process,
- Assessment of the effectiveness of the Internal Control system
- Analysis of the impacts of the stress scenarios
- Testing performed over the continued appropriateness of the Standard Formula.

B.4 Internal Controls

B.4.1 Internal Control System

Our Internal Control System comprises a series of entity-level and process-level controls that have been embedded directly into our organisational and operational set-up.

Our control objectives include:

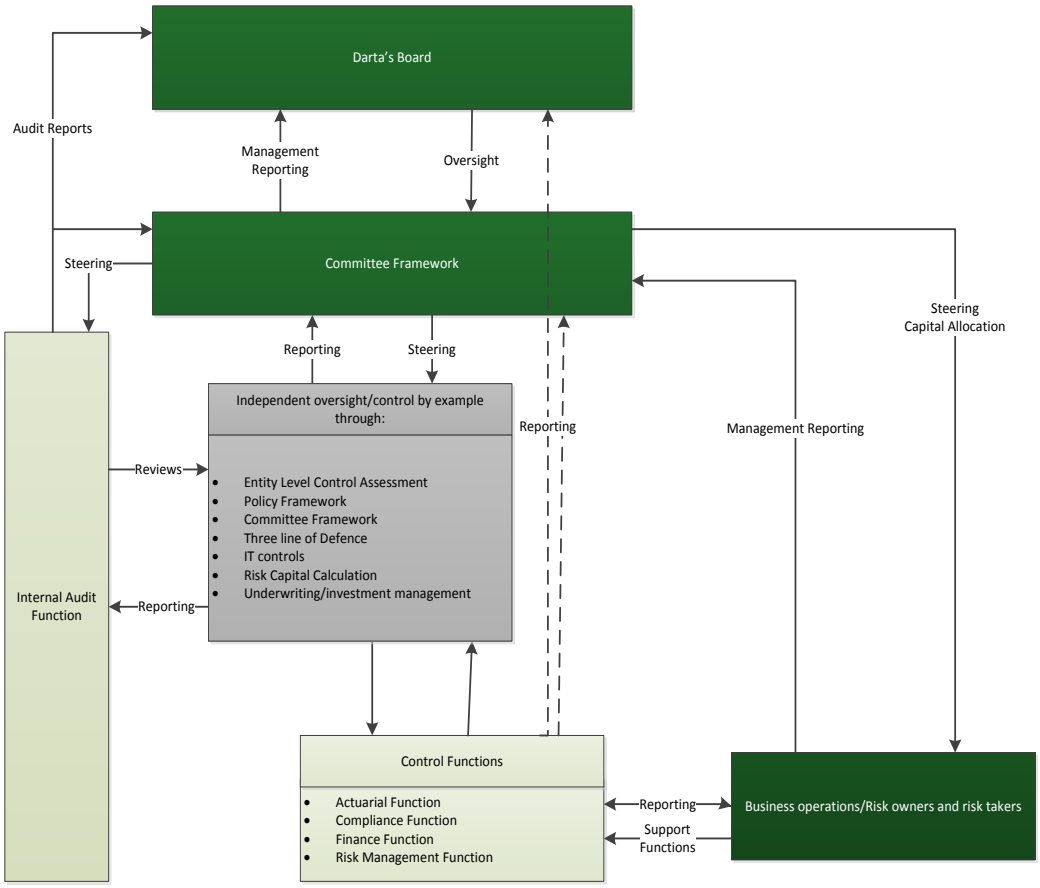
- Safeguarding the Company's existence and business continuity.
- Creating a strong control environment.
- Conducting control activities.
- Providing the management bodies with the relevant information for their decision-making.
- Efficient and effective processes.
- Ensuring compliance with applicable laws and regulations.

In order to achieve these objectives, we have put a comprehensive suite of internal controls in place. The general principles upon which the design of the suite of internal controls is designed are:

- Safeguarding and segregation of duties to avoid potential conflict of interests (for example approval of payments, or the authorisations of transactions).

- Material decisions are taken by at least two representatives of the Company ("four-eyes-principle"). Decision making processes at all management levels incorporate relevant unbiased information that facilitates sound business judgement.
- For the financial reporting process, we apply a control framework that aligns with the Allianz Group.
- Roles and responsibilities for the operation of internal controls are clearly defined and communicated. Responsible individuals are trained in the operation of the processes and controls.
- Processes are to be well structured and documented and key controls that are appropriately designed and operate effectively, are put in place.

The following diagram summarises our Internal Control Framework:



B.4.2 Implementation of the Compliance Function

The Compliance Function is responsible for:

- Supporting and monitoring compliance with applicable laws and regulations. This includes the identification, assessment and mitigation of compliance risk arising.

- Advising senior management and the Board of Directors on compliance with laws and regulations adopted pursuant to the Solvency II Directive and assessing the possible impact of any of these changes in the legal environment on our operations.

We have implemented a Compliance Policy which sets out the roles, responsibilities, tasks and reporting requirements in respect of compliance matters. The policy is reviewed regularly to ensure continued alignment with the appropriate requirements, both from an Allianz and Solvency II perspective and continues to be relevant to current and planned operations. Our Compliance Policy was last reviewed during October 2018.

Compliance general activities and processes

As part of the Internal Control System, the Compliance Function completes a set of activities to achieve its objectives mainly by establishing and maintaining an adequate and effective Compliance Management System. This Compliance Management System comprises of the following elements:

- Promote a culture of integrity and compliance.
- Provide compliance training and communication.
- Provide advice on compliance matters.
- Establish and maintain compliance principles and procedures.
- Investigations and reporting.
- Interaction with regulatory authorities.
- Monitoring and reporting.
- Identification of new regulations.

Compliance risk assessment

The Compliance Function identifies, documents and assesses the compliance risk associated with our business activities on a regular basis. This helps to ensure that the overall compliance framework reflects the risk exposure. The Compliance Function and the Risk Function cooperate closely to manage these risks. Compliance contributes to data collection and risk assessments performed by the Risk Function. Each Compliance Risk assessment is aligned with the Risk Function in terms of methodology, timing and procedure.

B.5 Internal Audit

B.5.1 Implementation of the Internal Audit Function

The Internal Audit Function independently:

- Reviews risk governance implementation, performs quality reviews of risk processes and tests adherence to business standards including the Internal Control System.

- Evaluates and makes recommendations for improvements in the effectiveness of the system of internal controls and governance through the application of a systematic, disciplined auditing approach.
- Develops an audit universe covering all risks, including those arising from outsourced and co-sourced functions, which is defined and revised annually using a risk-based approach and subsequently used to steer and prioritise internal audit activities in the context of an overall objective to obtain adequate coverage of the entire universe within a 5-year audit plan.
- Issues an audit report including recommendations based on facts and professional judgment and a summary of the most important results, including an overall assessment for each audit performed.
- Performs follow-up monitoring to ensure that any deficiencies identified are resolved.

We have put an Internal Audit policy in place that sets out the roles, responsibilities, tasks and reporting requirements in respect of the Internal Audit Function.

Compliance with the Group Internal Audit Policy is mandatory within Allianz Group. The purpose of the Internal Audit Policy is to ensure that the organisation and work of the Internal Audit Function adheres to a consistent set of minimum rules and operating procedures, such that the effectiveness of the controls necessary to achieve the Group's goals is ensured. The policy is supplemented by the local Standard Audit Manual, which is derived from the Allianz Group Standard Audit Manual.

B.5.2 Maintenance of independence of the Internal Audit Function

Internal Audit's standing within the organisational structure ensures that independence is maintained at all times. Maintaining independence means that no undue influence is exercised over the Internal Audit Function, for instance in terms of reporting, objectives, target setting, and compensation or by any other means.

Internal Audit is required to avoid conflicts of interest in fact or appearance. The Internal Audit Function has the authority to express its own assessment and recommendations but cannot give orders (except in cases of suspicion of illegal activities/fraud).

The Head of Internal Audit is able to interact directly with the CEO and the Chair of the Audit Committee. The Internal Audit Function reports to the Audit Functions at both our parent and ultimate parent levels and is subject to oversight by same.

The Internal Audit Function has the right to communicate with any employee and obtain access to any information, records or data necessary to carry out its responsibilities, to the extent legally permitted. It has the responsibility and the right to review activities, procedures and processes in all areas of the Group, without

limitation. Internal Audit has the unlimited right to obtain information and management must inform Internal Audit of serious deficiencies and major changes in internal control systems. This information is handled with discretion and confidentiality.

In addition to auditing activities, management may seek the advice of Internal Audit on internal control related topics which Internal Audit may provide. However, Internal Audit cannot compromise its independence and cannot implement working procedures. The advisory function of Internal Audit may not jeopardise its core audit activities and the fulfilment of its audit plan. The Head of Internal Audit must confirm the independence of the Internal Audit activity to the CEO (and Audit Committee), at least annually.

The Actuarial, Compliance and Risk Management Functions are separate from the Internal Audit Function with no instruction or reporting of one function into the other.

The Actuarial, Compliance and Risk Management Functions are subject to periodic assessment of the adequacy and effectiveness of these Functions. The Head of Internal Audit keeps the Heads of Actuarial, Compliance and Risk Management informed of any Audit findings in their area of responsibility.

B.6 The Actuarial Function

In accordance with the requirements of Solvency II and the Central Bank's Domestic Actuarial Regime and Related Governance Requirements under Solvency II, the Actuarial Function is responsible for:

- The coordination and calculation of Technical Provisions for accounting and regulatory reporting purposes.
- Ensuring the appropriateness of the assumptions and valuation methodologies used in the calculation of the Technical Provisions.
- Expressing an opinion on the adequacy of the Technical Provisions.
- Expressing an opinion on the overall underwriting policy and on the adequacy of the reinsurance arrangements.
- Expressing an opinion on the ORSA.
- Contributing to the effective implementation of the Risk Management System.

The HoAF has additional responsibilities under the Central Bank's Domestic Actuarial Regime. These include submitting a written report to the Board on at least an annual basis documenting all tasks undertaken by the Actuarial Function over the reporting period and their results, identifying any deficiencies and including recommendations as to how they should be remedied.

The Actuarial Function cooperates closely with the Risk Management Function by:

- Providing input and advice regarding the amount and structure of the technical provisions. This includes close interaction with respect to

methodologies, models and assumptions commonly used for the calculation of technical provisions as well as for risk capital through regular meetings between the Functions.

- Contributing to methodologies, models and assumptions used for the assessment of risk.
- Contributing to the overall risk management process, through acting as Chairperson of both the Reserve Committee and the PAOC, and through their voting membership of the MRC and Investment Committee.
- Maintaining constant communication with members of the Risk Function.
- Supporting the ORSA process through coordination of the capital requirement projections underlying the ORSA and the critical assessment of the stresses selected for the cash flow models and the content of the overall ORSA report.
- Expressing written annual opinions on key aspects of the business and its operation as outlined above.

We have an Actuarial Policy in place that sets out the roles, responsibilities, tasks and reporting requirements in respect of the Actuarial Function.

B.7 Outsourcing

B.7.1 Overview

We currently outsource a number of key services to third parties, both within and outside of the Allianz Group. All important and critical outsourcing relationships require approval by the Board prior to being implemented.

Outsourcing of certain functions or services essential to the operation of the Company directly impacts our policyholder's interests. In order to appropriately safeguard these interests, we have put certain policies and processes in place to adequately assess, mitigate and control the risks associated with outsourcing and to ensure business continuity in case of the adverse events arising or the termination of a relationship with an outsource provider.

B.7.2 Outsourcing policy

We have put a formal Outsourcing Policy in place, as approved by the Board, which is subject to review on at least an annual basis.

In summary, our Outsourcing Policy sets out:

- The roles and responsibilities of all key stakeholders involved in the outsourcing of functions and activities, including, but not limited to, the Board, Board Risk Committee, Risk Function, Compliance Function, Business Managers, Relationship Managers and Service Providers.

- Processes and procedures for the completion of due diligence to be carried out prior to electing to place business with a particular outsource service provider.
- The processes and procedures for obtaining appropriate approval for new or amended outsourcing relationships.
- The processes and procedures for the on-going monitoring of the activities and performance of outsource service providers.
- The requirement to develop and maintain contingency plans and exit strategies in respect of all important and critical outsourcing relationships.
- The reporting requirements, including escalation protocols, both within the Company, the Allianz Group and externally to the Central Bank.
- The steps required to be taken in the event of a major deviation by the Service Provider being identified.

B.7.3 Listing of critical and important outsourcing relationships

The critical or important operational functions outsourced are as follows:

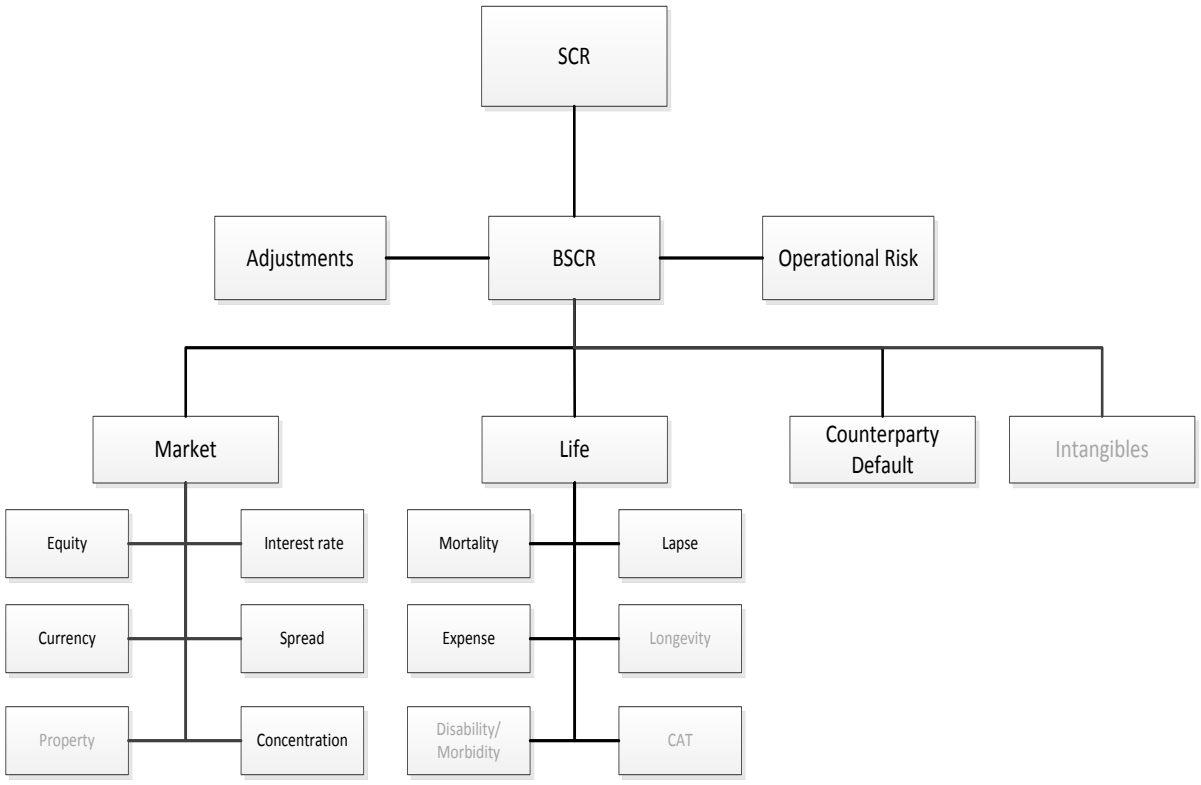
Company	Activities covered	Location of provider
Group Providers		
Allianz Global Life dac	Actuarial Function	Ireland
Allianz Ireland plc	Internal Audit	Ireland
Allianz Technology	Information Technology support	Ireland/Germany
Allianz SpA	Calculation of Technical Provisions and Regulatory Risk Capital calculations	Italy
Allianz Global Investors GmbH	Asset Management services	Germany
PIMCO Europe Ltd	Asset Management services	United Kingdom
Investitori SGR S.p.A.	Asset Management services	Italy
External Providers		
Irish Progressive Services International Limited	Third Party Administrator	Ireland
Asset Managers (15)	Asset Management	Various European states
External document archiving firms (4)	Document archiving	Ireland/Italy

B.8 Other material information

All material information regarding the System of Governance has been set out above.

C. Risk Profile

Risk is measured and managed based on the calculations derived using the Standard Formula, as set out in Solvency II. The Standard Formula comprises a set of individual risk modules each of which cover a certain type of risk that we may be exposed to. The risk modules are then aggregated in a defined way ultimately to calculate our SCR. The following graphic represents a summarised version of the Standard Formula including the items that are most relevant to us.

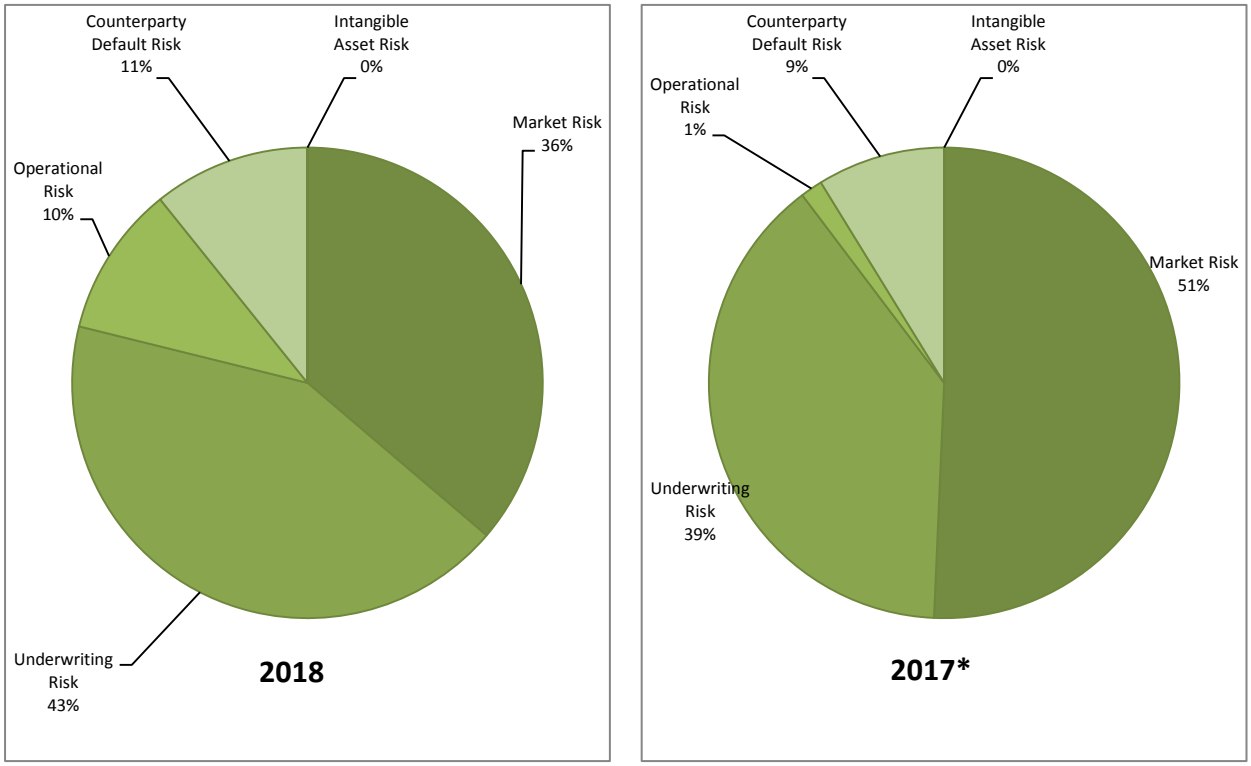


The resulting risk profile indicates how risks are distributed over different risk categories and determines the regulatory capital requirements in accordance with Solvency II.

This Section provides a detailed description of our risk exposure by category of Solvency II risk, followed by more detailed descriptions of each corresponding risk category in the different subsections. Definitions of each of these risk types are included in the glossary set out in Appendix 1.

There have been no material changes in any of our risk exposures over the reporting period.

The resulting basic Solvency Capital Requirement for Darta as at 31 December 2018 and 31 December 2017 are shown below:



* The subcomponents of the 2017 Solvency Capital Requirement ("SCR") calculation have been revised as compared to those originally published in the 2017 SFCR. Refer to section E.2.1

Note the increase in operational risk capital is a result of a clarification issued by the European Insurance and Occupational Pension Authority ("EIOPA") on treatment of certain expenses rather than due to an increase in the level of operational risk we are exposed to.

C.1 Underwriting risk

Underwriting risks have been split into mortality risk, expense risk and lapse risk.

C.1.1 Risk exposure

The Standard Formula indicates that as at 31 December 2018 43% (2017: 39%) of our SCR is held in respect of underwriting risk. Key underwriting risks we are exposed to include lapse risk and expense risk. Darta's exposure to mortality risk is not considered to be material and so is not discussed in detail in this document.

There have been no material changes in underwriting risk exposures over the reporting period.

C.1.2 Assessment and risk mitigation techniques applied

Material risks	Risk assessment measures	Risk mitigation techniques
Expense risk The risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance contracts. An increase in the level of expenses, whether due to estimation error, inflation being higher than expected or policy volumes being lower than expected, results in a reduction in future profitability and an increase in the provisions required for future expenses.	Actual expenses incurred are monitored against budgeted expenses for the month. Significant deviations are investigated.	Where possible, contracts are put in place with service providers to ensure clarity over pricing of services. Expense risk is also factored in the pricing of our products through a best estimate allowance for expenses. Expenses are monitored continually and any identified deviations from expected norms are acted upon.
Lapse risk The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders. The potential impact on Own Funds of the occurrence of a mass lapse event is projected for the purposes of calculating our capital requirements under Solvency II. Under the Solvency II Standard Formula a mass lapse event is calculated by modelling the impact of the instantaneous discontinuance of 40% of the insurance policies on the Company's Own Funds. The occurrence of a mass lapse event results in a reduction in	Product profitability and lapse experience are monitored on a regular basis so that any significant deviation from expected patterns is detected and addressed in a timely manner.	We price our products based on best estimate assumptions, including surrender rates. We carry out reviews of the on-going appropriateness of our products.

Material risks	Risk assessment measures	Risk mitigation techniques
future profitability.		
Mortality risk The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities. **Morbidity risk** The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates.	Actual claims experience is closely monitored as compared to forecasts and assumptions.	A significant proportion of the mortality and morbidity risk attributable to these products is reinsured.
Life Catastrophe A Life-catastrophe event is defined for the purposes of Solvency II as an instantaneous increase in mortality rates of 15bps over the mortality rates used to in the calculation of the technical provisions to reflect mortality experience in the following 12 months	The likely impact of a catastrophic event occurring is measured as part of the ORSA and capital setting processes.	As a result of the nature of the products written, there is limited exposure to this class of risk. A significant proportion of the likely impact of life catastrophe risk attributable to these products is reinsured.

Exposure to mortality risk, lapse risk and expense revision risk has increased year on year in line with the overall growth in Darta's underlying book of policies. There has been no material changes in the measures applied during the period in respect of these risks.

C.1.3 Risk concentrations

Our book is predominantly based in Italy with a small exposure to Lithuania. Therefore, there is a concentration risk to the exposure to a single market.

Lapse risk can increase in times of economic uncertainty. Therefore, there is a concentrated risk exposure to Italy and its economy.

C.1.4 Risk sensitivity

We carry out stress and scenario testing as part of the ORSA, which includes stress testing in respect of lapse risks and expense risks. As part of the ORSA, the SCR is recalculated following scenarios which subject it to significant increases in expenses and sharp increases in lapses, including the consideration of the impact of a potential mass lapse event occurring. The testing shows that we are resilient to such stresses.

C.2 Market risk

C.2.1 Risk exposure

Market risk results from unexpected losses arising due to changes in market prices or parameters influencing market prices. These include changes driven by equity prices ("equity risks"), interest rates ("interest rate risk"), real estate prices, exchange rates ("currency risk"), credit spreads ("spread risk") and implied volatilities or due to changes in market prices due to a worsening of market liquidity.

As an inherent part of our operations, we collect premiums from our policyholders and invest them in a wide variety of assets. The resulting investments back the unit-linked policy liabilities held on behalf of the policyholders ("unit-linked assets"). In addition, we hold investments backing the technical provisions that are required to be held in respect of non-unit-linked aspects of certain policies (being the mortality riders and long term care policies) ("non-linked assets") and investments on behalf of the shareholders ("shareholder investments") including:

- Short and medium term EU government and government agency bonds.
- Corporate bonds.
- Cash deposits.
- Limited holdings in Collective Investment Vehicles

Finally, we use derivatives to hedge our portfolios against adverse market movements (for example, protective puts) or to reduce our investment risk (for example, by using forwards, swaps or swaptions).

Thus, we are exposed to market risk in the form of equity risk, spread risk, currency risk and to a lesser extent interest rate risk. We do not currently expose our policyholders or shareholders to significant real estate pricing risk.

We are exposed to poor performance in the unit-linked funds through the impact on the value of fees earned as a second order risk. Adverse fluctuations in equity prices, interest rates and foreign currencies will result in a reduction in fee income earned.

Concentration risk is also included in the calculation of market risk. However, this risk does not have a material impact on SCR.

C.2.2 Assessment and risk mitigation techniques applied

Assessment measures

Our Investment Policy Statement details the approach to the management of risks arising in respect of unit-linked assets, non-linked assets and shareholder investments.

The performance of policyholders' funds and compliance with investment mandates is monitored on a regular basis by the Finance Team and Investment Committee, both of whom report to the Board on a quarterly basis.

Likewise, the performance of the non-linked assets and the shareholder investments is monitored in line with the limits set out in the Investment Policy.

Risk mitigation techniques

Market risk exposures are mitigated through the following techniques:

- The performance of policyholders' funds and compliance with investment mandates are monitored and reported on an exceptions basis. Exceptions identified are followed up in a timely manner.
- The Finance Function monitors compliance with volatility limits. Exceptions are reported to the Investment Committee on a regular basis and corrective actions are requested to be undertaken by specific Asset Managers, within a reasonable timeframe, if volatility limits are breached.

There has been no material change in the measures applied during the period in respect of these risks.

C2.3 Application of the Prudent Person Principle

We apply the Prudent Person Principle to our entire investment portfolio through the application of the following principles:

- All assets need to be invested in such a way as to ensure the quality, security, liquidity, profitability and availability of the investment portfolio as a whole. This also includes the need to structure the investment portfolio such that it is appropriate to the nature and duration of insurance liabilities covered by these assets.
- Assets are only admissible if we can properly identify, measure, monitor, manage, control, report and appropriately integrate their risks as part of the ORSA.
- Asset Managers are subject to rigorous due diligence procedures prior to business being placed with them.
- Review meetings are held with the Asset Managers during which fund performance, investment strategies and risk management are discussed.

- All Asset Managers are provided with clear investment mandates and guidelines which set out the upper and lower volatility limits, geographical exposure limitations and concentration risk limits as set for individual policyholders funds and shareholder investments alike. The Finance Team monitors compliance with these limits.

C.2.4 Risk concentrations

Market concentration risk is a standalone sub-module that feeds into the overall Market Risk SCR calculation.

Under the Solvency II Delegated Regulations, assets held in respect of life insurance contracts where the investment risk is fully borne by the policyholders are not included in the calculation of market risk concentration sub-module.

Therefore, only the shareholder assets are assessed for concentration and a specific capital requirement is calculated and held as part of the overall Market Risk SCR in this regard.

Shareholder investments are invested in securities from a broad range of issuers, with limits in place so as to reduce concentration exposure. As a consequence of the nature of the investments held and the application of the approved investment limits, no significant concentrations of market risk have been identified as at 31 December 2018 (December 2017: None).

C.2.5 Risk sensitivity

Our specific sensitivity to movements in equity prices, spread risk, interest rate and credit spreads have been calculated. Based on the outcomes of this sensitivity testing, our SCR tends to move in line with the direction of the stress applied. By way of example, an equity stress scenario, where equity prices were reduced by 30% and interest rates were to increase by 100 basis points in a once-off event in 2018, could possibly result in SCR falling by approximately 12% in 2019.

C.3 Credit risk

C.3.1 Risk exposure

Credit risk is the unexpected loss in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments (i.e. payment overdue). Our exposure to credit risk, which includes counterparty risks, primarily occurs with respect to the following assets:

- Amounts due in respect of unit-linked assets, non-linked assets and shareholder investments.
- Italian Withholding Tax ("IWT"), arising as a result of participating in the "sostituto d' imposta" tax regime.
- Cash balances and deposits held with credit institutions.
- Receivables due from debtors.
- Reinsurance recoverable.

The Standard Formula indicates that as at 31 December 2018 11% (2017: 9%) of our SCR is held in respect of counterparty default risk.

C.3.2 Assessment and risk mitigation techniques applied

Assessment measures

The credit quality of counterparties is monitored closely by the Finance and Risk Functions. A significant deterioration in the credit quality of a counterparty (for example, a downgrade of more than two credit rating categories in respect of a rated counterparty) acts as an early warning. The recoverability of debts is also closely monitored.

Risk mitigation techniques

As part of the Allianz Group, we are covered by the Credit Limit and Risk Management System ("CRISP"), which is an Allianz Risk Management System used to ensure that counterparty concentration risk does not exceed the Group's risk-bearing capacity. The CRISP system also includes "watch list" reports and "blacklisted" counterparties. The CRISP system assists us in keeping concentration and counterparty risks within Group and local Risk Appetite. Exposure to or concentrations in respect of specific assets may not exceed those limits set out in the CRISP database, except where an explicit derogation has been provided by the Board or Allianz Group, as applicable.

Compliance with these limits is monitored by the Finance Function and is reported on by the Risk Management Function to the Investment Committee.

We have a letter of "parental support" in place, whereby we are able to assign any unrecovered Italian tax asset, which arises from the payment of the IWT each year, at

face value to our Shareholder (irrespective of whether or not they have a sufficient tax liability to get immediate value for the credit).

Outstanding debtor balances are followed up on a regular basis by our Finance Team.

C.3.3 Application of the Prudent Person Principle

In line with the Prudent Person Principle, we have implemented an Investment Policy. This policy sets limits over the extent of permissible credit exposure by type of issuer in order to mitigate credit risk.

We have also set limits on the maximum amount of cash balances that can be deposited with individual financial institutions. As an overarching principle, we can only place investments, including cash balances, with counterparties approved by Allianz Group.

As mentioned above, all holdings are subject to Group defined limits as set out in CRISP.

We aim to invest our shareholder investments and non-linked assets in highly liquid assets in order to ensure that Technical Provisions are adequately backed and commitments can be met as required. We may not invest in assets that are not included in the Allianz permissible asset database. With exception of certain Board approved exceptions, shareholder investments, are limited to securities rated as being at least equivalent to Standard and Poor's BBB- rating at worst ("investment grade").

We may only enter into reinsurance contracts with counterparties approved by Allianz Group. As per Allianz Group's criteria only reinsurance counterparties with a minimum S&P credit rating of "A" are acceptable.

C.3.4 Risk concentrations

As at 31 December 2018, Darta holds a receivable to the value of €292m (2017: €258m) that is recoverable against future payments to the Italian Tax Authority.

C.3.5 Risk sensitivity

Specific stress scenarios relating to the default of material receivables were analysed as part of the ORSA. Both the SCR and liquidity needs were recalculated as part of the analysis of these scenarios and it was determined that the Company is resilient to such stresses.

C.4 Liquidity risk

C.4.1 Risk exposure

Liquidity risk is the risk that current or future payment obligations cannot be met or can only be met on the basis of adversely altered conditions. Liquidity risk can arise primarily if there are mismatches in the timing of cash in- and out-flows.

Liabilities to policyholders are matched by unit-linked assets such that there are units created for each fund equal to the number of units allocated to policyholders. This is designed to ensure that sufficient assets of appropriate nature, term and liquidity are held to enable us to meet the liabilities to policyholders as they become due. Our policyholder's main exposure to liquidity risks arises through the investments backing their policy liabilities, although the effect of this risk is reduced by the nature of the investments held.

In general, our products are well matched in terms of timing of cash flows which reduces the extent of liquidity risk that may arise. However, some product offerings include an upfront allocation, which may result in our experiencing liquidity strains in high sales volume periods.

Our main exposure to liquidity risk relates to shareholder investments. Our Shareholder's main exposure to liquidity risks arises in respect of the unrecovered portion of the Italian Tax Asset and the requirement to pay expenses of the business as they arise from time to time.

There have been no material changes in our liquidity risk exposures over the reporting period.

C.4.2 Assessment and risk mitigation techniques applied

Assessment measures

The Policyholder's exposure to liquidity risk (arising in respect of the internal funds) is managed through compliance with the respective investment policies of each fund, as detailed in the Investment Mandates and Investment Guidelines.

Liquidity is monitored on a daily and monthly basis by the Finance Function.

A forward looking cash flow projection over a 36-month period is performed based on the most up-to-date forecasts available. These cash flow projections, which form a part of the regular risk reporting process, are subjected to stress events that are introduced at the discretion of the Risk Management Function in order to better understand our potential future liquidity needs. The outcomes of the projections are discussed at the MRC on a monthly basis and are reported to the Board on a quarterly basis.

Risk mitigation techniques

Liquidity risk is managed in line with the Risk Management Framework, which includes an Investment Policy and a Liquidity Risk Management Policy. These policies set out a number of measures that we actively use to ensure that we are able to pay our debts as they become due.

We have set strict limits over the volume of products with additional allocations that may be sold.

C.4.3 Application of the Prudent Person Principle

Cash resources are held across a number of banks throughout Europe and are subject to upper limits on the amount of cash that may be held within any one institution at any one time. The banks that we use are approved counterparties as prescribed by the Allianz Group.

C.4.4 Risk concentrations

The main driver of liquidity stresses relates to the payment of IWT in June of each year. In addition to an analysis of the liquidity implications arising from our planning forecast, a number of the stress scenarios were analysed allowing us to determine that the amount due for payment is expected to reduce over time as we approach the legislative cap. For this reason, it is anticipated that concentration of risk in respect of liquidity risks ought to reduce by 2020.

C.4.5 Risk sensitivity

As part of the ORSA, consideration is given to the impacts in the central planning forecast and each of the stress scenarios on our liquid assets and our ability to continue to meet obligations as they become due. We are sensitive to extreme liquidity stresses as demonstrated through the testing performed. However, in most scenarios we are projected to maintain a reasonable liquidity buffer throughout the period 2019-2021.

C.4.6 Expected profits included in future premiums

The expected profit included in future premiums amounts to circa €1.49m (2017: €1.5m). The expected profit included in future premiums is the difference between the Best Estimate Liabilities and the Best Estimate Liabilities assuming no future premiums are received relating to existing business.

C.5 Operational risk

C.5.1 Risk exposure

Operational risks represent the losses resulting from inadequate or failed internal processes and can stem from a wide variety of sources, as summarised in the table below.

Sources of material exposures	
Categories	**Definitions**
External fraud (including cyber risks)	The external theft and fraud sub-category covers events arising from acts intended to defraud, misappropriate property or circumvent the law by a third party without the assistance of an internal party.
Internal Fraud (including cyber risks)	Where one or more current employees are knowingly involved in a theft or fraud, including unauthorized activity where there is no legal recourse, the event should be classified as internal fraud.
Employment practices and workplace safety	This category covers operational risk events resulting from incidents connected to employment agreements, human resource processes and health and safety laws.
Clients/Third party, Products and Business practices (including Conduct Risk)	An operational risk event may arise due to an unintentional or negligent failure to meet a professional obligation (including fiduciary and suitability requirements), or from the nature or design of a product.
Damage to physical assets	The damage to physical assets category is used to cover events arising due to natural / industrial disasters and malicious damage of company property.
Business disruption and system failures (including cyber risks)	This category covers operational risk events arising due to disruption of business operations or system failures.
Execution, delivery and process management	An operational risk event may arise due to failed transaction processes or process management failures in general. Operational risk events arising in back office areas fall within this category. These events will often be unintentional and could involve failure to properly document and/or complete business transactions.

The Standard Formula indicates that as at 31 December 2018 10% (2017: 1%) of Darta's basic capital requirement is held in respect of operational risk.

The increase in operational risk capital is as a result of a clarification issued by EIOPA on the inclusion of certain expenses within the parameters of the calculation. Other than this change, there have been no material changes in Darta's operational risk exposures over the reporting period.

C.5.2 Assessment and risk mitigation techniques applied

Assessment measures

Operational risk is monitored through the analysis of the number and nature of errors reported by the outsource service providers and throughout the wider organisation. The level and nature of complaints as logged by the Operations team are also analysed as part of this exercise.

The impact of these incidents on operational risk is measured using a "Rating Impact Scale" whereby operational incidents, breaches, losses and near misses are rated and classified.

Compliance with legal and regulatory requirements is monitored by the Compliance Function.

Risk mitigation techniques

Exposure to operational risk is typically managed by our business managers as part of their first line of defence responsibilities.

We also have a comprehensive set of policy statements in place which are designed to control and mitigate our main sources of operational risk. Each policy sets out procedures to manage, mitigate and report operational risk. These include the:

- Outsourcing policy.
- Operational, Reputational and Strategic policy.
- Anti-Fraud policy.
- Errors handling policy.
- Internal Control policy.
- Unit Pricing and Asset Valuation Policy.
- Underwriting, Reserving and Product Development policy.
- Complaints handling policy.
- Risk Management policy.

One of the sources of operational risk is the outsourcing arrangements that have been put in place. To mitigate these risks we have put an Outsourcing Governance Framework in place, which includes an Outsourcing Policy. Refer to Section B.7 for more detailed information on the management of outsourcing arrangements.

We have a detailed Business Continuity Plan in place which covers major risk scenarios. This plan is tested at least annually. We seek information on key outsource service providers' Business Continuity Plans and the results of their testing as part of the on-going outsourcing due diligence process.

We have put a detailed Information Security policy in place that describes our Information Security Framework. This Framework is derived from Allianz's Group Information Security Framework, as adapted to meet local operational needs and regulatory requirements. As part of this Framework, we have put a series of key controls and reporting measures in place, such as continuing user education and awareness campaigns, regular access reviews, network security and malware protection.

C.5.3 Risk concentrations

We are not exposed to any significant concentrations of risk in respect of operational risks as at 31 December 2018.

C.5.4 Risk sensitivity

We carry out stress and scenario testing as part of the ORSA which includes stress testing in respect of operational risks. Our SCR was recalculated following scenarios which subjected the Company to significant operational incidents. The testing showed that we are resilient to such stresses.

C.6 Other material risks

There are certain risks that are not adequately addressed or mitigated by additional capital and are therefore not considered in the Standard Formula. For identification, analysis, assessment and management of these risks, we use a systemic approach in which risk assessments are generally based on quantitative criteria or scenario analysis.

C.6.1 Risk exposure

Material risk	Sources of material exposures
Reputational risk Unexpected drop in the value of in-force business or value of future business caused by a decline in our reputation or in the reputation of the Allianz Group from the perspective of its stakeholders.	Events which negatively impact on our reputation are likely to result in an increase in lapses and a decrease in new business. Non-compliance with laws and regulations. Impact of reputational issues within other companies in the Allianz Group. Distributors selling products on our behalf.
Strategic risk Unexpected negative changes in the Company's value arising from the adverse effect of management decisions regarding business strategies and their implementation.	Our current strategy of mainly selling unit liked products into the Italian market exposes us to significant concentration and strategic risk. Potentially disruptive new market entrants.

There have been no material changes in other risk exposures over the reporting period.

C.6.2 Assessment and risk mitigation techniques applied

Material risks	Risk assessment measures	Risk mitigation techniques
Reputational risk	We measure reputational risk using a "Rating Impact Scale" whereby incidents, breaches, losses and near misses which may impact on its reputation are rated and classified.	Threats to our reputation and that of the wider Allianz Group are closely managed. In line with Allianz Group guidance, we have a Risk Management Framework in place to identify and mitigate potential sources of reputational risk. This Framework includes the completion of the annual TRA, an annual risk assessment of our anti-fraud and anti-corruption practices and constant Anti-Money Laundering ("AML") monitoring. In addition, we have implemented

Material risks	Risk assessment measures	Risk mitigation techniques
		a set of policies, including a reputational risk policy, anti-corruption policy and anti-fraud policy, with the aim of mitigating potential sources of reputational risk.
Strategic risk	The profitability of the Company, new business volumes, finance reports, compliance reports and risk management reports are all taken into account when the Board assesses our exposure to strategic risk.	As part of the strategic and planning process, we continually consider options to diversify our product portfolio and distribution channels. The implications of various strategies that may result in volatility in sales volumes (both positive and negative), policyholders switching to lower margin products or mass lapses are assessed as part of our stress and scenario testing as set out in the ORSA. New trends observed in the market are closely monitored.

C.6.3 Risk concentrations

Risk	Risk concentrations
Reputational risk	We have significant exposure to Allianz Bank in Italy. Reputational damage to this distributor may have a deleterious effect on the Company.
Strategic risk	Despite the recent initiatives to access new distribution channels and markets, it is acknowledged that in the short to medium term that we continue to be exposed to significant strategic risk.

C.6.4 Risk sensitivity

We carry out stress and scenario testing as part of the ORSA which includes stress testing in respect of other material risks. The testing showed that the Company is resilient to such stresses.

C.7 Any other information

All material information regarding our risk profile has been set out above.

D. Valuation for solvency purposes

D.1. Assets

The following table lists our material assets and provides an overview as to the valuation approach applied in respect of these assets. The asset classes described are the same as those used for the Solvency II Market Value Balance Sheet ("MVBS").

2018	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Assets		**€'000**	**€'000**	**€'000**	**€'000**
Cash and cash equivalents		134,088			134,088
Other receivables	D.1.5	28,807	265,042		293,849
Insurance and intermediaries receivables			3,207		3,207
Deferred tax asset	D.1.2	291		(291)	-
Shareholder financial assets					
Investments at fair value through profit or loss	D.1.3	1,610			1,610
Investments at fair value through other comprehensive income	D.1.3	41,435	453		41,888
Advance payment of Italian Policyholders' Tax	D.1.5	291,961	(291,961)		-
Deferred acquisition costs	D.1.1	69,237		(69,237)	-
Policyholder financial assets					
Investments at fair value through profit or loss/assets held for index-linked and unit-linked funds	D.1.4	15,321,471	66,386		15,387,857
Total assets		**15,888,900**	**43,127**	**(69,528)**	**15,862,499**

2017	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Assets		**€'000**	**€'000**	**€'000**	**€'000**
Cash and cash equivalents		67,181	(2)		67,179
Other receivables	D.1.5	29,104	232,862	(436)	261,530
Deferred tax asset	D.1.2	299		(299)	-
Shareholder financial assets					-
Investments available for sale	D.1.3	59,463	696		60,159
Advance payment of Italian Policyholders' Tax	D.1.5	257,582	(257,582)		-
Deferred acquisition costs	D.1.1	68,493		(68,493)	-
Policyholder financial assets					-
Investments at fair value through profit or loss/assets held for index-linked and unit-linked funds	D.1.4	15,700,184	65,101		15,765,285
Total assets		**16,182,306**	**41,075**	**(69,228)**	**16,154,153**

We prepare our financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

IFRS 9 Financial Instruments became effective for the first time in 2018 for the purposes of preparing the Financial Statements. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through Other Comprehensive Income ("FVOCI") and fair value through Profit and Loss ("FVTPL"). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. The application of IFRS 9 has not resulted in any changes being made to the valuation base used or to the estimations in respect of any of our asset classes during the reporting period.

The following Sections contain qualitative and quantitative information on the differences arising in respect of the asset classes reported under Solvency II and the asset classes reported in the Financial Statements.

D.1.1 Deferred Acquisition Costs ("DAC")

Solvency II reporting	IFRS reporting
DAC is not recognised in accordance with Article 12 of the Solvency II Delegated Acts.	Under IFRS, acquisition costs are deferred as an explicit deferred acquisition cost asset, gross of tax, to the extent that they are recoverable out of future revenue margins to which they relate. Such costs are amortised through the Statement of Profit and Loss over the period in which the future revenue margins on the related contracts are expected to be earned. The rate of amortisation is based on a prudent assessment of the expected pattern of receipt of future revenue margins, taking account of persistency, from the related contracts. All other costs are recognised as expenses when incurred.

D.1.2 Deferred Tax Asset

Solvency II reporting	IFRS reporting
Deferred tax is recognised in line with the principles set out in Article 15 of the Solvency II Delegated Acts. We are required to: • Recognise and value deferred taxes in relation to all assets and liabilities, including Technical Provisions. • Value deferred taxes, other than those arising from carrying forward unused tax losses, and Technical Provisions on the difference between the values ascribed under Article 82 of the 2015 Regulations and the values ascribed to those assets and liabilities as recognised and valued for tax purposes • Ascribe a value in accordance with Articles 83 to 98 of the 2015 Regulations to the Technical	The deferred tax asset recognised in the Financial Statements relates to the timing of the recognition of the unrealised losses in respect of the Shareholder Assets. Unutilised tax losses are not subject to any expiry dates. Corporate tax rates remain unchanged during the reporting period. No tax losses have been incurred in the current or preceding reporting period. The approach to calculation of Deferred Tax for Solvency II purposes is consistent with the approach under IFRS. Differences in value, if any, may arise due to differences in values derived due to variations in treatment or valuation for the purpose of calculating tax under the two reporting bases. As at 31 December 2018, we do not have any unrecognised tax credits or tax losses

Solvency II reporting	IFRS reporting
Provisions. • Recognise a deferred tax asset only where it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. We have not recognised any deferred tax assets for the purposes of reporting under Solvency II as at 31 December 2018 (2017: Nil)	for which deferred tax has not been recognised in our Balance Sheet (December 2017: Nil).

D.1.3 Investments (other than assets held for index-linked and unit-linked contracts) ("Shareholder financial assets")

The Shareholder financial assets comprise investments in Government Bonds, Corporate Bonds and an investment in a UCIT fund held.

Solvency II reporting	IFRS reporting
These investments are measured at fair value for Solvency II purposes. Each instrument in this class was individually valued through the application of quoted prices (unadjusted) obtained from an active market (recognised and active exchange) for identical assets. Such investments are reported inclusive of interest for Solvency II reporting purposes. Therefore, accrued interest attributable to these bonds has been reclassified from receivables to the Shareholder financial asset line item.	For IFRS purposes, these assets have been categorised as "Investments at fair value through profit or loss" or "Investments at fair value through other comprehensive income" and are measured at fair value in the Balance Sheet in line with the requirements of IFRS9 Financial Instruments ("IFRS 9"). These investments are reported exclusive of interest for IFRS reporting purposes. Accrued interest attributable to the Shareholder financial assets is classified as a receivable.

D.1.4 Assets held for index-linked and unit-linked funds ("Policyholders' Funds")

We hold unit linked assets for the benefit of our policyholders.

Solvency II reporting	IFRS reporting
The Policyholders' Funds are measured at fair value for Solvency II purposes	For IFRS purposes, these assets have been categorised as "Investments at fair value through profit and loss" and are measured at fair value in the Balance Sheet in line with the requirements of IFRS 9.

Approximately 96% (2017: 97%) of the Policyholders' Funds have been individually valued through the application of quoted prices (unadjusted) obtained from an active market (recognised and active exchange) for identical assets.

The remaining assets are valued through the use of valuation techniques based on observable inputs. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of the valuation techniques applied is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

No Policyholders' Funds are valued using significant unobservable inputs.

D.1.5 Receivables

Receivables (trade not insurance) include an advance payment of policyholder tax to the Italian Authorities ("Italian Withholding Tax Asset") and other pre-payments.

Solvency II reporting	IFRS reporting
Receivables are reported at their fair value, net of any amounts deemed to be doubtful debts. Due to the prevailing negative market rates, we did not apply any discounting to the Italian Withholding Tax asset for the purposes of Solvency II reporting, as the adjustment would most likely lead to an increase in the amounts outstanding. In the prior year, the Italian Withholding Tax Asset was carried at a discounted value, which is intended to reflect the	For IFRS purposes, receivables are carried at their nominal amounts (no discounting is applied). The Italian Withholding Tax Asset is recoverable through offset against taxes payable to the Italian State within a period of five years or, after five years they may be transferred to any Italian company in the same group. The recoverable amount of the asset is reviewed at each year end for evidence of impairment.

Solvency II reporting	IFRS reporting
reduction in value between the time the asset is first recognised and time when the asset is mostly likely to be recovered.	In line with Group Accounting policy, we do not apply any discounting to the Italian Withholding Tax asset for the purposes of IFRS reporting.

D.2 Technical provisions

D.2.1 Technical provisions by material lines of business

The following table sets outs the components of Darta's technical provisions as at 31 December 2018, with comparative information.

	Unit linked Contracts without options and guarantees	
	2018 €'000	2017 €'000
Best Estimate Liabilities	14,818,324	15,167,741
Risk Margin	105,373	73,887
Technical provisions less recoverables	**14,923,697**	**15,241,628**

The technical provision calculations were performed in accordance with Article 75 to 86 of the Directive 2009/138/EC.

The Best Estimate Liability ("BEL") corresponds to the probability weighted average of future cash flows, taking account of the time value of money (expected present value of future cash-flows) using the relevant risk free interest rate term structure. The unit liability is included in the BEL. The calculation of the BEL is based on up-to-date, credible information and realistic assumptions. It is calculated net, with deduction of amounts recoverable from reinsurance contracts and special purpose vehicles. The portion relating to reinsurance is a liability that slightly increases the technical provisions, and is immaterial.

The Risk Margin is an addition to the BEL to ensure that the technical provisions as a whole are equivalent to the amount that insurance undertakings would be expected to require in taking over and meeting the insurance obligations. It reflects the cost of setting aside the shareholder funds needed to cover the unhedgeable part of SCR over the lifetime of the business at the prescribed cost of capital rate of 6% per annum.

D.2.2 Actuarial methodologies and assumptions

Methodology

Technical provisions have been calculated using deterministic cash flow projection methods.

Assumptions

Lapse/surrender rates

Surrender assumptions are based on our experience data, where appropriate. Surrender rates cannot be predicted with certainty and actual future surrender experience will deviate from that assumed.

A review of surrender experience was conducted during 2018. The surrender assumptions were updated accordingly leading to a decrease in technical provisions at year-end 2018.

Expenses

The expense assumptions are based on our corporate plan which includes a detailed bottom-up assessment of the expenses over the next three years. This takes into account past experience, expected portfolio development based on actuarial projections, expected future sales, new product initiatives, projects and staffing needs. The expense assumption setting exercise takes the expenses from the corporate plan into account, together with the terms and conditions of contractual arrangements relating to outsourced services, distribution channels and asset managers. There is uncertainty relating to future expenses.

During 2018 expense updates arising from the corporate plan led to a small increase in technical provisions at year-end 2018.

Mortality/morbidity

Mortality assumptions are based on our experience data, where appropriate. Where our mortality experience data is deemed statistically unreliable, the experience data on similar products within the Allianz Group is considered in the assumption setting exercise. Mortality rates cannot be predicted with certainty and actual future mortality experience will deviate from that assumed.

Given the low levels of death benefits offered (net of reinsurance), mortality assumptions are not very important and, therefore, are reviewed only on a periodic basis. Morbidity assumptions are immaterial as only one minor product is exposed to morbidity risk.

Economic assumptions

Projected investment returns, interest rates and discount rates are based on the prescribed risk free curve issued by EIOPA.

D.2.3. Uncertainty associated with the value of technical provisions

There is uncertainty as to the extent to which actual future experience will deviate from the assumptions used to calculate the technical provisions. In particular, we are exposed to deviations of actual experience from any of the assumptions discussed in the previous Section. Sensitivity to key assumptions is tested in the ORSA, in Actuarial Function reports, and in determining capital requirements.

These sensitivity tests show that the Company is exposed to expense, lapse and investment market stresses that might reduce projected future fund related revenues. We are exposed to expense inflation and mortality risks to a lesser extent.

D.2.4 Valuation differences between IFRS and Solvency II

	2018	2017
	€'000	€'000
IFRS Technical Provisions	15,321,572	15,700,256
Take credit for present value of future profits	(503,148)	(532,443)
Recognition of the risk margin	105,373	73,887
Exclude the Life Assurance Provision	(100)	(72)
Solvency II Technical Provisions (net of reinsurance recoverables)	**14,923,696**	**15,241,628**

The table above reconciles the technical provisions reported in the financial statements to those reported for Solvency II. The key differences in valuation methodology and assumptions follow:

- Solvency II includes the present value of future fee income net of expense outgo on the underlying unit-linked funds, and this reduces the level of technical provisions. These projected surplus cash flows are excluded under IFRS.
- The Solvency II technical provisions include a risk margin to allow for the cost of capital in respect of risks that cannot be hedged away. This increases the provisions.
- Under IFRS there is a life assurance provision relating to the additional lump sum death benefit riders that apply to certain unit linked contracts. This provision is excluded here because the allowance for these benefits under Solvency II is captured in the present value of future profits item above.

D.2.5 Application of the matching adjustment, the volatility adjustment and the transitional deduction

We do not make use of the matching adjustment or the volatility adjustment as referred to in Article 77b and Article 77d of the Solvency II Directive nor does it apply the transitional deduction referred to in Article 308c of the Solvency II Directive.

D.2.6 Application of the transitional risk-free interest rate structure

We have not made use of such transitional structures.

D.2.7 Recoverables from reinsurance contracts

The reinsurance impact increases the BEL slightly, and is immaterial.

We do not have any risk transfer arrangements with special purpose vehicles.

D.2.8 Use of simplified methods to calculate technical provisions

The calculation of the risk margin is based on a simplified approach. Simplifications are permitted under Solvency II. Guideline 62 of the EIOPA Level 3 Guidance on the valuation of technical provisions sets out the hierarchy of simplifications that are allowed. The approach adopted is equivalent to Method 1 of the hierarchy which is to *"approximate the individual risks or sub-risks within some or all modules and sub-modules to be used for the calculation of future Solvency Capital Requirements as referred in Article 58 (a) of the Implementing Measures"*

D.3 Other liabilities

2018	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Other Liabilities		**€'000**	**€'000**	**€'000**	**€'000**
Deferred income	D.3.2	26,439		(26,439)	-
Creditors and other payables	D.3.3	184,266	(130,860)	(1,045)	52,361
Insurance and intermediaries payable	D.3.4	-	175,066		175,066
Corporation tax payable	D.3.3	1,205	(1,205)		-
Provisions other than Technical provisions		-			-
Reinsurance payable		-	125		125
Deferred tax liability	D.3.1	-		44,219	44,219
Total other liabilities		**211,910**	**43,126**	**16,736**	**271,771**

2017	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Other Liabilities		**€'000**	**€'000**	**€'000**	**€'000**
Deferred income	D.3.2	30,600		(30,600)	-
Creditors and other payables	D.3.3	147,327	(82,917)		64,410
Insurance and intermediaries payable	D.3.4	-	124,107		124,107
Corporation tax payable	D.3.3	480	(480)		-
Provisions other than Technical provisions		-	295		295
Reinsurance payable		-	69		69
Deferred tax liability	D.3.1	-		52,223	52,223
Total other liabilities		**178,407**	**41,074**	**21,623**	**241,104**

No changes have been made to the valuation base used or to the estimation methods used during the reporting period.

The following Sections contain qualitative and quantitative information on the differences arising in respect of the other liability classes reported under Solvency II and the other liability classes reported in the Financial Statements.

D.3.1 Deferred tax liability

Solvency II reporting	IFRS reporting
Refer to D.1.2 above	The deferred tax calculation takes into account the tax regulations specific to particular assets and liabilities under the Irish tax regime. The approach to calculation of Deferred Tax for Solvency II purposes is consistent with the approach under IFRS. Differences in value, if any, may arise due to differences in values derived due to variations in treatment or valuation for the purposes of calculating tax under the two reporting bases.

D.3.2 Deferred income

Solvency II reporting	IFRS reporting
Deferred income is not recognised for the purposes of Solvency II reporting.	Deferred income relates to front-end fees received at the inception of a contract that are deferred and amortised over the anticipated period for which the services will be provided, over the expected term of the contract.

D.3.3 Creditors and other payables

Solvency II reporting	IFRS reporting
Creditors and other payables include taxes payable and other non-insurance related payables. The amount of any loyalty bonuses due as relates to the Bonus Builder product are calculated as an integral part of the calculation of technical provisions for the purposes of Solvency II. Therefore, in order to avoid double counting of this liability a revaluation adjustment is completed.	Creditors and other payables include amounts accrued in respect of Bonus Builder product which is designed to pay a loyalty bonus to the policyholder through the allocation of additional units, at the end of a specific reference period rather than providing an upfront bonus. There are no valuation differences between Solvency II reporting and IFRS reporting.

D.3.4 Insurance and intermediaries payable

Solvency II reporting	IFRS reporting
Insurance and intermediaries payable include outstanding claims payable to policyholders and premiums received on behalf of policyholders but not yet invested as at year-end.	There are no valuation differences between Solvency II reporting and IFRS reporting.

D.4 Alternative methods for valuation

The same basis of valuation as used in the Financial Statements is used unless another valuation basis is required under Solvency II. Differences between the IFRS and Solvency II basis for the purpose of preparing the MVBS are set out above.

D.5 Any other information

All material information regarding valuation for Solvency II purposes has been set out above.

E. Capital Management

E.1 Own Funds

E.1.1 Policies and processes

We have put a formal capital management policy in place that has been approved by the Board. The objectives set out in our capital management policy are:

- We shall protect our capital base and steps shall be taken to support effective capital management.
- We undertake to comply with regulatory minimum capital requirements.
- Our capital is managed using an adequate capital buffer above the minimum regulatory requirement.
- Capital management seeks to add economic value over the cost of capital.
- Management is committed to the economic development of the Allianz Group through dividend payments or other forms of repayment of capital contributed from time to time.
- The capital allocated for steering the business is based on the calculations performed according to the Solvency II Standard Formula, taking into account other constraints (such as liquidity) and the outcome of our ORSA. In line with Allianz Group requirements, we apply a three year planning horizon.

No material changes have been introduced in respect of our capital management policies or accompanying processes during the reporting period.

E.1.2 Analysis of Own Funds

The following table sets out the components of our Own Funds.

2018	Total	Tier 1 - unrestricted	Tier 1 - restricted	Status
	€'000	€'000	€'000	
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)	5,000	5,000		Available
Reconciliation reserve	611,032	611,032		Available
Other own fund items approved by the supervisory authority as basic own funds not specified above	51,000	51,000	-	Available
Available and eligible own funds	**667,032**	**667,032**	**-**	
Total eligible own funds to meet the SCR	667,032	667,032	-	
Total eligible own funds to meet the MCR	667,032	667,032	-	

2017	Total	Tier 1 - unrestricted	Tier 1 - restricted	Status
	€'000	€'000	€'000	
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)	5,000	5,000		Available
Reconciliation reserve	615,419	615,419		Available
Other own fund items approved by the supervisory authority as basic own funds not specified above	51,000	51,000	-	Available
Available and eligible own funds	**671,419**	**671,419**	**-**	
Total eligible own funds to meet the SCR	671,419	671,419	-	
Total eligible own funds to meet the MCR	671,419	671,419	-	

Capital contributions have been included in "other items approved by supervisory authority as basic own funds not specified above". We obtained permission from the Central Bank to apply contributed capital as Tier 1 Basic Own Funds on 21 December 2015.

We do not hold any Tier 2 or Tier 3 type Own Funds.

The table below provides a breakdown of the reconciliation reserve, including explanations of the key components of the reserve:

	2018	2017	
Reconciliation reserve	**€'000**	**€'000**	**Comments**
Excess of assets over liabilities	667,032	671,419	
Own shares (held directly and indirectly)	-	-	
Foreseeable dividends, distributions and charges	-	-	
Other basic own fund items	(56,000)	(56,000)	Represented by ordinary share capital and capital contributions
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-	-	
Total reconciliation reserve	**611,032**	**615,419**	

E.1.3 Reconciliation to equity in the Financial Statements

The following table reconciles our Own Funds under Solvency II to our Shareholder Equity as reported in our Financial Statements.

	2018 €'000	2017 €'000	Explanation
Equity per Financial Statements	355,419	303,641	
Adjusted for:			
Deferred Acquisition Costs	(69,237)	(68,493)	DAC is included as part of the BEL for Solvency II reporting purposes.
Deferred income	26,439	30,600	Deferred income is included as part of the BEL for Solvency II reporting purposes.
Solvency II Technical provisions movement	398,852	458,628	Effect of adjustment from IFRS reserves to Solvency II Technical Provisions.
Solvency II deferred tax liability	(44,219)	(52,223)	Refer to explanation provided in Section D.3.1 above.
Remove IFRS deferred tax asset	(291)	(299)	Assets designated as Available-for-Sale are treated as equivalent to Fair Value through Profit and Loss for Solvency II purposes, which removes the timing difference that gives rise to the deferred tax asset under IFRS.
Adjustment to Italian Withholding Tax Asset	-	(436)	Adjustment to recognise the impact of discounting the Italian Withholding Tax Asset. Refer to D.1.5 above.
Other	69	-	
Excess of assets over liabilities for Solvency II purposes	**667,032**	**671,419**	

E.1.4 Movement in Own Funds

The following table contains an analysis of the significant changes in Own Funds during the year.

	2018 €'000	2017 €'000	Explanation
Opening Own Funds	671,419	561,792	
Contributions of Own Funds received	-	-	No capital contributions were received at any time during the reporting period
Own Funds redeemed	-	-	No capital was redeemed at any time during the reporting period
Dividends paid to shareholders	(15,000)	(10,000)	
Movement in reconciliation reserve	10,613	119,627	
Closing Own Funds	**667,032**	**671,419**	

E.1.5 Transitional arrangements

We have not made use of any transitional arrangements during the reporting period.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement and Minimum Capital Requirement

The following table contains an analysis of the components of our Solvency Capital Requirement.

Risk module	2018 €'000	2017* €'000
Market risk	181,148	257,053
Counterparty default risk	53,836	44,514
Life underwriting risk	213,171	197,840
Diversification	(114,873)	(121,584)
Intangible asset risk	-	-
Basic Solvency Capital Requirement	**333,282**	**377,824**
Operational risk	51,863	7,723
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	(46,928)	(48,193)
Solvency Capital Requirement	**338,217**	**337,354**
Minimum Capital Requirement	**104,146**	**106,610**

Our SCR, as at 31 December 2017, was revised in November 2018 following the outcome of a review performed by the Central Bank of Ireland, as part of their ordinary supervisory engagement cycle, over our SCR calculation process. Modifications introduced, as approved by the Board and submitted to the Central Bank, comprise:

- Amendments to the amount of spread risk and interest risk in the market SCR sub-module recognised as a result of applying shocks to improved look-through data.
- Amendments to the currency risk components of the market risk SCR sub-module as a result of a change in methodology in the identification of foreign currency exposure.
- Amendments to the expense risk component of the underwriting risk SCR sub-module based on direction received from the Central Bank of Ireland on how expense and inflation shocks should be applied to specific expenses.

The final amount of the Solvency Capital Requirement is still subject to supervisory assessment. Darta uses EIOPA's Solvency II Standard Formula and has not made use of undertaking-specific parameters during the reporting period.

E.2.2 Use of simplifications

We have not applied any simplifications for the purpose of calculating its capital requirements during the reporting period.

E.2.3 MCR – inputs

The following table contains the inputs used to determine the MCR.

Component	2018 €'000	2017 €'000
Index-linked and unit-linked insurance obligations	14,818,323	15,167,741
Other life (re)insurance and health (re)insurance obligations	-	-
Total capital at risk for all life (re)insurance obligations	597,168	622,209
Overall MCR calculation		
Linear MCR	104,146	106,610
SCR	338,217	337,354
MCR cap	152,198	132,932
MCR floor	84,554	73,851
Combined MCR	104,146	106,610
Absolute floor of the MCR	3,700	3,700
Minimum Capital Requirement	**104,146**	**106,610**

The Linear Minimum Capital Requirement is a calculation based on the value of technical provisions and capital at risk.

The Linear Minimum Capital Requirement is subject to a respective floor of 25%, a cap of 45% of the SCR and absolute Floor of €3.7m.

E.2.4 Material changes in SCR and MCR

SCR increased by €0.8m over 2018. This is due to an increase in operational risk SCR as a result of clarifications issued by EIOPA regarding the inclusion of certain additional expenses in its calculation as offset by market impacts, assumptions changes and a reduction in the volume of new business volumes compared to the prior year.

The decrease in the MCR of €2.4m is mainly due to changes in investment markets which decreased technical provisions as well as decreases in capital at risk.

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

We do not make use of the duration-based equity risk sub-module in the calculation of SCR.

E.4 Differences between the Standard Formula and any internal model used

We apply the Standard Formula to calculate its Solvency Capital Requirements. Therefore, this Section is not applicable.

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

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

E.6 Any other information

All material information regarding our Own Funds has been set out above.

Appendix 1 Definitions and terminology

Term	Definition
Board	The role of the Board is to organise and direct the affairs of the Company, acting on a fully informed basis, in good faith, with due diligence and care, in a manner designed to protect the interests of the shareholder and other stakeholders such as policyholders, regulatory bodies and staff. The Board may delegate authority to sub-committees or management to act on behalf of the Board in respect of certain matters but, where the Board does so, it shall have mechanisms in place for documenting the delegation and monitoring the exercise of delegated functions. The Board cannot abrogate its responsibility for functions it has delegated.
Non-Executive Director ("NED")	A director without executive management responsibilities for the insurance undertakings or, in the case of an insurance undertaking which is part of a group, who may have executive management responsibilities assigned to him or her within the group.
Independent Non-Executive Director ("INED")	A non-executive director who satisfies the criteria set out in the Central Bank's Corporate Governance Code for Insurance Undertakings 2015 for director independence**.**
Group Director	A group director may be an executive, an executive director, a non-executive director or an independent non-executive director of an entity within the group.
Business Manager	The person responsible for the day-to-day management of a particular function at Darta.
Corporate Risk Register	Darta's Register of Top Risks
Management Risk Committee ("MRC")	The MRC is an oversight committee comprising executive management that is tasked with ensuring that the Risk Management Framework is consistently applied. The MRC assists the Board Risk Committee in fulfilling its oversight responsibilities with regard to risk monitoring and risk management.
Board Risk Committee	The Board Risk Committee is responsible for providing oversight and advice to the Board on the risk exposures of the Company and future risk strategy. The Committee shall also provide direction and oversight in relation to regulatory policies and procedures, including those relating to risk identification, assessment, management and monitoring and shall oversee the risk management function.
Audit Committee	The Audit Committee supports the Board in considering activities that expose or may expose the Company to material audit or financial risk. The Audit Committee shall operate in a manner consistent with ensuring its independence and shall report its activities and decisions to the Board.

Term	Definition
	The Audit Committee shall work closely with the Company's Risk Committee to ensure the successful operation of the risk management and internal control systems.
Reserving Committee	The Reserve Committee is established to preserve the transparency and the auditability of the models, assumptions and parameters used by ensuring appropriate governance and controls are in place. This includes the assessment of the technical provisions to ensure they have been calculated in accordance with the Solvency II requirements.
Product Approval and Oversight Committee ("PAOC")	The PAOC assists the Board in fulfilling its product oversight responsibilities. The PAOC is tasked with ensuring appropriate product oversight and governance arrangements. These include measures and procedures aimed at designing, reviewing and distributing products for policyholders as well as directing corrective actions in respect of products that may lead to detriment to policyholders. The PAOC aims to prevent and mitigate policyholder detriment, support the management of conflicts of interest and ensure that the objects, interests and characteristics of policyholders are duly taken into account.
Risk Owners	The Risk Owner is the functional manager or Head of Function at Darta who is responsible for managing the risk in that particular department or function.
Risk Appetite Terminology	
Risk Capacity	Risk Capacity is the maximum amount of risk which the organisation is technically able to assume before breaching one or more of its capital base, liquidity, borrowing capacity, reputational and regulatory constraints.
Risk Appetite	The aggregate level and types of risk an organisation is willing to assume within its risk capacity to achieve its strategic objectives and business plan.
Risk Tolerance	Risk tolerance refers to the acceptable variability around the risk limit.
Risk Limit	Risk limits set out the qualitative or quantitative parameters used in assessing a specific category of risk and also a measurement of the aggregate amount of that risk. Limits are generally set and observed at a granular level within the Company.
Risk types	
Strategic Risks	Unexpected negative changes in Darta's value arising from the adverse effect of management decisions regarding business strategies and their implementation.
Operational Risks	Unexpected losses resulting from inadequate or failed internal processes and systems, from human misbehaviour or errors or from external events.

Term	Definition
Reputational Risks	Unexpected drop in the value of Darta, value of in-force business or value of future business caused by a decline in the reputation of Darta or Allianz Group from the perspective of its stakeholders.
Financial risk (Financial risk)	Unexpected losses arising due to changes in market prices or parameters influencing market prices. In particular, these include changes driven by equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. By that it also includes changes in market prices due to a worsening of market liquidity.
Credit risk (Financial risk)	Unexpected losses in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments (i.e. payment overdue).
Liquidity risk (Financial risk)	Unexpected financial losses due to a failure to meet, or to meet based on unfavourable altered conditions, short-term, current or future payment obligations, as well as the risk that in the event of a liquidity crisis refinancing is only possible at higher interest rates or by liquidating assets at a substantial discount.
Mortality risk (Insurance risk)	The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.
Expense Revision Risk (Insurance Risk)	Expense risk arises from the variation in the expenses incurred in servicing insurance or reinsurance contracts. It is likely to be applicable for all insurance obligations.
Terminology relating to the Actuarial Function and Technical Provisions	
AFR	Actuarial Function Report - Annual report supplied to the Board by the Actuarial Function in accordance with Regulation 272(8) of the Solvency II Delegated Acts.
AOTP	Actuarial Opinion on Technical Provisions – Annual opinion prepared by the Head of Actuarial Function providing an opinion on the compliance of the technical provisions, as reported in the annual Qualitative Reporting Templates, with all Solvency II requirements. This opinion is required to be submitted to the Central Bank.
ARTP	Actuarial Report on Technical Provisions – Annual report prepared by the Head of Actuarial Function and presented to the Board of Directors. The required content of the ARTP is set out in the Central Bank's Domestic Actuarial Regime and Related Governance Requirements under Solvency II, 2015. This report is incorporated in the AFR.

Term	Definition
Insurance Contract Liabilities	Insurance Contract Liabilities are calculated for the purposes of reporting in the IFRS financial statements. Refer to the accounting handbook and related process notes for the methods employed in calculating this balance.
MoSes	MoSes is actuarial modelling software employed by Darta to model projected cash flows.
QRT	Quantitative Reporting Templates
Risk Margin	The risk margin is the cost of holding non-hedgeable risk capital.
Technical provisions	Technical provisions refer to the gross technical provisions (comprising the BEL and Risk margin) and the recoverables from reinsurance contracts, as defined under Solvency II.
TP Guidelines	Allianz Group Actuarial LH Technical Provisions Guidelines (Function Rule).
Legislation and guidelines	
Domestic Actuarial Regime/HOAF Guidance	The Domestic Actuarial Regime and Related Governance Requirements under Solvency II ("Domestic Actuarial Regime"), as issued by the Central Bank of Ireland ("Central Bank") in 2015 including the Guidance for Insurance undertakings on the Head of Actuarial Function Role. Guidance for Insurance undertakings on the Head of Actuarial Function Role – Guidance issued by the Central Bank which is intended to assist the HOAF in completing the tasks set out in Regulation 50 of the 2015 Regulations.
Solvency II Delegated Acts	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
The 2015 Regulations	Statutory Instrument 485 of 2015, the European Union (Insurance and Reinsurance) Regulations 2015 ("The 2015 Regulations") The 2015 Regulations have the effect of transposing Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ("the Solvency II Directive") into Irish Law effective 1 January 2016.

Appendix 2 Prescribed templates

The following required reporting templates are in scope for the purposes of this report.

Commission Implementing Regulation (EU) 2015/2542 of 2 December 2015

Article 4

S02.01.02	Balance sheet
S05.01.02	Premiums, claims and expenses - using FS methods
S05.02.01	Premiums, claims and expenses by country
S12.01.02	Technical provisions for life and health insurers
S23.01.01	Own Funds, including Basic Own Funds and Ancillary Own Funds
S25.01.21	Standard Capital Requirement using the Standard Formula
S28.01.01	Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity

S02.01.02
Balance sheet
€'000

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	-
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	43,499
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	-
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	41,888
R0140	*Government Bonds*	9,855
R0150	*Corporate Bonds*	32,034
R0160	*Structured notes*	-
R0170	*Collateralised securities*	-
R0180	*Collective Investments Undertakings*	1,610
R0190	*Derivatives*	-
R0200	*Deposits other than cash equivalents*	-
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	15,387,857
R0230	Loans and mortgages	-
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	-
R0270	Reinsurance recoverables from:	-
R0280	*Non-life and health similar to non-life*	-
R0290	*Non-life excluding health*	-
R0300	*Health similar to non-life*	-
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	-
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries receivables	-
R0370	Reinsurance receivables	-
R0380	Receivables (trade, not insurance)	297,055
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	134,088
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	**15,862,499**

S02.01.02
Balance sheet (continued)
€'000

		C0010
	Liabilities	
R0510	Technical provisions - non-life	-
R0520	*Technical provisions - non-life (excluding health)*	-
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	-
R0550	*Risk margin*	-
R0560	*Technical provisions - health (similar to non-life)*	-
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	-
R0590	*Risk margin*	-
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-
R0610	*Technical provisions - health (similar to life)*	-
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	-
R0680	*Risk margin*	-
R0690	Technical provisions - index-linked and unit-linked	14,923,696
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	14,818,324
R0720	*Risk margin*	105,373
R0730	Other technical provisions	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	44,219
R0790	Derivatives	-
R0800	Debts owed to credit institutions	-
ER0801	*Debts owed to credit institutions resident domestically*	-
ER0803	*Debts owed to credit institutions resident in rest of the world*	-
R0810	Financial liabilities other than debts owed to credit institutions	-
ER0811	*Debts owed to non-credit institutions*	-
ER0812	*Debts owed to non-credit institutions resident domestically*	-
ER0813	*Debts owed to non-credit institutions resident in the euro area other than domestic*	-
ER0814	*Debts owed to non-credit institutions resident in rest of the world*	-
ER0815	*Other financial liabilities (debt securities issued)*	-
R0820	Insurance & intermediaries payables	175,066
R0830	Reinsurance payables	125
R0840	Payables (trade, not insurance)	52,361
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	15,195,467
R1000	**Excess of assets over liabilities**	667,032

S.05.01.02
Premiums, claims and expenses by line of business
€'000

	Life	Line of Business for: life insurance obligations	Life reinsurance obligations	Total
		Index-linked and unit-linked insurance	Life reinsurance	
		C0230	C0280	C0300
	Premiums written			
R1410	*Gross*	2,304,465		2,304,465
R1420	*Reinsurers' share*	1,438		1,438
R1500	*Net*	2,303,027	-	2,303,027
	Premiums earned			
R1510	*Gross*	2,304,465		2,304,465
R1520	*Reinsurers' share*	1,438		1,438
R1600	*Net*	2,303,027	-	2,303,027
	Claims incurred			
R1610	*Gross*	1,376,523		1,376,523
R1620	*Reinsurers' share*	168		168
R1700	*Net*	1,376,355	-	1,376,355
	Changes in other technical provisions			
R1710	*Gross*	378,659		378,659
R1720	*Reinsurers' share*	-		-
R1800	*Net*	378,659	-	378,659
R1900	**Expenses incurred**	228,271	-	228,271
R2500	**Other expenses**			-
R2600	**Total expenses**			228,271
R2700	**Total amount of surrenders**	1,129,827		1,129,827

S.05.02.01

Premiums, claims and expenses by country

	€'000	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Life	**Home Country**	**Top 5 countries (by amount of gross premiums written) - life obligations**					**Total Top 5 and home country**
R1400			**Italy**	**Lithuania**				
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	*Gross*	-	2,304,404	61				2,304,465
R1420	*Reinsurers' share*	-	1,438	-				1,438
R1500	*Net*	-	2,302,966	61	-	-	-	2,303,027
	Premiums earned							
R1510	*Gross*	-	2,304,404	61				2,304,465
R1520	*Reinsurers' share*	-	1,438	-				1,438
R1600	*Net*	-	2,302,966	61	-	-	-	2,303,027
	Claims incurred							
R1610	*Gross*	-	1,376,481	43				1,376,523
R1620	*Reinsurers' share*	-	1,438	-				1,438
R1700	*Net*	-	1,375,043	43	-	-	-	1,375,085
	Changes in other technical provisions							
R1710	*Gross*	-	378,661	- 3				378,659
R1720	*Reinsurers' share*	-	-	-				-
R1800	*Net*	-	378,661	- 3	-	-	-	378,659
R1900	**Expenses incurred**	18,081	210,065	125				228,271
R2500	**Other expenses**							
R2600	**Total expenses**							228,271

S.12.01.02
Life and Health SLT Technical Provisions
€'000

		Index-linked and unit-linked insurance		Accepted reinsurance					
			Contracts without options and guarantees	Contracts with options or guarantees		Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl Unit-linked)
		C0030	C0040	C0050	C0100	C0110	C0120	C0130	C0140	C0150
R0010	**Technical provisions calculated as a whole**	-			-	-	-	-	-	-
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-			-	-	-	-	-	-
	Technical provisions calculated as a sum of BE and RM									
	Best estimate									
R0030	**Gross Best Estimate**		14,818,324	-	-	-	-	-	-	14,818,324
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-	-	-	-	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		14,818,324	-	-					14,818,324
R0100	**Risk margin**	105,373			-	-	-	-	-	105,373
	Amount of the transitional on Technical Provisions									
R0110	Technical Provisions calculated as a whole	-			-					-
R0120	Best estimate		-	-	-					-
R0130	Risk margin	-			-					-
R0200	**Technical provisions - total**	14,923,696			-					14,923,696

S.23.01.01
Own Funds
€'000

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	5,000	5,000		-	
R0030	Share premium account related to ordinary share capital	-	-		-	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0070	Surplus funds	-	-			
R0090	Preference shares	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0130	Reconciliation reserve	611,032	611,032			
R0140	Subordinated liabilities	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	-				-
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	51,000	51,000	-	-	-
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not	-				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	
R0290	**Total basic own funds after deductions**	667,032	667,032	-	-	-
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-

S.23.01.01
Own Funds (continued)
€'000

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	667,032	667,032	-	-	-
R0510	Total available own funds to meet the MCR	667,032	667,032	-	-	
R0540	Total eligible own funds to meet the SCR	667,032	667,032	-	-	-
R0550	Total eligible own funds to meet the MCR	667,032	667,032	-	-	

R0580	**SCR**	338,217
R0600	**MCR**	104,146
R0620	**Ratio of Eligible own funds to SCR**	197.22%
R0640	**Ratio of Eligible own funds to MCR**	640.48%

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	667,032
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	56,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
R0760	**Reconciliation reserve**	611,032

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	1,517
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	-
R0790	**Total Expected profits included in future premiums (EPIFP)**	1,517

S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula
€'000

Z0010	**Article 112**	Regular reporting	

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
		C0030	C0040	C0050	C0080	C0090
R0010	Market risk	181,148	181,148	-		-
R0020	Counterparty default risk	53,836	53,836	-		
R0030	Life underwriting risk	213,171	213,171	-	-	-
R0040	Health underwriting risk	-	-	-	-	-
R0050	Non-life underwriting risk	-	-	-	-	-
R0060	Diversification	(114,873)	(114,873)			
R0070	Intangible asset risk		-			
R0100	**Basic Solvency Capital Requirement**	333,282	333,282			

	Calculation of Solvency Capital Requirement	C0100	
R0120	Adjustment due to RFF/MAP nSCR aggregation	-	
R0130	Operational risk	51,863	
R0140	Loss-absorbing capacity of technical provisions	0	
R0150	Loss-absorbing capacity of deferred taxes	(46,928)	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-	-
R0200	**Solvency Capital Requirement excluding capital add-on**	338,217	-
R0210	Capital add-ons already set	-	
R0220	**Solvency capital requirement**	338,217	
	Other information on SCR		
R0400	Capital requirement for duration-based equity risk sub-module	-	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	-	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	-	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	-	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	-	
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment	
R0460	Net future discretionary benefits	-	

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
€'000

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	-

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

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (continued)
€'000

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	104,146

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) total capital at risk**
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	-	
R0220	Obligations with profit participation - future discretionary benefits	-	
R0230	Index-linked and unit-linked insurance obligations	14,818,324	
R0240	Other life (re)insurance and health (re)insurance obligations	-	
R0250	Total capital at risk for all life (re)insurance obligations		597,168

	Overall MCR calculation	C0070
R0300	Linear MCR	104,146
R0310	SCR	338,217
R0320	MCR cap	152,198
R0330	MCR floor	84,554
R0340	Combined MCR	104,146
R0350	Absolute floor of the MCR	3,700
R0400	**Minimum Capital Requirement**	104,146