



Solvency and Financial Condition Report Intesa Sanpaolo Life DAC

31<sup>st</sup> December 2022

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## **INTRODUCTION**

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This "Solvency and Financial Condition Report (the "Report") of Intesa Sanpaolo Life dac ( "ISL) was prepared in accordance with the requirements set by Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "Directive") and Delegated Regulation 2015/35 supplementing the Directive.

It should be noted that:

- ISL prepares its statutory financial statements in accordance with IAS/IFRS.

This Report was approved by the ISL Board of Directors on 4 April 2023.

Annexed to this document is the information on the Quantitative Reporting Template (hereinafter QRT) provided for in Article 4 of the Implementing Regulation (EU) 2015/2452 and subsequently amended by Implementing Regulation (EU) 2017/2189.

The report is published on the ISL website [www.intesasanpaololife.ie](http://www.intesasanpaololife.ie)

## **SUMMARY**

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ISPL is authorised in Ireland to transact cross border life assurance business in the European Union ("EU") pursuant to Statutory Instrument 485 of 2015, the European Union (Insurance and Reinsurance) Regulations 2015.

ISPL is a subsidiary of the Intesa Sanpaolo Group, one of the biggest banks operating in the Italian market place.

This SFCR covers ISPL's:

- Company's Business and Performance (Section A);
- Systems of Governance (Section B);
- Risk Profile (Section C);
- Valuation for Solvency Purposes (Section D);
- Capital Management (Sections E).

The ISPL Board of Directors (the "Board") acknowledges its ultimate responsibility for all these matters and is assisted with discharging this responsibility by the various governance and control functions implemented by the Company.

The Company is required to hold, at all times, sufficient assets to match policyholder liabilities. The Board is responsible for ensuring that the Company's capital is adequate to cover the solvency required for the nature and scale of the business, and the expected operational requirements of the business.

The Board is satisfied that the Company's capital is sufficient to meet the expected requirements in both the short and medium term. The Company's ORSA stresses a wide range of scenarios including market falls, increased lapses, depressed new business sales and stresses to Italian Government finances. The ORSA demonstrates that the Company's solvency coverage is extremely resistant to these events.

The Company puts significant focus on liquidity. Illiquid assets (mainly the present value of future profits and the Italian Claims Tax asset) make up a significant portion of Own Funds. The Company's relatively high solvency coverage is a function of the Company maintaining sufficient liquid assets on top of significant illiquid assets in order to maintain sufficient liquidity coverage.

Notwithstanding the proposed merger with its Italian parent (see A.1.3 Significant Events) there were no material changes to the Company's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management over the reporting period.

The current market volatility deriving from the Ukraine/Russia conflict had an impact on the level of sales during 2022, but this did not have a material impact on the Company's finances.

### Key Developments over 2022

- Business and performance:
  - In 2022 the Company developed two significant funds (Crescita Guidata and Crescita Stabile). It also launched a new product called Patrimonio Pro.;
  - The Company ran one successful marketing Campaign in 2022 which helped support sales through the year.
  - The Company wrote €2.8 bln of new premiums in 2022 (a decrease 48% over 2021).
- Systems of governance:
  - The Company updated its Organisational Structure.
- Risk profile:
  - no material changes during the year.
- Valuation for solvency purposes:
  - no material changes during the year
- Capital management:
  - no material changes during the year
  - the Company paid a dividend of €50mln to its parent Company.

## **A. BUSINESS AND PERFORMANCE**

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### **A.1 Business**

#### **A.1.1 Corporate Structure**

The Company's:

- name is Intesa Sanpaolo Life dac;
- registered office is 1<sup>st</sup> Floor, International House, 3 Harbourmaster Place, Dublin D01 K8F1;
- registered number is 284248;
- supervisory authority is Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1;

The firm responsible for the statutory auditing of the accounts is EY Chartered Accountants and Statutory Audit Firm, EY Building, Harcourt Centre, Harcourt Street, Dublin 2.

There is only one holder of a qualifying holding in our Company and that is our immediate parent company, Intesa Sanpaolo Vita (Via Stelvio 55/57, 20159 Milano, Italy) which holds 100% of the share capital of the Company.

The Company belongs to the Intesa Sanpaolo Vita Insurance Group, which in turn belongs to the Intesa Sanpaolo Group.

#### **A.1.2 Description of Business**

ISPL continues to distribute unit linked life assurance products mainly in Italy which represents over 99% of unit linked assets and numbers of customers.

Spanish premium volumes, arising from business launched in 2017, continue to be relatively modest, consistent with this Company's plan for a gradual build of this market.

The Company does not have any ownership of subsidiary companies and does not operate any insurance branches.

The main trends and factors that influence the development, performance and position of Intesa Sanpaolo Life:

- Disposable wealth and investment confidence of Intesa Sanpaolo Banks's customer base;
- Comparative level of attractiveness of Intesa Sanpaolo Life's products in the branch network
- General performance of investment markets
- Persistency of customer base
- Influences on the cost base (inflation, efficiencies etc).

The principal business objective of the Company continues to be:

- the development of products that meet the needs of the customer base of the Intesa Sanpaolo Bank branch network;
- examination of possible new markets in other European countries.

### **A.1.3 Significant events in 2022**

The Company has initiated a project to merge, by way of absorption, with its parent based in Italy and to subsequently establish a branch in Ireland. This project has been reviewed by the Board and approved on April 4<sup>th</sup>, 2023.

## A.2 Underwriting Performance

The following tables show the key metrics underlying the underwriting performance for 2022 (with 2021 equivalents for comparison).

The first table is in the format prescribed in the QRTs.

| Underwriting Result (QRT S.05.01)           | 2021 (€000)       | 2022 (€000)      |
|---------------------------------------------|-------------------|------------------|
| Premiums written                            | 5,512,945         | 2,849,511        |
| Premiums earned                             | 5,512,945         | 2,849,511        |
| Claims incurred                             | -4,309,109        | -4,434,979       |
| Decrease / (increase) in technical reserves | -2,948,602        | 6,878,155        |
| Expenses incurred                           | -510,107          | -482,018         |
|                                             |                   |                  |
| <b>Underwriting Result (QRT S.05.01)</b>    | <b>-2,254,873</b> | <b>4,810,670</b> |

This format doesn't intuitively give the sense of the Company's profitability. It is perhaps more useful to look instead at the flow of charges coming from the book in comparison with the outgo of the Company as included in the following table.

| Underwriting Result (IFRS)          | 2021 (€000)    | 2022 (€000)    |
|-------------------------------------|----------------|----------------|
| Net fund margin                     | 397,015        | 350,728        |
| Net deferred expense                | -144,530       | -127,428       |
| Net claims related income (expense) | -1,368         | -506           |
| other                               | 168            | 104            |
|                                     |                |                |
| <b>Underwriting Result (IFRS)</b>   | <b>251,284</b> | <b>222,897</b> |

### Sales Performance

- New Premium income decreased by 48% compared to 2021. Sales have been depressed during the year due to uncertainties on the markets, mostly related to the Russia-Ukraine situation.
- The Company launched one new product in 2022 called Patrimonio Pro. During 2022, as part of its activity to ensuring that it delivers a range of products able to meet the policyholders' needs, the Company restyled Prospettiva Sostenibile with the introduction of two funds. In addition, the Company launched the new fund "Crescita Guidata" for Valore Pro and the same fund in Selezione Private Pro named as Crescita Stabile. Moreover, the Company performed the usual

activity related to the maintenance of the list of external funds for those products with this type of funds.

- The Company ran one marketing campaigns in 2022 which incentivised new sales and top-ups on products. The Company added money to customers' policies in December 2022.

#### Claims Management

- COVID-19 had an impact on mortality claims. 2022 mortality claims were €772.5mln compared to €724.9mln in 2021.
- Surrenders slightly increased during 2022 from €3.5bln to €3.6bln.

#### Fund income

- Funds under management decreased significantly during the year (from €41.1bln at year end 2021 to €34.2 bln at year end 2022). This was mainly due to the fact that exits exceeded new premiums and funds performed poorly during the year. This decrease in funds directly contributed to lower margins.

### **A.3 Investment Performance**

Shareholder investment return for year-ended 31 December 2022 was €2.9mln compared to €9mln in 2021.

Shareholder assets are invested very conservatively and predominantly in short term bonds, which is consistent with a framework where investments should be predominantly classified under IFRS9 as Fair Value Through Other Comprehensive Income (FVTOCI)

Given the unit linked nature of the Company's business, returns on policyholder assets flow directly through to the customer values (although they do influence management charges as demonstrated in section A.2).

### **A.4 Performance of other activities**

The following table shows the remaining components parts behind profit before tax as reported in the Statutory financial statements.

| Other components                    | 2021 (€000)    | 2022 (€000)    |
|-------------------------------------|----------------|----------------|
| Operational expenses                | -30,423        | -35,557        |
| Fund administration expenses        | -8,995         | -8,812         |
| Other income (expenses)             | -606           | -679           |
| Adjustment re claims tax write down | 0              | -48,199        |
|                                     |                |                |
| <b>Total other components</b>       | <b>-40,024</b> | <b>-93,248</b> |

When combined with the performance outlines in sections A.2 and A.3 one can observe the overall performance of the business as reported in the Statutory Financial Statements as follows

| Overall performance (per statutory financial statement)              | 2021 (€000)    | 2022 (€000)    |
|----------------------------------------------------------------------|----------------|----------------|
| Underwriting Result (IFRS)                                           | 251,284        | 222,897        |
| Shareholder investment return                                        | 8,994          | 2,942          |
| Other components                                                     | -40,024        | -93,248        |
| <b>Profit before tax</b>                                             | <b>220,254</b> | <b>132,592</b> |
| Tax                                                                  | -27,718        | -14,069        |
| <b>Net Result</b>                                                    | <b>192,537</b> | <b>118,523</b> |
|                                                                      |                |                |
| Other comprehensive income (change in unrealised losses)             | -2,417         | -44,219        |
|                                                                      |                |                |
| <b>Total Comprehensive income per Statutory Financial Statements</b> | <b>190,120</b> | <b>74,304</b>  |

## **B. SYSTEM OF GOVERNANCE**

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### **B.1 Information Regarding the System of Governance**

#### **B.1.1 Governance Structure**

The Company's System of Governance is the organisational and operational structure by which it is governed. The system is aimed at supporting the Company's strategic objectives, while providing for sound and prudent management of the business, and is informed by current regulations, in particular the Corporate Governance Requirements for Insurance Undertakings and the European Union (Insurance and Reinsurance) Regulations 2015. Group guidelines issued by the parent company, as far as applicable locally, also contribute to the operation of the System of Governance.

The System of Governance Framework sets the structure that allows the Company to pursue and achieve its strategies and objectives, consistently with its vision, values, mission and risk appetite.

The Company's business strategy is defined by the Board and aims to create and/or capture value by developing and exploiting competitive advantages in a sustainable way. It is informed by the Corporate Strategy defined by the Insurance Parent Company and reviewed periodically to ensure that it remains effective and consistent with the broader Corporate Strategy.

The Company's strategic business plan is an integrated framework in which business plans, organisational structure, systems, processes and resources are fully integrated to manage the pursuit and the achievement of the strategic objectives in a long term sustainable fashion. It also sets the functional strategies i.e. the role of functions to support the accomplishment of the strategic targets mainly through the management of the organizational chart and the related definition of powers and responsibilities.

The Risk Appetite Statement (RAS) outlines the attitude of the Company to each category of risk when pursuing its strategic objectives.

The Risk Management Framework has the aim of ensuring that the Company has in place "an effective risk management system outlining strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis the risks, at an individual and at an aggregated level, to which they are or could be exposed, and their interdependencies".

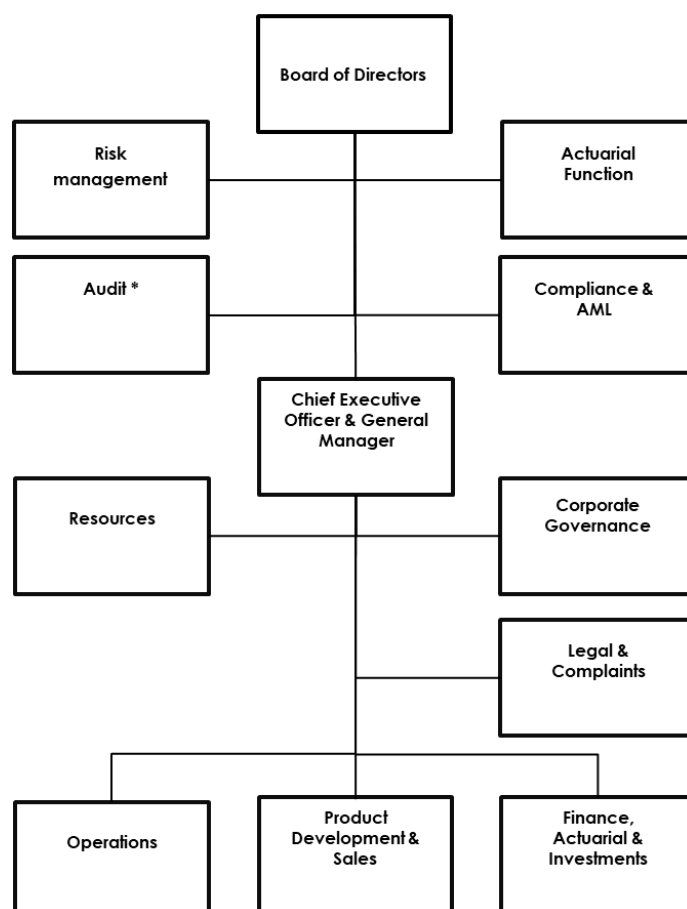
The Internal Controls framework is based on a suite of processes and procedures that, consistent with the policies approved by the Board, allows:

- the Board to have transparent oversight of the system of internal control;
- Management to have appropriate control over Company's operations and its associated risks.

The System of Governance Framework, the Risk Management Framework and the Internal Control framework are all encompassed in specific policies which are approved by the Board and reviewed at least once a year. The RAS is also approved by the Board and reviewed at least once a year.

The Company's organisational structure is as follows as at 31<sup>st</sup> December 2022:

### ORGANIZATIONAL STRUCTURE



\* Outsourced to ISP Vita

At 31 December 2022 the Board was composed of the following Directors:

- Ciarán Long, Chairman and Independent Non-Executive Director
- Mark Duffy , Independent Non-Executive Director
- Bríd Quigley, Independent Non-Executive Director
- Giuseppe Loforese, CEO and Executive Director
- Luigi Megaro, Non-Executive Director
- Maria Luisa Gota, Non-Executive Director
- Antonio Granito, Non-Executive Director

Other key management functions at 31 December 2022 are:

- Alberto Data, Head of Operations (COO/CIO)
- Massimo Pittoni, Head of Product Development and Sales
- Brian Grimes, Head of Finance, Actuarial & Investments
- Laura Segalla, Head of Finance
- Simone Pavanelli, Head of Actuarial & Investments
- Andrea Barberis, Head of Human Resources
- Nicola Connolly, Head of Corporate Governance
- Roberto Ogheri, Head of Risk Management (CRO)
- Elaine Spillane, Head of Actuarial Function (HOAF)
- Lourdes Zullo, Head of Compliance and AML (also the MLRO and DPO);
- Rita Esposito, Head of Internal Audit.

The Board has its own terms of reference which are reviewed at least annually and which set out the Board's key areas of responsibility. Given the nature of the Board's role, the terms of reference are intended to assist the Board in discharging its responsibilities.

The Board has a wide range of responsibilities including:

- setting the direction, strategies and financial objectives of the Company;
- ensuring that the Company at all times delivers on policyholder's reasonable expectations and ensures their interests are foremost in the Company's strategy, decision-making and procedures;
- oversight of the Company including its control and accountability systems;
- monitoring compliance with statutory and regulatory requirements;



- primary responsibility for corporate governance within the Company;
- approving and overseeing a range of policies including the Company's Risk Management policies, the Board Diversity Policy, the Fitness and Probity Policy, the Reporting and Disclosure Policy, the IT Security Policy and the Capital Management Policy;
- setting and overseeing the amounts, types and distribution of internal capital and own funds to respect adequacy to cover the risks of the Company and to meet the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR);
- setting and overseeing a robust and transparent organisational structure within the Company with effective communication and reporting channels;
- setting and overseeing an effective remuneration framework in line with the Company's business and risk management strategy as well as setting and overseeing the Nomination and Remuneration Policy;
- setting and overseeing an adequate internal controls framework that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework. It also enables timely receipt of accurate and sufficiently detailed information from the control functions;
- reviewing and ratifying systems of risk management including establishing a Risk Appetite Statement ("RAS") and a documented Conflicts of Interest Policy and monitoring compliance with same;
- Ensuring that key functions such as compliance, audit, risk and actuarial are independent of business units, have adequate resources and the authority to operate effectively;
- Development of contingency, recovery and resolution plans where it identifies risks for which contingency plans are needed;
- Approval of the Financial Statements, including the Directors' Compliance Statements which form part of the Directors' Report therein;
- Approval of the annual Solvency and Financial Condition Report (SFCR), the annual quantitative returns and the annual ORSA Report;
- Approval of Directors' Accuracy Certificates and Annual Compliance Statement to the CBI;
- Approval of the Regular Supervisory Report (RSR) every three years, or sooner if requested by CBI;
- Approval of Annual Returns to the CBI;

- Approval of investment strategy applicable to referring shareholder funds;
- Approval of investment strategy regarding new product developments and any significant changes thereto;
- Approval of budget;
- Approval of senior appointments and election of Directors;
- Monitoring senior management's performance and implementation of strategies, policies and budget;
- Approval of key strategic decisions such as renewal of principal third party contracts, new proposed territories/markets, mergers and acquisitions etc;
- Ensure that appropriate resources are available for the Company in the pursuit of its objectives, including an appropriate succession plan;
- Ensure compliance with relevant data protection and anti-money laundering and terrorist financing ("AML") requirements including setting and overseeing the Data Protection Policy and ensuring appropriate AML/CTF Policy and controls are in place;
- Ensuring the maintenance of an effective IT Risk Management framework;
- Ensure and promoting a strong culture among the staff, aimed at:
  - supporting the best interests of the customer at all times
  - full compliance with all regulatory requirements, including employment rights;
- Approving dividend payments;
- Setting and overseeing of the Company's Outsourcing framework including the approval of critical outsourcers and authorising of CBI notifications, as set out in the Outsourcing Risk Policy.
- Monitoring and advising on the Company's ESG activities.

There are a number of Board approved Committees, each of which assists the Board in carrying out its responsibilities. Each Committee has its own terms of reference, reviewed annually. The Directors have also established four supporting sub-committees, including the Operational Investment Sub-Committee (OIC), the Operational Product Governance Sub-Committee (OPGC), the ICT & Cyber Risk Sub-Committee and the Unit Matching Governance Sub-Committee. The Company also operates a Pricing Forum to oversee pricing matters.

In all cases, the Board is kept fully informed of the activities of each Committee, and supporting sub-committee through reports and minutes, thereby enabling the Board to have appropriate oversight of committee activities. Each Committee is chaired by a non-executive director, appointed by the Board.

The roles and responsibilities of the Board approved Committees are as follows:

Audit & Reporting (A&R) Committee:

- advises the Board on the financial reporting process, the systems of internal control over financial reporting and the accuracy and integrity of the Company's financial statements;
- oversees the activities and systems of internal control over events that expose the Company to significant risk to ensure their adequacy and effectiveness;
- oversees the performance of the Company's internal audit function and receive reports from them;
- oversees the selection, appointment, qualifications, independence and performance of the external auditors and receive reports from them;
- liaises with management on the appropriate steps being taken to address any weaknesses identified by the internal and external auditors;
- oversees and review policies and procedures designated within its responsibility and present and make recommendations for approval of same by the Board when the Committee is satisfied with the proposals;
- oversees the development of an appropriate IT and Cyber Security Risk Management Framework for the Company and review effectiveness of same; and report regularly to the Board.

Investment & Product (I&P) Committee:

- oversight responsibility for the design and evaluation of the Investment strategies and policies of the Company;
- oversees the formulation, approval and development of products to ensure needs of customers and the Company are adequately considered and that conduct risk is managed appropriately.
- evaluates strategies and policies that are developed and proposed by the Company management and makes recommendations for approval of same by the Board when satisfied with the proposals;
- seeks advices from management that any such evaluations reference the requirements of Condition 2 of the CBI's Conditions of Authorisation (i.e. as to whether a strategy may constitute a material change of business);

- exercises oversight over the OIC, an I&P sub-committee which is responsible for implementing Board policy and strategy regarding the shareholder investments and for the oversight in relation to certain unit linked funds nominated by the Board.
- exercises oversight over the OPGC, a sub-committee of the I&P, which is responsible for testing and challenging all aspects of product development.
- exercises oversight over the UMGC, a sub-committee of the I&P, which is responsible for any unit-matching activities.

Risk & Compliance (R&C) Committee:

- oversees and reports regularly to the Board and advise on the activities and systems of control over events that expose the Company to significant risk;
- reviews the integrity and effectiveness of the Company's compliance management and reporting systems;
- oversees the drafting, maintenance and update of compliance, risk and related policies and procedures of the Company within its responsibility and present and make recommendations for approval by the Board;
- reviews the risk to which the Company is exposed including the risk profile, risk register and the risk appetite on a regular basis; and reports regularly to the Board;
- reviews and assesses the quarterly Outsourcing Updates to ensure proper oversight of outsourced activities as per the Outsourcing Risk Policy;
- oversee the Company's management of outsourcing.

The Company's System of Governance encompasses a framework based on an organisational structure (including description of roles). The Board validates terms of references for the main Company's Bodies and functions and the framework of signatory powers. According to the System of Governance policy, these documents are reviewed at least once a year or more frequently if required by circumstances.

The responsibilities and operation of:

- Risk Management function are set out in more detail in section B.3;
- Compliance function are set out in more detail in section B.5.2;
- Internal Audit Function are set out in more detail in section B.6;
- Actuarial Function are set out in more detail in section B.7.

**B.1.2 Any Material Changes in the system of governance in the reporting period**

The Company's governance structures have not changed materially during 2022

In 2022 the following changes in role occurred:

- William Holmes retired from the Board;
- Ciarán Long replaced William Holmes as Chair of the Board;
- Mark Duffy was appointed to the Board;

### **B.1.3 Remuneration Policy and Practices**

The Company does not have distinct remuneration and nomination committees (as would normally be required of a high PRISM rated entity) and instead relies on the Group Remuneration and Nomination Committees of the Insurance Parent Company. The CBI has been informed of this derogation from the Corporate Governance Requirements.

#### **B.1.3.1 Principle of the remuneration and nomination policy**

The Company has a remuneration and nomination policy approved by the Board, which follows the following key principles:

- Alignment of management and personnel conduct with the interests of all stakeholders, with a focus on value creation for shareholders and customers, the medium and long-term strategic objectives of the company, and controlling corporate risks while maintaining an adequate level of liquidity, capitalisation and therefore solvency.
- Merit, the remuneration flexibility and ensuring a clear correlation between performance and remuneration, allowing a variable component of performance, and recognising key and high quality staff with competitive packages.
- Equity, with a view to fostering fair and honest conduct through a correlation between fixed remuneration and the level of responsibility measured through the Global Banding System or the seniority/professional role. Differentiation of salary brackets and the ratio of the variable component to the total remuneration according to the relevant professional category and/or geographical market, with the Banding bracket or the Seniority/professional role begin equal; .
- Gender neutrality, the recognition of an equal level of remuneration for the same activities carried out regardless of gender;
- External competitiveness of overall remuneration, compared to levels found within the market with a view to attracting the best talent.
- Sustainability, in order to test that the costs of applying the remuneration policy are compatible with the Company's medium and long term strategies.
- Compliance with EU and national legislation and regulations with focus on the Risk Takers and on the Control Functions.

The remuneration system includes a fixed element and a variable element. The level of variable remuneration is governed by strict limits relative to the level of fixed remuneration. These limits can vary based on seniority. Moreover, for the Chief Executive Officer (CEO) the variable element of bonus includes a deferred element to facilitate the preference that remuneration is not driven by a short-term view. For managers with responsibility for internal control functions the fixed component of remuneration predominates over any variable component. The variable component of remuneration is linked to performance in discharging the relevant role and is not linked to the Company's financial performance.

The balance between the fixed and variable components of remuneration, along with the deferred element of variable remuneration for key staff is critical for ensuring that the remuneration policy and practices promote sound and effective risk management and do not encourage risk taking, beyond the risk appetite.

#### B.1.3.2 Performance Criteria

Performance appraisal is an important part of the remuneration structure, and individuals are assessed based on their own performance and contribution to the business. For senior managers, where the variable element of remuneration has a link to Company performance, the deferred element of remuneration helps facilitate the taking of the longer term view, and hence the incentive for short term risk taking is reduced. In addition, managers with responsibility for internal control functions are remunerated based on measures related entirely to their performance in discharging the control function. This helps promote a strong second line of defence which is completely independent of the results that can arise through risk-taking.

#### B.1.3.3 Supplementary Pension or early retirement schemes

Members of administrative, management or supervisory body and other key function holders do not avail of either special supplementary pension or early retirement scheme related to their position. For those individuals holding any of the aforementioned positions who are also employees of ISPL, or another Group company, the standard pension schemes apply.

#### **B.1.4 Material transactions with Shareholders**

The Company is owned by Intesa Sanpaolo Vita S.p.A. which belongs to the Intesa Sanpaolo Group and has an intermediary agreement with the banking network of the Intesa Sanpaolo Group in respect of product distribution.

### **B.2 Fitness and probity**

#### **B.2.1 Fitness and Probity Requirements**

The Company maintains a Board-approved Fitness and Probity (F&P) policy, which outlines the processes involved in order to comply with the CBI's Fitness and Probity Standards. The F&P policy is reviewed and approved by the Board at least annually.

The F&P policy, coupled with job descriptions and terms of reference for key roles and responsibilities, means that the individuals responsible for running the Company and discharging other key functions, have the necessary levels of skill, knowledge and expertise required for discharging their responsibilities. The specifics of the skills required for key functions depend on the role involved but typically incorporate skills, knowledge and expertise in some or all of the following areas:

- insurance and financial markets;
- business strategy and business models;
- systems of governance;
- financial and actuarial analysis;
- regulatory framework and legal requirements.

The due diligence requirements, as set out by the CBI, have been carried out on all persons in the Company performing a controlled function ("CF") or pre-approved controlled function ("PCF") in order to test they are:

- competent and capable;
- honest, ethical and act with integrity;
- financially sound.

Records are kept both in a soft and hard copy format of the due diligence obtained for each function and CBI approvals have been received for all PCF's in the Company.

Self-certification from all CF's and PCF's is obtained on an annual basis to facilitate continued abiding with the Standards and the PCF Annual Due Diligence Confirmation is submitted on an annual basis via the CBI's ONR system.

The Company maintains a list of persons performing PCFs and CFs and requires confirmations from each person in a PCF/CF role that they have read the Fitness and Probity Standards (the "Standards") as issued by the CBI, and that they will comply with them and will notify the Company if they no longer comply.

Where a key function is outsourced, the Company designates a PCF holder, who possesses sufficient knowledge and experience regarding the outsourced key function to be able to challenge the performance and results of the service provider, within the Company with overall responsibility for the outsourced key function.

#### **B.2.2 Process for identifying fitness and probity**

The Company ensures that a person carrying out a PCF/CF role has the appropriate qualifications, professional or otherwise and has the necessary experience and skills to undertake the relevant function. The Company carries out due diligence which includes obtaining and keeping;

- Evidence of professional qualification(s)
- Evidence of Continuing Professional Development ("CPD") (where relevant)
- Record of interview and application
- References from former employers
- Record of previous experience (within the insurance or other financial sectors or other businesses)
- Record of experience gained outside the State (where relevant)
- Details of concurrent responsibilities (Directorships/ employment conflicts) - which will be verified by way of Companies Registration Office search. The Central Bank of Ireland requires due diligence on all persons within the Company who hold key positions, and reserves the power to approve their appointments, continually check requirements and declare a loss of eligibility.

In relation to probity, due diligence includes questions on matters such as



- Criminal record (taking into consideration whether the period of limitation of the relevant criminal or any other offence is lapsed based on national law);
- Prohibitions;
- Restrictions on or suspensions from the right to carry out any trade;
- Complaints made to regulatory authorities;
- Disciplinary proceedings;
- Dismissals;
- Directorships of insolvent companies;
- Disqualification from acting as a director; and
- Financial soundness;
- Adverse media on the individual or previous employers.

### **B.3 Risk management system**

#### **B.3.1 Summary of Risk Management System**

The Company's Risk Management system is based on an ongoing and dynamic process involving a wide range of stakeholders and involves three key stages:

- Risk identification and measurement;
- Risk control and mitigation;
- Risk monitoring.

#### **Risk identification and measurement**

The initial stages include:

- identification of the risks to which the Company is exposed;
- maintenance of a centralised Risk Register, to record and measure the risks identified
- definition of the Company's 'Risk Universe' - a set of macro level risk categories to which each individual risk in the Risk Register can be assigned.

A comprehensive Risk Register and Risk Universe allows the Company to make informed decisions in setting its risk appetite – the overall level of risk the Company is willing to assume in order to realise its strategic objectives. The risk appetite is

documented in the Company's Risk Appetite Statement (RAS) and both the RAS and Risk Register are reviewed, at least annually, by the R&C Committee prior to being approved by the Board.

Risk control and mitigation:

Having defined the risk appetite of the Company, steps are taken to check that adequate risk controls and risk mitigation techniques are employed. The findings from the risk identification process inform the implementation of processes, policies and controls to reduce or manage each identified risk.

An essential part of the Company's risk control framework is represented by the Internal Controls Policy, which provides the standards to be followed by all the Company's functions and departments in the first line of defence when setting up operational controls. The Internal Control Policy is maintained and reviewed by the Head of Corporate Governance.

Risk monitoring:

The Risk Management Function (RMF) monitors adherence to:

- risk policies and risk tolerance limits as specified in the RAS;
- controls specified in the Risk Register.

Reports and/or attestations received from the first line of defence enables the RMF to carry out such monitoring activities as are required and provide reports for R&C, primarily the periodic Risk Profile Evaluation Report.

The R&C Committee decides, based on the information received, whether the tolerances and limits within the various risk policies and the RAS are appropriate in the context of the risks to which the Company is exposed.

The results of this analysis may lead to new controls (in the form of new policies, procedures or mitigating systems) being recommended if the actual level of exposure is higher than that expected. It may also lead to an easing of controls if such exposures are not as onerous as originally expected.

Risk management is the responsibility of all bodies, functions and employees of the Company, consistent with the three lines of defence principle. That said, the Company has adopted an organizational framework aimed at ensuring the effective

implementation of the risk management strategies, processes and controls, and that risk management is part of the Company's decision making process.

Risk is a central consideration in the Company's business strategies and decisions, and this is reflected in the role of the R&C Committee, the regular reporting of risk to the Board, and in the importance of the ORSA process in determining the Company's ongoing strategy.

### **B.3.2 Integration of Risk Management system into the Organisational Structure**

While risk management activity is carried out across the front line of the Company, it is helpful to understand the roles of the Board, R&C Committee, Head of Risk Management (CRO), Risk Management Function, I&P Committee, and the Actuarial Function in the context of implementing the risk management system.

#### **Board**

- reviews and approves the Company's organisational structure to check it is adequate in the context of the risk management framework and encourages effective and transparent communication;
- satisfies itself that all Control Functions are independent of first line business functions, have adequate resources and authority to operate effectively and provide relevant and timely reporting to the Board and/or its Committees;
- reviews and approves risk policies; the risk appetite framework and the risk register and identifies risks to be addressed by contingency plans;
- considers the strategic decisions being implemented in the context of the Company's risk profile, the implementation of the risk management system, and the insights derived from the ORSA process.

#### **R&C Committee**

- oversees and reports regularly to the Board and advise on the activities and systems of control over events that expose the Company to significant risk;
- reviews the integrity and effectiveness of the Company's compliance management and reporting systems;



- oversees the drafting, maintenance and update of compliance, risk and related policies and procedures of the Company within its responsibility and presents and makes recommendations for approval by the Board;
- reviews the risks to which the Company is exposed including the risk profile, risk register and the risk appetite on a regular basis;
- oversees and reviews the effectiveness of the Company's Risk Management function thus assuring it is compliant with Irish laws and regulations and the supervisory requirements of the CBI;
- meets regularly with the CRO to review and develop the Company's risk management system and infrastructure, reviews the integrity and effectiveness of the Company's risk and compliance management.

Head of Risk Management (CRO):

- is responsible for the management of the Risk Management Function and for maintaining and monitoring the effectiveness of the Company's risk management framework and reporting to the R&C Committee of the Board on a regular basis;
- is a permanent attendee to A&R and I&P Committee meetings and regularly meets with the CEO on day-to-day matters arising;
- is, like the other Control Functions within the Company, independent of the first line of defence functions and has adequate resources and budget to discharge CRO roles and responsibilities.

Risk Management Function ("RMF"):

- is responsible for developing, overseeing and facilitating the effectiveness of the Company's risk management framework;
- has ownership of the definition of the Board approved RAS and monitors adherence thereto and facilitates its integration into key business and risk management decisions;
- is responsible for identifying, monitoring, managing, reporting and measuring risk through the operation of a comprehensive and robust risk governance framework;

- is responsible for the ORSA process, including production of the ORSA report;
- provides advice, when sought by the Company's other departments and functions in respect of the implementation of new processes, controls and/or products, data collection, analysis of events;
- is also responsible for the calculation of SCR as well as MCR.

#### Compliance Function:

- is an independent Function that reports directly to the R&C Committee and the Board. It is managed by the Head of Compliance who is accountable for the Company's compliance framework. The Head of Compliance reports to the CEO on day-to-day matters with a dotted line to the Chief Compliance Officer of Intesa Sanpaolo Vita S.p.A;
- advises the Board and the wider Company on compliance with laws, regulations and related guidelines, assesses the potential impact of any changes in the legal environment on the operations of the Company and identifies and assesses compliance risk;
- is responsible for the Company's Anti Money Laundering program and Data Protection (also the Money Laundering Reporting Officer and the Data Protection Officer).

#### I&P Committee:

- has oversight responsibility for the design and evaluation of the investment strategies and policies, and recommends the appointment and engagement of investment managers; ;
- oversees the formulation, approval and development of new products, and ensure that conduct risk, including the risk of Money Laundering/terrorist financing (ML/TF), is appropriately managed; .
- reviews the essential elements of a sound asset management system and reporting framework across the full range of the Company's investment activities to assist the Board in ensuring that product based investments work in the way described in the relevant product documentation.

#### Actuarial Function:

- contributes on an ongoing basis to the successful implementation of the risk management system.
- has responsibilities in relation to the Technical Provisions;
- provides the Board with opinions on the underwriting policy, reinsurance arrangements and the ORSA;
- has regular ongoing dialogue with the RMF in relation to risk management issues.

#### Risk Appetite

In broad terms the Company has a low appetite for risk. Its business model is focused on providing primarily non-guaranteed unit linked products to policyholders in Italy, via the Group's bank branch network and Private Banking operations.

The Company has a small proportion of policyholders outside Italy and is looking to further expand its presence in Spain. The Company's focus is primarily retail policyholders though a small proportion of its business is targeted at mass affluent and high net worth customers. The risks faced by the Company are detailed in Section C of this report.

### **B.4 THE ORSA PROCESS**

The Company's ORSA process is governed by the ORSA Policy, which is approved by the Board and reviewed at least on an annual basis. The ORSA process is driven by the Board and requires co-ordination of a number of key inputs.

Given the cyclical nature of the ORSA process, the ORSA report for each year typically includes a number of recommendations for inclusion in the ORSA process for the following year. The ORSA report is prepared at least annually, and on an ad-hoc basis if needed.

In broad terms, the ORSA process starts with an assessment of the Company's key risk exposures through the R&C Committee. A detailed discussion of the risk

exposures provides feedback to the Company on the range of scenarios the Board wishes to assess through the ORSA process.

Company management prepares a range of scenario calibrations which are presented to the Board usually during committee meetings or at workshops focused on the ORSA process. Through this process the key risks are discussed in more detail and the scenario calibrations are refined and approved.

The RMF, with the support of the Actuarial Function and the Finance team within the Company, carries out the financial projections that are central to the ORSA process. Other important elements of the ORSA process such as the assessment of continuous compliance with the capital requirements and technical provisions and an assessment of the standard formula appropriateness are also carried out at this point.

The Company regards the SCR as a reasonable starting point for assessing its overall solvency needs. Notwithstanding, some buffer over SCR is necessary to test that adverse movements in own funds or SCR does not result in a breach of the regulatory capital requirement.

The ORSA scenario testing provides a useful insight into the volatility of the Company's solvency coverage ratio and hence allows the Company to assess a level of capital buffer that is appropriate to its risk profile. The ORSA scenarios demonstrate that the Company's solvency coverage ratio is quite stable, arising from the fact that a large part of the Company's own funds is made up of the present value of future profits. Similarly, the largest SCR components (e.g. lapse risk or equity risk) arise because of the risk that an adverse scenario could pose to those future profits.

Therefore many of the risks that could reduce Own Funds will also inevitably reduce the SCR, with solvency coverage remaining broadly stable. This lack of volatility of the solvency coverage ratio provides a useful insight into the Company's risk profile and a reasonable frame of reference for setting a capital buffer to meet the Company's overall solvency needs.

It is also important to note that there are some risks which will not be quantifiable. The Company believes that it is appropriate for the capital buffer to also reflect an allowance for such risks in addition to the risks quantified in the stress and scenario tests. On this basis, the Company uses the ORSA analysis, and in particular the

overall solvency needs assessment, to determine an appropriate risk buffer which it articulates through its risk appetite statement.

In addition to measures relating to SCR coverage, the Company's overall solvency needs are also informed by its consideration of the Company's liquidity requirements which are informed by the liquidity impact of the detailed scenario and sensitivity testing carried out via the ORSA process, results of which are shared with relevant staff and management within the Company.

Typically, an early detailed draft of the ORSA report setting out the key results of the assessments is presented to the Board. This allows the Board and senior management to discuss the development of the Company's balance sheet and liquidity position in the central scenario and through the stressed scenarios analysed to understand the key drivers of risk.

Further iterations of the ORSA report are presented at subsequent meetings of the R&C Committee and discussed in detail at the Board. This allows further refinement of the assessment of overall solvency needs, and allows the Board to determine key outcomes from the ORSA which in turn feed into the Company's strategic decision making process.

Board approval of the ORSA report and submission of the supervisory report close out the ORSA process and begin the cycle for the following ORSA.

The ORSA report is prepared at least on an annual basis, and more often if required by the Company's ORSA Policy, and is reviewed in detail by the Board throughout the preparation process prior to being signed off by the Board and submitted to the CBI.

## **B.5 Internal control system and Compliance Function**

### **B.5.1 Description of the internal control system**

The Company's internal control framework is governed by its Internal Controls Policy which is approved by the Board and subject to review at least annually. The framework encompassed by the policy is based on the following elements:

- **Control Environment**: It provides the set of standards, processes and structures for carrying out internal control across the Company, based on a



clear organisational structure and on how roles and responsibilities are set. A second important element is the Company's internal control culture, which is promoted primarily by means of accountability.

- **Risk Assessment**: The Company has in place a system for identifying and assessing risks, based on the interaction between the error/log and loss data collection process, and, the risk register process and the risk appetite statement. These processes receive inputs from the risks/controls analysis made by each process owner, and then limits, tolerances and objectives are set in an iterative manner aimed to continuously improve the system of controls.
- **Control activities**: Once risks are assessed, control activities are developed to test that risks are mitigated to an acceptable level. Each control activity has an associated policy or procedure and an associated individual and/or functional owner. These control activities also aim to achieve the correct segregation of duties.
- **Information system and communication**: The information required to enable monitoring of each risk, and associated control activity, is identified by way of process mapping activities and is subsequently captured in the Internal Controls Matrix.
- **Monitoring activities**: Monitoring is based on on-going evaluations, performed by first line of defence (i.e. typically management), and on ad-hoc evaluations generally, and performed by the second and the third lines of defence. The monitoring of outsourced activity is another essential measure which is conducted by the department responsible for each outsourcing arrangement.

The following policies, and the related procedures, are the backbone of the internal control system:

- **System of Governance Framework policy**: This policy sets out the principles and guidelines for the implementation of the Company's organisational and operational structure and the definition of roles and responsibilities of the various function within the Company.
- **Internal Controls Policy**: This policy defines the set of continually operating processes designed to test that the Company has an effective and efficient system of internal control which is adaptable to changing economic and

competitive conditions and supports effective operations, reliable reporting and compliance with laws and regulations;

- **Risk Management Framework Policy**: This policy sets out the risk management framework of the Company, with the aim to test that the Company has in place an effective risk-management system defining the necessary strategies, processes and reporting procedures in order to identify, measure, monitor, manage and report, on a continuous basis, the risks;
- **Operational Risk Management Policy**: This policy defines the ways to measure and monitor operational risk, determines the roles and responsibilities of the Company's functions and facilitates risk transparency through all of the layers of operational risk management;
- **Outsourcing Risk Policy**: This policy outlines the governance, oversight, due diligence, approval and on-going monitoring approach to be taken by the Company with respect to outsourcing arrangements, and the risk management and other issues to be considered when entering into such arrangements.

Other important policies that contribute to the definition of the internal controls system are:

- Investment Risk Management Policy;
- Derivatives Policy;
- Internal Audit Policy;
- Fitness & Probity Policy.

Also important are the error-log, risk register and loss data collection process.

### **B.5.2 The Compliance Function**

Intesa Sanpaolo Life recognises the strategic importance of controlling the compliance risk, in the firm belief that respect for regulations and fair business dealings are fundamental aspects of the insurance business.

The Compliance policy of Intesa Sanpaolo Life is prepared in accordance with the same document of the Insurance Group, is updated at least annually and adopted by the Board of Directors.

The purpose of the Compliance Policy is to provide a comprehensive reference model for the control of regulatory compliance, by outlining all the roles and responsibilities

of the company departments involved in Compliance activities. The Compliance Rulebook of the Company is attached to the Compliance Policy, prepared in conformity to the Compliance Rulebook of the Insurance Group.

The Head of Compliance, who is responsible for coordinating Compliance, AML/CTF and Data Protection functions, reports directly to the Board of Directors, in the same way as the organisational model for the control functions of the parent company Intesa Sanpaolo Vita.

The Compliance Function is responsible for carrying out a risk-based assessment of the adequacy of the procedures, processes, policies and internal organisation, in order to prevent compliance risks.

The methodology used to manage compliance risk, which is also defined at Insurance Group level, provides for the need to grade the duties of the compliance function in accordance with the regulations requiring specialised forms of control, based on the various regulatory areas involved in the company's business.

The Compliance Function still has the ultimate responsibility for defining the methods used to assess compliance risk, to identify the right procedures to prevent and manage this risk, and to check that they are adequate.

For all other applicable regulatory areas with potential compliance risks, for which Specialist Functions have been identified with the necessary expertise, compliance oversight duties have been assigned to these functions, save for the responsibility of the Compliance Function to:

- establish assessment methodologies and mitigation procedures for compliance risk, in collaboration with the Specialist Functions;
- make an independent assessment on compliance risk and the adequacy of oversight adopted by the Specialist Functions for their mitigation;
- give Company Bodies, in periodic reports, an overall view of areas at most risk, overseen by the Specialist Functions.

Based on this model, the Compliance Risk Assessment is prepared annually, to measure compliance risk by assessing the risks and oversights on an aggregate basis for each applicable direct and indirect regulatory area.

The aggregate assessment of the risks and oversight leads to the formation of a ranking of regulatory areas, which is used to define and prioritise the assessments.

With regard to compliance risk, the Compliance Function also continuously identifies the regulations applicable to the Company and assesses the adequacy of the controls on Compliance risk (which are identified in the various regulatory areas within its remit), by planning activities in advance, and by performing specific activities in sensitive areas.

The Compliance Function also proposes organisational and procedural proposals aimed at adapting the controls on Compliance risk, and continuously assesses the adequacy of procedures awaiting issue.

The Compliance Function takes part in Product Governance (POG) activities, with the aim of consolidating protection of the insured, guaranteeing the product's conformity to a pre-defined customer target, from as early on as the product launch and design phase. As part of the POG Process, the Compliance Function also clears products, checking that the pre-contract and contract documentation, commercial manuals and advertising material reflect the indications of regulations.

Lastly, the participation of the Compliance Function in company projects is particularly important in terms of the prior management of compliance risk, and of providing special support and advice. The responsibility of the Compliance Function is under the Head of Compliance. The Head of Compliance is appointed by the Board of Directors and holds the role of Head of Anti Money Laundering (MLRO) and Data Protection Officer (DPO) within Intesa Sanpaolo Life.

The Data Protection Officer (DPO) informs and provides advice to the Data Controller, as well as to the employees who process personal data; monitors compliance with Regulation (EU) no. 679/2016 (hereinafter "GDPR") and the policies of the Data Controller regarding the protection of personal data, including the attribution of responsibilities, awareness raising and training of personnel participating in the processing and related control activities. The DPO also provide, if requested, an opinion on the impact assessment on the protection of personal data, provided for by Article 35 of the GDPR, and supervise its performance; cooperates with the Supervisory Authority and acts as a point of contact with it for issues related to processing, including the preventive evaluation referred to in Article 36 of the GDPR and carries out, if necessary,

consultations on any other matter; guarantees the keeping of the Register of Treatments.

The responsibility of the Anti-Money Laundering (AML) function is also entrusted to the Head of Compliance (also the MLRO), who is also assigned the power to report suspicious transactions to the local and international Authorities (STR).

The AML function carries out all the activities necessary to assess and manage the risk of money laundering, terrorist financing and corruption, assisting the Board of Directors and Top Management in carrying out the functions required by current legislation.

The Anti-Money Laundering function mainly carries out the following tasks:

- oversees the risk of money laundering, terrorist financing, the management of embargoes and the risk of corruption and verifies the suitability of the internal control system and the procedures adopted in this context;
- provides advice and support to corporate structures on anti-money laundering, anti-corruption, counter-terrorism and management of embargoes;
- verifies that company procedures are consistent with the aim of preventing and combating the violation of laws, regulations and self-regulation, and in particular:
  - examines the reports of first-level suspicious transactions and prepares the file to be submitted to the final assessment by the Head of Reporting of Suspicious Transactions;
  - prepares adequate information flows directed to the corporate bodies of the Company and to the other structures involved;
  - prepares, with the support of the other company functions competent in the field of training, an adequate training plan aimed at achieving the continuous updating of personnel and collaborators;
  - carries out second-level controls, in particular on the operating structures;
  - carries out the activities of Enhanced Due diligence.
- carries out reporting to the Parent Company Intesa Sanpaolo Vita and Ultimate Parent Company Intesa Sanpaolo;
- with reference to new products, collaborates with the departments in charge, as a preventive measure, in order to identify adequate controls to oversee and mitigate the risk of money laundering and terrorist financing (AML Clearing);

- evaluates at least on annual basis the residual risk profile of money laundering, terrorist financing and violation of embargoes as well as the anti corruption and bribery according to the "AFC Business Risk Assessment Methodology".

## **B.6 Internal audit function**

### **B.6.1 Implementation of Internal Audit function**

Internal Audit function at ISPL is implemented through the Internal Audit function of the Insurance parent Company by virtue of the outsourcing contract currently in place.

The mission attributed to the Internal Audit function is to ensure constant evaluation and monitoring, independent and objective, of the effectiveness and efficiency of the internal control system. Furthermore, the Internal Audit function guarantees the effectiveness and efficiency of company processes, the safeguarding of assets, the reliability and integrity of accounting and management information, the compliance of the business with current legislation, directives and company procedures.

The Head of Internal Audit function provides support and advice to other company functions, including through participation in projects, in order to create added value, improve the effectiveness of control processes and keep them adequate for the evolution of internal structures and processes. The function also supports corporate governance and ensures prompt and systematic information on the state of the control system, the results of the activity carried out and the relevant institutional bodies on the progress of corrective actions.

The Internal Audit function establishes, annually, a plan of activities for the following year. The plan takes into account the evidence made by the control functions and the level of attention required by the various processes / Organizational Units according to their riskiness. The plan is submitted to the Audit and Reporting Committee for consideration and approved by the Board.

It is the responsibility of the Head of the Internal Audit function to assign the corresponding level of attention to processes and / or Entities on the basis of elements that are as objective as possible. The planning is therefore based on the analysis and assessment of potential risks carried out through risk assessment techniques, the elaboration of indicators relating to the Company's operations aimed at identifying

potentially anomalous transactions and / or situations or through the comparative examination of the information and evidence found at the Organizational Units.

The results of the Audit activities are presented in reports, drawn up in a standard format in order to safeguard the transparency and effectiveness of the interventions carried out. The recipients of the audit report are the Organizational Units of the company, in particular the Organizational Unit involved in the audit and the Senior Management.

With the delivery of the report, a process of clarification of the causes of any malfunctions detected and of identification, planning and implementation of corrective actions is initiated. For this purpose, the Internal Audit function involves the management of the audited area and the other organizational units involved in the identification and development of all corrective actions in a specific exit meeting. At the end of the meeting, the proposed plan for the development of corrective actions to be presented to the Board of Directors, responsible for defining the measures to be implemented, is formalized. The identified actions are then used by the Internal Audit function to update the Audit report, the Tableau de Bord (which lists all the audit points detected during the audit activities and the actions planned to overcome them) and for the follow up.

Checks are carried out on a quarterly basis on the corrective actions proposed by the Internal Audit function during the interventions carried out. The follow-up activity is represented in a written report containing the summary of the interventions to remove the points of attention found during the audit activity and those not yet completed. With regard to the latter aspect - in the context of the report - the reasons underlying the postponement of the deadline previously agreed for the implementation of the planned activities are highlighted.

With regard to the reporting of the Audit activities, the Internal Audit function informs: on a quarterly basis the Board and A&R Committee regarding the findings and recommendations in relation to the audits carried out during the period;

- on a half-year basis the Board and A&R Committee on the activity carried out in the reference period, by submitting in writing the final balance of the audits

carried out in the period, any deviations detected and the improvement actions activated or to be activated;

- urgently to the Board and A&R Committee the situations of particular gravity and any violation or significant deficiency found;
- on the outcomes of the audit activity carried out in the field of anti-money laundering and countering financing terrorism the Board, the A&R Committee and the Senior Management;
- at least every six months, the other control functions by sending extracts of the reports on the audits carried out and the Tableau de Bord;
- the Internal Audit function of ISPL's ultimate parent company by sending documentation in the manner and within the times indicated in the internal regulation.

The Head of the Internal Audit function informs CBI - if it is deemed necessary – following the occurrence of serious irregularities that may substantially affect the sound and prudent management of the Company. The Head of the Internal Audit Function informs in advance the Chairman of the Board of Directors and the Chairman of the Audit and Reporting Committee. The Internal Audit function liaises with ISPL control departments and there is an information flow exchange, which may take place through specific meetings, by sending documentation and reports, by taking part in "joint tables" between control departments, and/or by jointly taking part in Committees.

The Internal Audit function establishes an independent collaboration with the A&R Committee, aimed at working together to embed and oversee strong culture of internal control, ensuring the complete and prompt forwarding of information on the outcome of all carried out audits and at ensuring an ongoing update on the protection of the internal control system.

For all audits or interventions, the A&R Committee will avail itself, if necessary, of the Internal Audit function, independent of the ISPL management team.

The Internal Audit function assists the members of the Committee in any in-depth analysis required.

The function also maintains relations with the External Auditors.

### **B.6.2 Independence and objectivity of Internal Audit at ISPL**

Internal Audit function directly reports to the Board of Directors and to the Audit and Reporting Committee. The Internal Audit function maintains independence and objectivity by way of having direct access, independent from the operating structures, to both the A&R Committee and the Board. The Head of the Internal Audit function discusses the mission of Internal Audit and the mandatory elements of the International Professional Practice Framework with Senior Management, the Audit and Reporting Committee and the Board.

The Internal Audit Policy describes how the Company's Internal Audit function maintains the required independence.

The Internal Audit function has the following features:

- organisational position such as to facilitate independence and autonomy, in order for impartial judgment not to be jeopardised;
- freedom of access to all business structures and to the documentation related to the audited business area, including all useful information in view of checking the appropriateness of the controls carried out on the outsourced business departments;
- organisational liaisons with all centres responsible for controls;
- staff, resources and technologies quantitatively and qualitatively fit to facilitate the necessary ongoing audits, analysis and related fulfilments in performing its assignment;
- have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

Independence of action is also facilitated by the Head of the Internal Audit function, who:

- has specific skills and professional competence for carrying out the activity;
- is appointed by the Boards, which establishes the duties, powers, responsibilities and the ways of reporting to the Board;
- is free from any hierarchical and functional reporting to the heads of the audited business sectors;
- directly reports to the Board and to the A&R Committee;



- confirms to the Board, at least annually, the organizational independence of the Internal Audit activity;
- discloses to the Board and to the A&R Committee interferences in determining the scope of internal auditing, performing work, communicating results and discusses the implications;
- discloses to the appropriate parties in case of impairment in fact or appearance of the independence and objectivity, details of the impairment;
- when non-conformance with the Code of Ethics of Internal Auditor or the Standards impacts the overall scope or operation discloses the non-conformance and the impact to Senior Management, Audit and Reporting Committee and the Board.

Whereas the Internal Audit function is outsourced, the person in charge is appointed by the Company's Board and must meet the above requisites and the Fitness and Probity regulation issued by CBI.

## **B.7 Actuarial function**

The CBI's Domestic Actuarial Regime outlines the pre-approved control function role of HoAF. The HoAF is responsible for the required activities of the Actuarial Function set out in Article 48 of the Solvency II Directive.

The activities of the Actuarial Function require regular communication with the RMF, as well as ongoing interaction with the Board. The HoAF activities are overseen by the CEO. The Actuarial Function has carried out a range of activities relating to its areas of responsibility under Solvency II.

The required activities of the actuarial function are set out in Article 48 of the Solvency II Directive, can be summarised as follows:

- Co-ordinating the calculation of the technical provisions;
- Validate the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Compare best estimates against experience;
- Assess the sufficiency and quality of the data used in the calculation of the technical provisions;
- Inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- Oversee the calculation of technical provisions where approximations are applied due to insufficient data;
- Express an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements;
- Contribute to the effective implementation of the risk management system.

## **B.8 Outsourcing**

The Company's Outsourcing Policy is reviewed annually by the Board. The policy outlines the governance, oversight, due diligence, approval and on-going monitoring approach to be taken by the Company in respect of the outsourcing of functions or activities ("outsourcing arrangements") and the risk management and other issues to be considered by the Company when entering into outsourcing arrangements.

Corporate Governance is responsible for maintaining the policy, and reviewing it at least annually. The policy establishes roles and responsibilities inside the Company

detailing internal processes of due diligence in onboarding new providers, finalising contracts, monitoring outsourcer performance and compliance with agreement and regulation in addition to reporting to internal management and the CBI.

The policy lists all requirements that the Company needs to have prior to entering a new contract, as well as approvals needed by the Board and notifications needed by the CBI. It also establishes the Fitness and Probity Requirements that the Company must consider in addition to the general due diligence, and details the oversight and safeguards required to minimise risks inherent in outsourcing.

The policy incorporates the CBI guidelines on Outsourcing (Central Bank of Ireland Cross-industry Guidance on Outsourcing” of December 2021) and is part of the Company Outsourcing Framework that relies on a multi-layer structure:

1. The company **Risk Appetite** on the Outsourcing risk
2. The **Outsourcing Risk Strategy** to define the company approach on the Outsourcing risk
3. The **Outsourcing Risk Policy** to define the roles, the activities and the ownership: Who does What
4. The set of **Processes** and **Procedures** to define how the activities are performed and when
5. The **outsourcing monitoring tool** supporting the operational framework and the correct application of our policy and procedures

The Company’s policy is also aligned with parent company guidelines which define rules for outsourcing activities to discipline the decision process, rules and responsibilities and internal control and to strengthen the control and minimise the risks arising from outsourcing activities.

Responsibility within the company is allocated for monthly oversight monitoring and quarterly reporting to the R&C Committee on the performance level of all important outsourcing arrangements and on the risks arising during the period of the arrangement. The relevant unit ensures a fully up to date Register is maintained listing all outsourced arrangements in line with the regulatory guidelines. Starting from 2022 the responsibility for this activities moved from Corporate Governance to the Head of PMO & Internal Processes and Procedures.

The table below lists the outsourced service providers.

## Critical or Important Functions

| Function                    | Provider & Location                                                                                                                    | ISPL Owner                                            |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Actuarial and Investments   | <b>Eurizon Capital SA Luxembourg</b> - (Luxembourg)<br>Investment Management Agreement for Unit Linked Funds and Free Asset Management | Head of Actuarial and Investments                     |
| Actuarial and Investments   | <b>Fideuram Asset Management Ireland Ltd</b> - (Ireland)<br>Investment Management Agreement for Unit Linked Funds Management           | Head Actuarial and Investments                        |
| Actuarial and Investments   | <b>Eurizon Capital S.A.</b> - (Luxembourg)<br>Investment Management Agreement referring to Shareholder Fund Management                 | Head Actuarial and Investments                        |
| Finance                     | <b>State Street Bank S.A.</b> - (Luxembourg)<br>Fund Administration Agreement                                                          | CFO                                                   |
| Investment Administration   | <b>FNZ</b> – (Ireland)<br>Administrative and technological services in relation to the individual protection                           | Head of Investment Administration                     |
| Operations                  | <b>Intesa Sanpaolo Vita Spa</b> – (Italy)<br>Software solutions: Policy Management System and AML application                          | Head of PM office & Internal processes and procedures |
| Product Development & Sales | <b>Selecta SpA</b> - (Italy)<br>Agreement for production and delivery of Letters to customers                                          | Head of Product Development & Sales                   |
| Operations                  | <b>Covalen</b> – (Ireland)<br>Customer Service and Claims Support                                                                      | Portfolio Manager                                     |
| Operations                  | <b>Indra</b> – (Spain)<br>BPO and Software solution dedicated for European Market                                                      | COO                                                   |
| Operations                  | <b>Optimo Next SRL</b> - (Italy)<br>Agreement for document management services                                                         | Head of Portfolio Administration                      |
| Operations                  | <b>Servitia SA</b> – (Luxembourg)<br>Management of Information Technology systems                                                      | COO                                                   |
| Operations                  | <b>CISO - Intesa Sanpaolo Vita Spa</b> (Italy)<br>IT Security                                                                          | COO                                                   |
| CONTROL                     | <b>Intesa Sanpaolo Vita Spa</b> - (Italy)<br>Internal Audit Outsourcing Agreement for provision of Internal Audit Services             | CEO                                                   |
| Corporate Governance        | <b>Iron Mountain</b> – (Ireland)<br>Agreement for Company's paper documentation archive                                                | Head of Corporate Governance                          |

## Other Functions and Service Providers

| Function                  | Provider                                                                                                        | ISPL Owner                        |
|---------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------|
| HR                        | <b>Deloitte</b> – Payroll Services Agreement (Ireland)                                                          | Head of Resources                 |
| Corporate Governance      | <b>Tudor Trust Dac</b> - (Ireland)<br>Company Secretarial Services                                              | Head of Corporate Governance      |
| Italian Desk              | <b>Studio Informatica</b> - (Italy)<br>IT solution and support communication with Italian tax                   | Head of Italian desk              |
| Operations                | <b>Sedgwick</b> - (Ireland)<br>Customer Service and Policy Management                                           | Head of Portfolio Administration  |
| Actuarial and Investments | <b>Intesa Sanpaolo Vita Spa</b> - (Italy)<br>Sustainability initiatives to improve environmental impact         | Head of Actuarial and Investments |
| CEO                       | <b>Intesa Sanpaolo Vita Spa</b> - (Italy)<br>Financial Administrative governance (GAF)                          | CEO                               |
| Finance                   | <b>Intesa Sanpaolo Vita Spa</b> - (Italy)<br>Data Office role as part of the Data Governance Model of the Group | CFO                               |
| Operations                | <b>Intesa Sanpaolo Vita Spa</b> - (Italy)<br>Digital Transformation Services                                    | COO                               |

The Company assigns a Designated individual (DI) to perform and document all the steps of the due diligence process.

The documentation provided by the DI is presented to the Board in case of outsourced functions. Evidence of the risk inherent in outsourcing as part of the due diligence process must be reported to CRO. The DI is also responsible for the ongoing monitoring and reporting of the outsourced activity, including taking appropriate action if performance is not up to standard.

The rationale behind the Company's decision to outsource activities is as follows:

- Cost management and quality of service: the Company has put in place Outsourcer arrangements after assessing the internal capacity to introduce the activity

required and comparing internal cost and quality of service with the offer of the Outsourcer;

- Geographical presence: taking in account the operating model of ISPL (conducting business in Italy and Slovakia and Spain on Freedom of Services basis from the head office in Ireland), it was evident the advantage of performing some activities locally, taking advantage of the language skills, closeness and common culture with the market.

## **B.9 Adequacy of System of Corporate Governance**

The System of Governance is comprised of a number of key parts and includes a robust general governance framework, with clear delineation of roles and responsibilities, supported by a clear risk management framework and strong internal controls. The three lines of defence system employed, helps deliver a system of governance that is fit for purpose. The System of Governance is constantly reviewed and the Company strives to consistently improve the control environment to test it continues to be fit for purpose as the business grows and develops.

## **B.10 Any other information**

No other information of note

## **C. Risk Profile**

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### **C.1. Overview**

it's the Company's business model is focused on providing primarily non-guaranteed unit linked products to policyholders in Italy, via the Group's bank branch network and Private Banking operations.

The Company has a small proportion of policyholders outside Italy and is looking to further expand its presence in Spain. The Company's focus is primarily retail policyholders though and to a lesser extent at mass affluent and high net worth customers.

The various risks will be covered in more detail in this section but as a summary

#### **Market Risk:**

The Company provides no material investment guarantees (other than in the event of death for some products) and its investment strategy is to closely match its unit-linked liabilities with unit linked assets. As a result, the key market risk facing the Company relates to the impact of adverse market movements on policyholder funds and hence on future fee income.

While this can impact the Company's own funds, close matching of liabilities and assets means that the Company's ability to meet policyholder liabilities is secure.

The Company also experiences market risk through the shareholder investments. While the Company has some appetite for market risk in this area market risk arising from the shareholder investments is contained by the application of strict investment limits to promote diversification and minimise risk. There is also an appetite for exposure to the Italian Government as a natural corollary of the current business model and geographical concentration.

#### **Underwriting Risk:**

The Company has an appetite for underwriting risk. The Company is exposed to the underwriting sub-risks of mortality, lapse and catastrophe and to expense risk as a consequence of writing business.

Mortality risk arises due to the additional pay-outs that the Company commits to paying customers to supplement the value of their units. Although more recent products provide enhanced death coverage, these additional pay-outs are still relatively modest, and as can be seen in the quantifications, don't give rise to significant risk for the Company. Catastrophe risk is related to Mortality risk and refers to an event giving rise to significant mortality claims (whereas Mortality risk refers to the possibility that future mortality trends are less favourable than expected).

Lapse risk arises due to the loss of expected future charges when a policyholder partially or fully surrenders a policy. This loss also clearly arises in the event of the death of policyholders.

Expense risk relates to the risk that the Company's future expenses turn out to be higher than predicted (perhaps through inflation or inefficiencies of scale).

### **Credit Risk:**

The Company's strategy in relation to credit default risk is to limit it, as long as the mitigation actions don't limit its new business flows. The risk appetite allows some exposure to credit risk in relation to cash and deposits with banks. The risk is mitigated by restrictions on amounts with individual credit institutions varying by credit rating. Credit risk exposure through the shareholder fund is mitigated by strict investment limits.

The Company uses credit assessments from external agencies for a number of purposes. These ratings feed into the calculation of capital requirement through the parameterisation of the standard formula. They also form a component of the investment limits applied to mitigate risk within the shareholder investments.

An internal model, which assigns an independent rating to government debt, is in place at Group level. The Parent Company has a structured procedure in place in order to define, analyse and approve the use of internal ratings, in case they differ from the external ones. This procedure is applied for issuer where the exposure of the Company exceeds a minimum threshold defined in the Parent Company's policy. Final ratings are then communicated to the Company in case internal evaluations are deemed necessary.

**Operational Risk:**

The Company has a low appetite for Operational Risk. It recognises that operational risk is inherent in its business model, and it has a policy in place which provides the framework:

- through which controls and processes have been established to manage and mitigate such risks to an acceptable level;
- for capturing operational loss events and errors, reporting on those above tolerance limits and specifying the remedial actions required to prevent such loss events or errors occurring in the future;
- for the qualitative and quantitative self-assessment process with respect to estimating the Company's operational risk exposure.

Operational risk is mitigated by investment in systems and controls and by a system of governance, which continues to evolve in response to the challenges faced by the Company including, for example, increased business volumes and the threats posed by Cyber Risk. Furthermore, the Company has developed a robust governance framework in respect of outsourced activities, including an Outsourcing Policy, detailed further at section B.7 of this report.

**Liquidity Risk:**

The Company's exposure to liquidity risk arises through two main items in the Market Value Balance Sheet ("MVBS"), namely (i) the Italian Claims Tax regime and (ii) Present Value of Future Profits (PVFP).

The Italian Claims Tax regime requires the Company to pay an amount annually to the Italian Tax authorities which can be subsequently reclaimed from the amount deductible from surrendering customers in relation to their exit tax liabilities. The MVBS includes an asset in respect of the recovery of the amount paid and is, by its nature, illiquid.

The MVBS includes an asset in respect of the PVFP, which is also limited from a liquidity perspective.

While recognising that these assets are an inevitable corollary of the Company's operating environment, the Company monitors liquidity risk closely. This is achieved through a combination of short term detailed rolling liquidity forecasts and a detailed assessment of liquidity needs in the medium term through the ORSA process. This allows the Company to assess liquidity needs, even in stressed situations. A Liquidity Contingency Plan has identified options for restoring liquidity in the unlikely event of a liquidity challenge.

Other key Risk Categories: these include Strategic risk, Reputational risk, Regulatory Compliance risk and Conduct risk.

The Company has identified a number of risks that are not included in the calculation of the SCR. In relation to quantifiable risks, a key risk is the exposure to movements in credit spreads on EU sovereign bonds. Additional risks not included in the SCR calculation are liquidity risk, strategic risk and reputational risk (including group risk).

Cyber risk is included through the quantification of operational risk. Note that the Company's assessment of its operational risk also shows that the quantification of this through the standard formula is overstated. On balance, however, the Company has assessed that the standard formula remains appropriate, while reputational risk and liquidity risk are covered in more detail by the quantification of overall solvency needs through the ORSA process.

The table below sets out the Solvency Capital Requirement (SCR) for each risk. This is a quantitative measure of risk and demonstrates the capital required in the event of an extreme (1 in 200 year event) in respect of each risk.

| €mln                                     | YE 2021       | YE 2022       |
|------------------------------------------|---------------|---------------|
| Market Risk                              | 354.7         | 246.2         |
| Life underwriting Risk                   | 442.1         | 364.9         |
| Counterparty Risk                        | 24.9          | 28.4          |
| Requirement before diversification       | 821.8         | 639.5         |
| <u>Diversification</u>                   | <u>-181.2</u> | <u>-141.3</u> |
| <b>Basic SCR (after diversification)</b> | <b>640.5</b>  | <b>498.2</b>  |
| Operational Risk                         | 87.6          | 82.1          |
| Loss absorbing capacity of deferred tax  | -91.0         | -68.3         |
| <b>Total SCR</b>                         | <b>637.1</b>  | <b>511.9</b>  |

## **C.2 Underwriting Risk**

### **C.2.1 Underwriting Risk - exposure**

The Company's appetite for underwriting risk focuses on a number of key measures including persistency rates, mortality exposure and the overall proportion of available capital resources allocated to underwriting risk.

The Company's SCR provides a further measure of its exposure to underwriting risk.

The approaches to measuring underwriting risk in the risk register, the risk appetite monitoring and the SCR calculation have not changed materially over the course of the reporting period.

The following table quantifies the elements that make up the underwriting risk capital requirement

| €mln                                                   | YE 2021      | YE 2022      |
|--------------------------------------------------------|--------------|--------------|
| Mortality Risk                                         | 23.4         | 24.9         |
| Lapse Risk                                             | 379.2        | 314.0        |
| Life Expense Risk                                      | 102.0        | 81.5         |
| Life Catastrophe Risk                                  | 3.4          | 3.5          |
| Diversification within Underwriting Risk               | -65.8        | -58.9        |
| <b>Total Capital Requirement for underwriting risk</b> | <b>442.1</b> | <b>364.9</b> |

The key underwriting risk identified through the risk register relates to a loss of future income arising from a mass lapse event. This is consistent with the SCR calculation. Expense risk and mortality risk are also identified as sources of underwriting risk for the Company, though these are considerably less impacting than lapse risk.

The Company's lapse risk exposure arises from the potential for a mass lapse to result in reduced funds under management which would in turn reduce the management fee income that the Company would earn. The exposure to lapse risk of this nature is therefore correlated to the size of the Company's balance sheet, and in particular the level of policyholder funds under management.

Negative Markets' performance in 2022 and a decrease of net flows recorded resulted in a reduction of funds under management with the consequent diminution of the Company's exposure to lapse risk in absolute terms.

Finally, there have been an increase of the Mortality risk – though still low in absolute terms – related to the growth in products embedding higher death benefits and to updated underlying mortality assumptions.

#### C.2.2. Underwriting Risk - concentration

The vast majority of the Company's business has been sold through the branch network of its ultimate parent company. This could arguably give rise to a concentration risk in relation to mass lapse risk. However, this risk is accepted under the Company's strategy.

The vast majority of the Company's products offer customers a wide range of investment options. This protects the Company from concentrated exposure to a decline in any particular asset class.

The Company is not exposed to any other material concentrations of underwriting risk.

The Company does not anticipate that any future underwriting risk concentrations will develop that are not captured above.

#### C.2.3 Underwriting Risk - mitigation

The Company mitigates underwriting risk in a number of ways. Mortality risk and lapse risk are mitigated primarily through product design. This includes variation in the level of death benefit payable by age, the use of initial waiting periods, the limiting of period for which certain covers are provided and the inclusion of surrender penalties in the early policy years. Lapse risk is also mitigated through an effective process of ensuring that products sold are suitable to customers' needs, and by clear communication around the medium to long term nature of the Company's products.

The Company carries out a detailed lapse and mortality investigation each year to monitor experience relative to expectations and to set assumptions for expected future lapse and mortality experience. These investigations help to highlight any

anomalies in the lapse and mortality experience and help provide insights into the effectiveness of risk mitigation. Assumptions are therefore promptly updated when necessary.

The Company does not use material levels of reinsurance or other risk mitigating techniques to mitigate underwriting risk. Reinsurance would be considered as a viable risk mitigant if the level of protection benefits was to materially increase over time and is considered whenever a new product is developed.

The Company is not considering any material future underwriting risk mitigants other than the expansion to the Spanish market which may help diversify the lapse risk somewhat.

The Company has not allowed for reinsurance or financial mitigation techniques in calculating the underwriting risk component of the SCR. The Company regularly reviews and updates the document detailing future management actions in case of a mass lapse scenario. For the purpose of this document, the Company assumes that only part of its expenses can be reduced automatically in case of a mass lapse, while others either remain unchanged or can be reduced if an action is implemented by the management. The Company regularly carries out an exercise to allocate expenses to the different categories and reviews the management actions being identified to achieve the target reduction.

#### C.2.4 Underwriting Risk - sensitivity

The Company carries out a range of stress and scenario testing as part of the annual ORSA process. This includes stress testing for material underwriting risks particularly in respect of risks relating to increased levels of surrenders. Typically, the stress testing in relation to underwriting risks refers to changing the ongoing assumptions such as the assumed annual lapse rate, or in some scenarios applying a one off shock such as a mass lapse event.

The assets and liabilities are recalculated under the revised assumptions or shocked conditions. Where relevant, the projected balance sheets are recalculated over the business planning cycle to assess the projected impact of the changes over time. The analysis carried out in the ORSA covers a range of extreme lapse scenarios and demonstrates that, while this is a significant risk for the Company, the Company's solvency coverage ratio remains strongly resilient to variations in lapse experience.

The Company's sensitivity to underwriting risk is assessed through the calculation of the SCR and in more detail through the adverse scenarios considered in the ORSA. The ORSA sensitivity analysis includes scenarios assessing the impact of mass lapse events, often in conjunction with other risk events such as market movements. The ORSA also considers other underwriting impacts including the exposure of the Company to variations in future new business levels, and the impact of a decrease in profitability margins.

The outcome of the 2022 ORSA underwriting scenarios demonstrated the materiality of the Company's exposure to underwriting risk, but also the resilience of its balance sheet in the light of the risks to which it is exposed.

The ORSA scenarios are carried out on a deterministic and stochastic basis. Some shocks are considered as point in time events, whereas others are projected over the business planning cycle. The key shocks from an underwriting perspective in the 2022 ORSA report, submitted to CBI in August 2022, include:

- Mass lapse of 40% combined with a range of adverse market movements
- expense unchanged in a mass lapse event
- increase of expected mortality rate
- increase in overall expenses
- alternative market scenario combined with an increase in lapses and mortality
- decrease in profitability margin
- new business 50% lower than anticipated
- future lapses 50% higher than expected while future new business is 75% lower than expected in year 1 and 50% lower thereafter.

The Company's 2022 ORSA assessed the sensitivity of Own Funds and SCR ratio to the scenarios listed above. The results show that, while Own Fund can be adversely impacted by a range of potential risks, the SCR ratio remained healthy under each potential risk scenario.

The Company does not expect material differences from the 2023 ORSA relative to 2022, on the basis that the Company's risk profile has developed, broadly, in line with expectations. The Company will review and, where appropriate, update the risk scenarios during the 2023.

Any other disclosure

The Company has no further disclosure to make in relation to its underwriting risk. For completeness, the Company does not make use of Special Purpose Vehicles (SPVs).

### **C.3 Market Risk**

#### **C.3.1 Market Risk - exposure**

The Company carries out a qualitative assessment of market risk through the risk register. The approach for measuring risk through the risk register is described at the beginning of section C and is consistent with what is done for the Underwriting risk.

In respect of the risk appetite monitoring, the Company has a range of quantitative measures used to assess the exposure to market risk. The measures vary by type of market risk and include the following:

- The proportion of policyholder funds invested in equity assets
- The proportion of shareholder funds invested in equity assets
- The proportion of market risk capital that is driven by equity risk
- The average duration of bonds held in the shareholder fund
- The proportion of market risk capital that is driven by interest rate risk
- The proportion of spread bond exposure in the policyholder funds and separately in the shareholder funds
- The average duration of bonds subject to spread risk held in the shareholder fund
- The proportion of market risk capital that is driven by spread risk
- The proportion of shareholder assets invested in non-Euro currencies
- The proportion of market risk that is driven by currency risk
- The proportion of overall available capital that is allocated to cover the market risk component of the solvency capital requirement.

In addition, the calculation of the market risk component of the SCR provides valuable insights into the Company's exposure to market risk.

The measures used to assess market risk have not changed materially over the course of the year.

The Company's exposure to market risk arises primarily from two sources. Firstly, there is the direct exposure to market risk that can arise through the investment of the shareholder assets. Secondly, the Company is exposed to movements in the market value of policyholder assets which can affect the future fees that it expects to earn, and which have a direct impact on the MVBS.

In relation to the market risk arising through the exposure to policyholder funds, the Company's primary exposure is dependent on the assets that policyholders invest in. The key risks arising through this source are equity risk and currency risk.

The Company's exposure to market risk arising in respect of the shareholder funds is low, reflecting the Company's conservative approach to investment. The key exposures in relation to shareholder investments relate to spread risk and interest rate risk.

The following table shows the components that make up the market risk capital requirement.

| €mln                                             | YE 2021      | YE 2022      |
|--------------------------------------------------|--------------|--------------|
| Interest Rate Risk                               | 16.2         | 44.8         |
| Equity Risk                                      | 248.5        | 163.8        |
| Spread Risk                                      | 47.7         | 23.6         |
| Market Risk Concentrations                       | 3.5          | 1.9          |
| Currency Risk                                    | 145.3        | 111.7        |
| Diversification within Market Risk               | -106.4       | -99.6        |
| <b>Total Capital Requirement for Market Risk</b> | <b>354.7</b> | <b>246.2</b> |

Overall, all sub-risks but interest rate decreased primarily due to the markets' performance that reduced the market value of assets. Notably, the sharp rise in interest rates after years of low rates brought about also an increase in the related capital requirement (with the interest up stress becoming prevalent over the interest down).

Same considerations can be made with regards to the Currency risk component which is still one of the main contributors to the capital requirements though significantly lower than the previous year.

Given the nature of the Company's business and the strategy that is central to its business planning, it is unlikely that the market risk profile of the Company will materially change over the short and medium term. Therefore, the material market risk exposures anticipated over the planning horizon are broadly equivalent to the current risk exposure.

### C.3.2 Prudent Investment Strategy

The Company's investment risk management policy provides clear restrictions on the types of assets that can be held and the level of investment allowable across a range of asset categories. The limits in the investment risk management policy are driven by the application of the prudent person principle, which is described in that policy as a key determinant of the Company's investment risk management approach.

In order to comply with the prudent person principle, the investment risk management policy:

- Sets specific limits for the shareholder fund management, focusing both on asset class and asset type concentrations,
- Describes high level principles and guidelines for managing policyholder funds
- Places a number of additional controls on the exposure to Italian counterparties which can naturally arise given the nature of the Company's business, to limit concentrations of risk exposures to one country

In addition, the investment risk management policy sets out a range of investment criteria which must be applied, and which contribute to the achievement of the prudent person principle. This includes diversification requirements, limits on the holding of unlisted assets and requirements in relation to close matching of unit-linked liabilities to policyholders. The prudent person principle is enshrined not just in the investment risk management policy, but consistently throughout the relevant risk management policies including the asset liability management policy.

The Company has not entered into any securities lending or borrowing transactions, or repurchase or reverse repurchase agreements, including liquidity swaps.

The Company does not write variable annuity business and does not provide surrender or maturity guarantees. Certain products include a protection feature in respect of certain funds. These funds aim to prevent policyholder investments from falling below a particular threshold (typically 80% of the initial investment or of the maximum historical price). The underlying investment strategy to achieve this can be CPPI<sup>1</sup> based, or derivative investments can be used to achieve the required strategy. At the end of the year a new protected fund was made available for a limited period of time (selling window). In this case the protection works at internal fund level – it is set at

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<sup>1</sup> Constant Proportion Portfolio Insurance

100% of the maximum price recorded by the fund during the selling window – and is provided at maturity (5 years).

It is important to note that these products are not guaranteed, and the terms of the products are clear that the investment risk (including the performance of the derivatives underlying the protection and/or the performance) remains with the policyholder.

The Company does not hold a loan portfolio.

#### C.3.3 Market Risk - concentration

The Company has not identified any material market risk concentrations. It does continue to have an exposure to the Italian economy through the concentration of its customer base, its position in an Italian group and its investment in Italian assets including the direct exposure to the Italian sovereign through bond holdings and the Italian claims tax asset. However, the Company's exposure to the Italian Government is constantly monitored. Furthermore, the scenario testing demonstrates that even in an extreme adverse scenario, the Company's capacity to meet its obligations to policyholders remains strong.

The Company does not anticipate that any future market risk concentrations will develop that are not captured above.

#### C.3.4 Market Risk - mitigation

The key mitigants of market risk derive from the investment limits placed on shareholder funds and the close matching of policyholder liabilities with equivalent unit-linked assets. The Company does not offer material guarantees which would lead to a direct exposure to movements in policyholder assets, and which could require the use of hedging techniques.

The compliance of the Company's investment strategy with its risk appetite and the limits set out in the investment policy is monitored on an ongoing basis with reporting to the R&C Committee on at least a quarterly basis.

The Company uses derivatives within some policyholder funds to protect policyholder investments from downside risk and, in few specific cases, to seek a better return.

The Company does not use material levels of risk mitigating techniques to mitigate market risk, other than the mitigants described above.

The Company is not actively considering any material future market risk mitigants. Currency hedging techniques may be applied to limit the Company's exposure to currency risk, should this materially increase.

The Company has not allowed for reinsurance, financial mitigation techniques or future management actions in calculating the market risk component of the SCR.

The Company uses derivatives within certain policyholders' funds to reduce downside risk in relation to the investments held, as well as to protect policy values (i.e. Individual Protection). This allows the funds or policies to target a return that is consistent with the risk appetite of investors.

For the protected funds launched in 2016 and 2017, the management strategy aiming at protecting the fund value is represented by a CPPI or CTDPI (Continuous Time Dependent Portfolio Insurance) strategy which modifies over time the weight of the risky and non-risky components, based on the difference between unit price and protected value. Moreover, in order to protect the fund from sudden drops in the markets, derivative transactions are entered into with counterparties. Under these transactions a fee is paid to the investment bank which, in return, will pay the difference between the protected price and the unit price, if necessary.

#### C.3.5 Market Risk - sensitivity

Market risk is a significant risk to which the Company is exposed, and its sensitivity to this risk is analysed in detail through a range of scenarios in the ORSA process. The scenarios assess the impact of changes in market conditions including interest rates, bond spreads and equity values on the Company's own funds and solvency coverage ratio. The stresses are in some instances combined with other factors such as increases in lapses or changes in projected new business volumes, to assess the resilience of the Company to scenarios involving a market risk challenge. The exposure to the Italian economy is also stressed through the ORSA process.

While the stress and scenario testing demonstrate that the Company's own funds and solvency coverage ratio are affected by adverse movements in financial markets, the Company's solvency coverage ratio remains resilient in all scenarios and the Company's capacity to meet liabilities to policyholders is strong in all scenarios.

The Company's sensitivity to market risk is assessed through the calculation of the SCR and in more detail through the adverse scenarios considered in the ORSA. The

ORSA sensitivity analysis included scenarios assessing the impact of a number of market events, often in conjunction with other risk events such as increased lapses.

The outcome of the ORSA market scenarios demonstrated the materiality of the Company's exposure to market risk, but also the resilience of its balance sheet in the light of the risks to which it is exposed.

The ORSA scenarios are carried out on a deterministic basis. Some shocks are considered as point in time events, whereas others are projected over the business planning cycle. Potential reverse stress tests on main risk factors are also performed.

The Company's 2022 ORSA assessed the sensitivity of the Own Funds and SCR coverage ratio to the scenarios mentioned above. The results demonstrated that while its own funds can be adversely impacted by a range of potential risks, its solvency cover ratio remains healthy under each quantitative scenario considered.

The Company does not expect material differences in the results of the 2023 ORSA process relative to the 2022 ORSA, given the Company's risk profile has developed broadly in line with expectations over the year.

There are no other material disclosures to make in relation to market risk.

## **C.4 Credit Risk**

### **C.4.1 Credit Risk - exposure**

The Company carries out a qualitative assessment of credit risk through the risk register. The approach for measuring risk through the risk register is described at the beginning of section C and is consistent with what is done for Market and Underwriting risk.

In respect of the risk appetite monitoring, the Company has a range of quantitative measures used to assess the exposure to credit risk. These include a close monitoring of credit ratings of key counterparties where default risk can arise, measures of exposure volumes (such as cash at bank) with different limits set depending on the counterparty and its credit rating, and the proportion of overall capital allocated to credit default risk.

In addition, the calculation of the credit default risk component of the SCR provides valuable insights into the Company's exposure to this risk.

The measures used to assess credit risk have not changed materially over the course of the year.

The key risks in relation to credit default relate to exposures to banks and credit institutions and potentially exposures to reinsurance counterparties. There is also a credit exposure in respect of assets held within the shareholder fund where a counterparty defaulting on its obligations to the Company and other investors could give rise to a financial loss to the Company.

The Company's credit risk exposure has not materially changed over the course of 2022.

The Company has an exposure to the Italian Government as described in Section C2. It is possible that changes in the credit standing of Italy could have an impact on the Company's risk profile.

While the exposure to Italy is a natural consequence of the Company's business strategy, it has taken steps to reduce the exposure over time and continues to monitor this exposure closely and assess the potential impact through stressed scenarios in the ORSA.

From the perspective of credit default risk, the Company applies the prudent person principle through the investment risk management policy and asset liability management policy. These set out clear operating parameters for accepting credit risk, including requirements for minimum credit ratings, board approval of key exposures and diversification of risk.

#### C.4.2 Credit Risk - concentration

The Company has not identified any key risk concentrations in relation to credit risk. There is an exposure to the Italian Government which is monitored closely as described earlier in the section on market risk.

The Company does not anticipate that any future credit risk concentrations will develop that are not captured above.

#### C.4.3 Credit Risk - mitigation

The key mitigants for credit risk derive from the limits placed on shareholder funds relating to the credit rating of potential counterparties, and the requirements relating to diversification of investments.

The compliance of the Company's investment strategy with its risk appetite and the limits set out in the investment policy is monitored on an ongoing basis with reporting to the R&C Committee on at least a quarterly basis.

The Company does not use material levels of reinsurance or other risk mitigating techniques to mitigate credit risk, other than the mitigants described above.

The Company is not considering any material future credit risk mitigants.

The Company has not allowed for reinsurance, financial mitigation techniques or future management actions in calculating the credit risk component of the SCR.

#### C.4.4 Credit Risk - sensitivity

The Company's exposure to Credit Risk is less material than its exposure to market risk or underwriting risk. Its sensitivity to credit risk is assessed through different scenarios in the ORSA process. A significant stress on the Italian Government and other Italian financial counterparties is assessed to determine the Company's resilience to such an event.

While the stress and scenario testing demonstrates that the Company's own funds and solvency coverage ratio would be affected by a significant haircut on the debt of a key counterparty, the Company's solvency coverage ratio remains resilient in all scenarios and the Company's capacity to meet liabilities to policyholders is strong in all scenarios.

The ORSA scenarios are carried out on a deterministic and stochastic basis. Some shocks are considered as point in time events, whereas others are projected over the business planning cycle. Potential reverse stress tests on main risk factors are also performed.

The Company's 2022 ORSA assessed the sensitivity of the Own Funds and SCR coverage ratio to the scenarios mentioned above. The results demonstrated that while its own funds can be adversely impacted by a range of potential risks, its solvency cover ratio remains healthy under each quantitative scenario considered.

There are no other material disclosures to make in relation to credit risk.

### **C.5 Liquidity Risk**

### C.5.1 Liquidity Risk - exposure

The Company carries out a qualitative assessment of liquidity risk through the risk register. The approach for measuring risk through the risk register is described at the beginning of section C and is consistent with what is done for Market and Underwriting risk.

Through its risk appetite monitoring, the Company uses various metrics to monitor overall liquidity risk. They focus on the overall level of liquid assets across the total book of assets held, and measure the proportion of own funds matched by the Italian claims tax asset which has some liquidity constraints.

The Company also carries out a detailed quantitative assessment of liquidity risk through the regular (monthly) update of the forecast of its net liquid assets over the short to medium term.

The measures used to assess liquidity risk have not changed materially over the course of the year.

The Company has a limited exposure to liquidity risk. From a Solvency II perspective a significant proportion of the Company's own funds are effectively backed by future profits on the in-force business. This asset is a significant ongoing generator of liquidity but has constraints in the context of being instantaneously realisable. In addition, the Italian claims tax asset has constraints in relation to being instantaneously realisable.

As a result, the Company monitors its level of liquid assets to test that these remain sufficient over the short to medium term to meet its liquidity needs.

The increase/decrease in the size of the Company's funds under management gives rise to an increase/decrease in the absolute value of PVFP recognised in the MVBS and the Italian claims tax asset, but a relatively stable ratio between both amounts.

The Company's liquidity risk profile is assessed through the ORSA projections, where the central projections and each stressed scenario is assessed from a liquidity perspective as well as a solvency perspective. Moreover, a liquidity contingency plan is in place and maintained providing details of the options available to the Company in the event of a liquidity crisis.

The Company's investment risk management policy, asset liability management policy and liquidity risk management policy combine to provide a clear governance framework to test that the assets held meet the prudent person principle from the perspective of liquidity risk. These policies include clear requirements limiting exposure to illiquid assets, including limits on unlisted assets.

#### C.5.2 Liquidity Risk - concentration

The Company does not have any material liquidity risk concentrations. The Company recognises the Italian claims tax asset as an asset with liquidity constraints but notes that the asset also generates liquid cashflows in the form of tax recoveries over the short to medium term. The Company has an appetite to maintain the Italian Claims tax asset, as it has arisen from its decision to act as a tax substitute. The Company also notes that the PVFP is an asset in the MVBS with liquidity constraints. However, it is notable that this asset also generates significant liquidity cashflows in the form of emerging management fees over the short to medium term.

The Company does not anticipate that any future liquidity risk concentrations will develop that are not captured above. However, the development of a recovery plan, currently ongoing, also focusing on liquidity stress situations, will help to alleviate the impact of any liquidity challenges that may arise over time.

#### C.5.3 Liquidity Risk - mitigation

The key risk mitigants in relation to liquidity risk relate to limitations on the Company's investments to limit the exposure to liquidity risk, along with detailed forecasting of liquidity cashflows to provide early warning in respect of any potential liquidity challenges.

These measures combine together to assure a significant liquidity buffer at all times, hence providing coverage for the Company's immediate liquidity needs. The measures are therefore highly effective in mitigating liquidity risk.

In addition to the liquidity risk mitigation already in place, the Company has identified various options available to it to generate further liquidity should such a need arise, and these will form the basis of the updated liquidity risk contingency plan feeding into the Recovery Plan.

The Company does not use material levels of reinsurance or other risk mitigating techniques to mitigate liquidity risk, other than the mitigants described above.

As described above, the Company has identified potential options available to it to improve liquidity should a liquidity challenge arise.

#### C.5.4 Liquidity Risk Sensitivity

The Company's sensitivity to liquidity risk over the short to medium term is analysed in detail through the ORSA process.

As well as considering the impact of a range of adverse stresses and scenarios on the Company's own funds, solvency coverage ratio and capacity to meet policyholder liabilities, the ORSA process also considers the liquidity implications of each scenario.

The Company's net liquid assets (i.e. liquid assets net of short term liabilities) are projected under each stress and scenario test considered. While the stress and scenario testing demonstrate that the Company's net liquid assets are affected by adverse movements in a range of factors including policyholder lapses, new business levels and financial market movement, the Company's liquidity position remains resilient throughout.

The ORSA scenarios are carried out on a deterministic and stochastic basis. Some shocks are considered as point in time events, whereas others are projected over the business planning cycle. The liquidity impact was considered in all scenarios. In addition, two key scenarios considered from a liquidity perspective were the increase of the tax rate to 0.6% (lifting the cap) and a liquidity reverse stress test.

The tests demonstrated that the Company remained within appetite despite the stresses.

There are no other material disclosures to make in relation to liquidity risk.

#### C.5.5 Income from future premiums

When the Company calculates the future fees that it expects to generate for solvency purposes it incorporates fees that are expected to arise from certain premiums that have not yet but are expected to be paid. The present value at year-end 2022 of these future expected fees from these premiums amounted to €43.3mIn.

### **C.6 Operational Risk**

### C.6.1 Operational Risk - exposure

The Company carries out a detailed qualitative assessment of its operational risk exposure through the risk register. A broad range of operational risks are included in the assessment and the assessment also incorporates risks associated with outsourcing arrangements, personnel management, legal risk and cyber risk.

The risk appetite monitoring assesses exposure to a range of operational risks through the gathering of quantitative data which is compared to limits and early warning indicators identified through the Company's operational risk management policy. The measures include financial impacts (gains and losses) arising from single operational risk events, financial impacts arising collectively from operational risk events and a detailed breakdown of the level of financial impacts across a range of operational risk event categories.

Other measures captured in the assessment and monitoring of operational risk exposures include volumes of customer complaints, number of legal cases, IT related events, audit findings, pricing errors, and events relating to outsourced providers.

In addition, the Company monitors its exposure to operational risk through an annual self-assessment exercise which feeds into the wider quantification of operational risk at the level of the ultimate parent company.

The Company is exposed to a range of operational risks either directly through its operations or indirectly through outsourcing arrangements.

The Company categorises its operational risks as follows:

- internal fraud: losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which involves at least one internal party;
- external fraud (external events): losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party;
- employment practices and workspace safety: losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims or from diversity/discrimination events;
- damage to physical assets: losses arising from loss or damage to physical assets from natural disaster or other events;

- business disruption and system failures: losses arising from disruption of business or system failures;
- clients, products and business practices: losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product;
- execution, delivery and process management: losses arising from failed transaction processing or process management, from relations with trade counterparties and vendors.

The key operational risks that the Company is exposed to have not changed materially over the course of 2022.

Given the nature of the Company's business and the strategy that is central to its business planning, it is unlikely that the operational risk profile of the Company will materially change over the short and medium term. Therefore, the operational risk exposures anticipated over the planning horizon are broadly equivalent to the current risk exposure and will be managed in line with the processes set out in this section.

The Company continually reassesses the adequacy and resilience of its internal controls system. The Company is carrying out a dedicated program to automate, standardise and enhance internal controls, to increase Company Culture and Control Awareness in the Outsourcing space, to assess service providers' contracts and review them. These activities are part of Significant Projects, on which a regular update is provided to the Board.

#### C.6.2 Operational Risk - concentration

The Company has not identified any material risk concentrations in respect of its operational risk. The Company does not anticipate that any future operational risk concentrations will develop.

#### C.6.3 Operational Risk - mitigation

Operational risk is mitigated through the implementation of an effective system of governance as described in section B of this report. In particular, the clear delineation of roles and responsibilities, clear segregation of duties, and the three lines of defence corporate governance model help to deliver a robust internal controls framework that mitigates operational risk.

The Company's governance framework supports the mitigation of operational risk through the principles articulated in the operational risk policy and further embedded in other internal policies like the IT security policy, the data protection policy and the outsourcing policy.

Outsourcing Risk has a particular importance for the Company, with a specific focus on enhancing the efficiency of the controls performed on the outsourcers. The Company manages this risk through the framework of its Outsourcing Risk Policy that disciplines the outsourcers' selection process, the on-going monitoring of performances and the escalation process in case of failures or mistakes of the service providers.

The effectiveness of the operational risk controls is evidenced through the close monitoring of errors, operational risk events and operational risk exposures, with regular reporting to the R&C Committee and onwards to the Board.

The Company does not use material levels of reinsurance or other risk mitigating techniques to mitigate operational risk, other than the mitigants described above.

The Company is not considering any material future operational risk mitigants.

The Company has not allowed for reinsurance, financial mitigation techniques or future management actions in calculating the operational risk component of the SCR.

#### C.6.4 Operational risk - sensitivity

The Company's sensitivity to operational risk is challenging to analyse quantitatively. However, the material consequences of operational risk incidents can include increased expenses, loss of new business and higher levels of customer lapses. These outcomes are tested through various scenarios considered through the Company's ORSA process.

The results of the ORSA stress-testing highlight the resilience of the Company's balance sheet to the consequences of adverse operational risk events.

### **C.7 Other Material Risks**

#### C.7.1 Other Material Risks - exposure

The Company has exposure to other risks not explicitly captured in the risk categories set out above. These include:

- Strategic Risk
- Reputational Risk, including Group Risk
- Regulatory Compliance Risk
- Conduct Risk
- Sustainability (ESG) Risk

The Company assesses each of these risks qualitatively through the risk register across a range of measures. Moreover, with regards to the Sustainability (ESG) risk that gained prominence with the enactment of comprehensive European regulations, the Company began implementing specific metrics and monitoring programmes. Participation to the related Group's project has further enhanced the capacity to deal with this risk.

With the exception of the Sustainability (ESG) risk, whose control framework is developing consistently with the implementation of the relevant regulation, the approaches to assessing these risks haven't materially changed over the course of 2022.

The Company is exposed to strategic risk in relation to its overall business strategy and operating model as well as in respect of the implementation of key projects within the Company. Given the nature of strategic risk and the ongoing development of strategic projects over time, the key sources of strategic risk evolve continually.

The Company is exposed to Reputational risk. In particular it is possible that a failure within the Company, or within another company in the wider group, could have an impact on the Company's business model. The exposure to reputational risk has not materially changed in 2022.

The Company is exposed to Regulatory Compliance risk that can potentially expose it to fines, liability for damages and reputational damage. Inadequate or incomplete internal controls are a primary cause of compliance and regulatory risk. The exposure to Regulatory Compliance risk has not materially changed in 2022.

The Company is exposed to Conduct risk. Conduct risk is the risk that the company poses to its customers from its direct interaction with them. This risk can stem from the Company's strategy, business model, culture, governance, systems and processes

or behaviours of its employees and distributors. The exposure to Conduct risk has not materially changed in 2022.

It is possible that the Company's risk profile will develop in respect of the risks mentioned above. The Company will continue to address these risks through its existing risk management system, and they will continue to receive a strong focus at Board level.

#### C.7.2 Other Material risks - concentration

The Company has not identified any material risk concentrations in respect of these additional risks. The Company does not anticipate that any future risk concentrations will develop in respect of these risks.

#### C.7.3 Other Material risks - mitigation

Strategic risk is mitigated through a strong system of governance, and regular Board reporting. The skills and experience of Directors, as well as the possibility of availing of Parent Company experience and advice, are important components of the Company's mitigants in relation to strategic risk, and the Board drives any key strategic decisions implemented by the Company.

Similarly, the System of Governance described in section B of this report is the key mitigant in relation to reputational risk. The Company also closely monitors operational risk events which could give rise to reputational challenges.

The success of the Company in implementing its strategy in recent years and its strong levels of new business and policyholder persistency give comfort to the effectiveness of the system of governance in controlling these risks, as well as the implementation of a sound and robust compliance Monitoring Register provides the mechanism to test that the stipulated controls and policies are being administered and adhered to and consequently provides assurance with respect to the adequacy of regulatory risk management within ISPL.

The Company does not use material levels of reinsurance or other risk mitigating techniques to mitigate the additional risks identified, other than the mitigants described above.

The Company is not considering any material future risk mitigants in respect of the additional risks identified.

#### C.7.4 Other Material risks - sensitivity

The Company assesses the appropriateness of its overall strategy and its key strategic decisions through the ORSA process. A range of scenario and sensitivity testing is used to analyse the development of its MVBS under its central business strategy, and through a range of adverse scenarios.

Similarly, the exposure to reputational risk is assessed through the ORSA process.

The Company's exposure to reputational risk is considered in its ORSA. The impact of a combined increase in lapses and reduction in new business volumes is used to assess the potential consequences of a reputational risk event. The outcome of the analysis demonstrates the Company's resilience to reputational risk issues.

The key scenario from a reputational risk perspective is a 50% increase in projected annual lapses along with a 75% reduction in new business volumes in year one and 50% reduction thereafter, with a once-off (25mln) increase in expenses. .

The Company's ability to meet liabilities to policyholders is resilient to these scenarios.

The Company relies on the Solvency II standard formula to determine its Basic SCR (BSCR) and SCR. It has therefore not used any quantitative data to determine the dependencies between risk modules and sub-modules of the BSCR other than indirectly using the quantitative data underpinning the calibration of the standard formula. Based on its assessment of the standard formula appropriateness, there is no reason to believe that the standard formula correlation matrices are not appropriate for the Company.

#### C.7.5 Sustainability and ESG risk

Sustainability risks are environmental, social or governance (ESG) events or conditions, which, if they occur, could cause an actual or potential negative impact on the value of the investment or the value of the liability.

The Company, in line with the actions and commitments assumed by Intesa Sanpaolo Group, pays particular attention to the management of ESG risks. The Company aims to consider the potential impacts as well as to assess the impacts that the Company itself could generate on ESG factors. These impacts are considered both directly

(through the consumption of resources) as well as indirectly (through its own business and investment activity).

Specifically:

- The Company contributes to the implementation of the Group's ESG strategy, by supporting the participation in international initiatives (e.g. UN Global Compact, United Nations Environment Program Finance Initiative (UNEP-FI)), as well as memberships of the Net Zero Asset Owner Alliance (NZAOA) to meet the commitment to reach net zero emissions by 2050;
- The Company has launched a process of integrating ESG factors into the Risk Management Framework, assessing both the extensive impacts that these have on prudential risk categories (e.g. market risk, operational risk...) and by identifying specific risk categories related to sustainability in the Risk Register (e.g. transition risk, physical risk, reputational risk);
- Starting in 2020, a process was launched to define and refine the methodologies for integrating sustainability factors in the selection and monitoring of investments, also aimed at defining exclusion criteria for critical and non-socially responsible issuers considered more exposed to ESG risks;
- Furthermore, from 2021, the Company has begun developing methodologies for calculating and monitoring the Principle Adverse Sustainability Indicators (PAI) defined in Annex I of the Delegated Regulation EU 2022/1288, in order to use these indicators as a tool to quantify, monitor and mitigate the adverse effects on sustainability factors generated by the Company's investment decisions.

With specific reference to the risks associated with climate change, which are of great importance to the Company as in line with the recommendations and requests of the European Supervisory Authorities, a process of progressive integration of these risks has been initiated in the analyses related to the ORSA report. In particular, both qualitative and quantitative analyses are performed – the former aimed at identifying material exposure to climate change risks (materiality assessment) and the latter through the definition of scenario analyses to estimate the impacts.

There are no other material disclosures to make in relation to the additional risks identified.

## D. VALUATION FOR SOLVENCY PURPOSES

### D.1 Assets

The following table reports the principal assets as at 31 December 2022, comparing SII MVBS figures with those reported in our Statutory Accounts (with 2021 equivalents):

**Table D.1 Assets**

| Assets                                             | 2021 MVBS<br>€000 | 2021 Statutory<br>€000 | Diff<br>€000     | 2022 MVBS<br>€000 | 2022 Statutory<br>€000 | Diff<br>€000     |
|----------------------------------------------------|-------------------|------------------------|------------------|-------------------|------------------------|------------------|
| Deferred acquisition costs                         | -                 | 349,219                | (349,219)        | -                 | 275,830                | (275,830)        |
| Intangible assets                                  | -                 | 1,801                  | (1,801)          | -                 | 1,460                  | (1,460)          |
| Deferred tax assets                                | -                 | -                      | -                | 5,580             | 5,580                  | -                |
| Property, plant & equipment held for own use       | 997               | 997                    | -                | 538               | 538                    | -                |
| Equities - listed                                  | 228               | 228                    | -                | 203               | 203                    | -                |
| Government Bonds                                   | 232,726           | 232,726                | -                | 267,588           | 267,588                | -                |
| Corporate Bonds                                    | 52,061            | 52,061                 | -                | 84,813            | 84,813                 | -                |
| Investment funds                                   | 91,088            | 91,088                 | -                | 62,309            | 62,309                 | -                |
| Assets held for index-linked and unit-linked funds | 41,051,446        | 41,051,446             | -                | 34,174,494        | 34,174,494             | -                |
| Reinsurance Receivables                            | -                 | -                      | -                | -                 | -                      | -                |
| Receivables (trade, not insurance)                 | 805,183           | 805,183                | -                | 659,297           | 659,297                | -                |
| Cash and cash equivalents                          | 76,807            | 76,807                 | -                | 143,496           | 143,496                | -                |
| Any other assets, not elsewhere shown              | 58,686            | 58,686                 | -                | 33,760            | 33,760                 | -                |
| <b>Total Assets</b>                                | <b>42,369,222</b> | <b>42,720,241</b>      | <b>(351,020)</b> | <b>35,432,078</b> | <b>35,709,368</b>      | <b>(277,290)</b> |

As can be seen from the table, the only difference between SII MVBS and Statutory Assets relates to the treatment of Deferred Acquisition Costs (DAC) and intangible assets, which has a carrying value in the SII MVBS of NIL.

The bases and methods and main assumptions used for SII MVBS Assets are as follows:

- Equities, Bonds, Investment Funds, Derivatives (not held for unit linked funds) and assets held for unit linked funds:
  - valued at fair value, where fair value is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments. If quoted market prices are not available, reference can also be made to broker or dealer prices quotations;
  - where no quote on an active market exists or the market is not functioning regularly, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date.



- Italian claims tax asset - valued at original cost of amounts paid in advance but not yet recovered at balance sheet date, reduced by write down in respect of the time value of money. When calculating the write down amount, the projections include:
  - Amounts recoverable from monthly payments to policyholders
  - Amounts recoverable via the "5 year offset" mechanism
  - Use of Italian Government Bonds yield curve for discount factors
  - Recoveries based on demographic and financial assumptions that are same as for BEL valuation
- Italian stamp duty (Bollo Tax) asset – valued at original cost
- Fund Income receivable – valued at amount receivable
- Cash and cash equivalents – valued at original cost

## D.2 Technical provisions

### D.2.1 Valuation of Line of Business Technical Provisions

The following table reports technical provisions as at 31<sup>st</sup> December 2022, comparing MVBS figures with those reported in our Statutory Accounts:

**Table D.2 Technical Provisions**

| Technical Provisions                           | 2021 MVBS<br>€000 | 2021 Statutory<br>€000 | Diff<br>€000     | 2022 MVBS<br>€000 | 2022 Statutory<br>€000 | Diff<br>€000     |
|------------------------------------------------|-------------------|------------------------|------------------|-------------------|------------------------|------------------|
| Linked Liability                               | 41,050,428        | 41,050,428             | -                | 34,172,273        | 34,172,273             | -                |
| Present Value of Future Profits                | (1,024,131)       | -                      | (1,024,131)      | (846,035)         | -                      | (846,035)        |
| -> Sub-total - Best Estimate Liabilities (BEL) | 40,026,297        | 41,050,428             | (1,024,131)      | 33,326,237        | 34,172,273             | (846,035)        |
| Risk Margin                                    | 192,931           | -                      | 192,931          | 168,339           | -                      | 168,339          |
| <b>Total Technical Provisions</b>              | <b>40,219,228</b> | <b>41,050,428</b>      | <b>(831,200)</b> | <b>33,494,576</b> | <b>34,172,273</b>      | <b>(677,697)</b> |

### D.2.2 Bases, methods and assumptions used in valuation

The valuation of the Solvency II Technical Provision has been performed in compliance with relevant regulation, in particular:

- the Solvency II Directive (2009/138/EC) and further changes (Directive 2014/51/EU) – “Omnibus 2” (below “the Directive”);
- Solvency II – Commission Delegated Regulation – 17 January 2015 (below the “Delegated Regulation”);
- S.I. No. 485/2015 - European Union (Insurance and Reinsurance) Regulations 2015
- Central Bank of Ireland Guidelines, Information notes and other relevant documentation
- EIOPA Guidelines and other relevant documentation;

The technical provisions under Solvency II are the sum of the best estimate liability and the risk margin.

#### Best Estimate Liability

The calculation of the best estimate may be done using a deterministic or stochastic approach depending on the characteristics of the liabilities portfolio.

Some of the Company’s products include a Guaranteed Minimum Death Benefit (GMDB). For these products the Company employs a stochastic approach where the

value of future cashflows is the average of an adequate number of different market scenarios.

For products without a GMDB the Company employs a single projection using best estimate assumptions.

The projections include all the potential inflows and outflows necessary to value the company's commitments for their entire duration, in line with the contractual limits pertaining to the contracts to which those amounts refer.

A non-exhaustive list of cashflows considered in the calculation of the Best Estimate includes:

- payments in case of death or surrender;
- the costs of administration, management of investments and claims payouts;
- future regular premiums and other cash flows deriving from those premiums;
- commission paid to the retail networks;
- the costs paid to investment firms in relation to asset management or the protection schemes underlying certain types of contract.

#### Risk Margin

The risk margin is the amount that guarantees that the value of the technical provisions is equivalent to the amount that the insurance and reinsurance companies would need in order to accept and honour their obligations.

The risk margin was calculated using the "cost of capital" approach, which consists of determining the current value of the cost paid by the company as a result of the capitalisation of own funds to cover the "non-hedgeable" risks throughout the duration of the contracts. The cost-of-capital rate is 6% as specified in Article 39 of the Delegated Act.

#### Operating assumptions

Best estimate assumptions are used in the calculation of technical provisions. No assumptions on future management actions are considered. The most material assumptions are:

- Operational assumptions
  - Surrenders
  - Expenses (including the expense inflation assumption)

- Mortality
- Financial assumptions
  - Interest rates term structure

The Company maintains and updates the operating assumptions at least annually or more frequently if material changes occur during the year.

To derive operating assumptions, the business has been grouped into a number of homogeneous risk groups that remain stable over time. These homogeneous risk groups are used in the derivation of surrender and expense assumptions. Mortality is assessed at a portfolio level.

The Company has sufficient historical information to assess the characteristic of the underlying risks and to identify trends for the homogeneous risk group used in the calculation of technical provisions. No raw data is excluded from the analysis unless it is contingent to a specific event that is not expected to repeat in the future.

When a new risk group is added to the current set, for example when the Company issues a new product with different features, the assumption is based on the most similar risk group with sufficient historical information adjusted using expert judgment to allow for the new risk group specific features.

### **D.2.3 Level of uncertainty associated with the value of technical provisions**

The assumptions on which the technical provisions are based are by definition estimates of the future. The estimates are based on deep analysis of past trends and expert judgements. The Company's book is made up of a large number of policies mostly spread among a relatively small number of products and, aside from those applicable in the event of death, there are no guarantees in the product designs. This gives a relatively good level of confidence in the calculations.

It should be noted however that the COVID-19 pandemic has added further uncertainty to future mortality trends and the ongoing situation in Ukraine may also bring additional uncertainty to future experience (e.g. inflation, surrenders).

Table D.3 illustrates the sensitivity of the Best Estimate Liability to movements in various assumptions.

**Table D.3**

| BEL sensitivities                                      | Unit Fund | Impact    | PVFP  | Impact | Total BEL | Impact    |
|--------------------------------------------------------|-----------|-----------|-------|--------|-----------|-----------|
| Base Case                                              | 34,172.3  | -         | 846.0 | -      | 33,326.2  | -         |
| Interest rates increase by 100 basis points            | 33,282.7  | - 889.6   | 840.5 | - 5.5  | 32,442.2  | - 884.0   |
| Interest rates decrease by 100 basis points (no floor) | 35,061.8  | 889.6     | 845.1 | - 0.9  | 34,216.7  | 890.5     |
| Equity values fall 10%                                 | 33,004.1  | - 1,168.2 | 775.7 | - 70.4 | 32,228.4  | - 1,097.8 |
| Assumed lapse rates increase by 10%                    | 34,172.3  | -         | 786.7 | - 59.3 | 33,385.6  | - 59.3    |
| Assumed lapse rates decrease by 10%                    | 34,172.3  | -         | 913.6 | 67.6   | 33,258.7  | - 67.6    |
| Assumed mortality rates increase by 15%                | 34,172.3  | -         | 821.1 | - 24.9 | 33,351.2  | - 24.9    |
| Assumed paid up rate 100%                              | 34,172.3  | -         | 802.8 | - 43.3 | 33,369.5  | - 43.3    |
| Assume paid up rate increase by 30%                    | 34,172.3  | -         | 842.8 | - 3.2  | 33,329.5  | - 3.2     |
| Assumed paid up rate reduce by 30%                     | 34,172.3  | -         | 849.8 | 3.8    | 33,322.4  | - 3.8     |
| Assumed expenses increase by 10%                       | 34,172.3  | -         | 791.1 | - 54.9 | 33,381.2  | - 54.9    |
| Assumed expense inflation increase by 100 basis points | 34,172.3  | -         | 821.9 | - 24.1 | 33,350.4  | - 24.1    |
| Changes resulting in 5bp reduction in margin           | 34,172.3  | -         | 748.1 | - 97.9 | 33,424.2  | - 97.9    |
| ESG Volatility increase by 10%                         | 34,172.3  | -         | 843.3 | - 2.7  | 33,329.0  | - 2.7     |
| ESG Correlation increase by 1000 basis points          | 34,172.3  | -         | 844.6 | - 1.4  | 33,327.7  | - 1.4     |

#### **D.2.4 Difference between calculations for Solvency and Financial Reporting purposes**

The difference between these two items can be fully explained by the current value of the future profits and the risk margin. The portfolio of Intesa Sanpaolo Life mainly consists of unit-linked policies whose technical provisions are calculated on the individual accounts as the value of the units on the valuation date. The Solvency II valuation however is based on the projected flows and therefore takes into consideration future profits as well.

As can be seen in table D.2, the Solvency II technical provisions were €677.7 mln less than the Statutory Technical Provisions.

#### **D.2.5 Matching Adjustments, Volatility Adjustments, Transitional Measures**

There are a number of specific mechanisms allowed for under Solvency II (namely Matching Adjustment, Volatility Adjustment and Transitional Measures) that are available to insurers to help manage the volatility of their Solvency II balance sheets or to move smoothly from the previous regime. The Company is not using any of these mechanisms.

**D.2.6 Reinsurance**

The Company does not model the reinsurance arrangement because it is not material. There is a closed reinsurance agreement in place that is not material, and hence not modelled in the technical provisions. Materiality is assessed at line of business level.

**D.2.7 Material changes to assumptions over the period**

The Company reviews its assumptions on an annual basis. For the 2022 year-end a number of refinements were applied to the key assumptions. In particular lapse assumptions were updated to include additional factors for case size and age, paid-up assumptions were updated and expense inflation was increased in line with market expectations.

## D.3 Other liabilities

### D.3.1 Value of other liabilities

The following table reports the principal other liabilities as at 31 December 2022 on both an SII MVBS and Statutory basis along with the 31 December 2021 equivalents:

| Other Liabilities                                            | 2021 MVBS<br>€000 | 2021 Statutory<br>€000 | Diff<br>€000     | 2022 MVBS<br>€000 | 2022 Statutory<br>€000 | Diff<br>€000     |
|--------------------------------------------------------------|-------------------|------------------------|------------------|-------------------|------------------------|------------------|
| Other technical provisions                                   | -                 | 9,331                  | (9,331)          | -                 | 9,363                  | (9,363)          |
| Provisions other than technical provisions                   | 1,877             | 1,877                  | -                | 1,754             | 1,754                  | -                |
| Deferred tax liabilities                                     | 97,515            | 739                    | 96,777           | 73,885            | 1                      | 73,884           |
| Financial Liabilities other than owed to credit institutions | 701               | 701                    | -                | 379               | 379                    | -                |
| Insurance & intermediaries payables                          | 169,070           | 468,424                | (299,354)        | 209,964           | 441,957                | (231,993)        |
| Reinsurance payables                                         | 12                | 12                     | -                | 77                | 77                     | -                |
| Payables (trade, not insurance)                              | 10,479            | 10,479                 | -                | 16,900            | 16,900                 | -                |
| Any other liabilities, not elsewhere shown                   | 203,530           | 188,893                | 14,637           | 103,695           | 53,004                 | 50,690           |
| <b>Total Other Liabilities</b>                               | <b>483,186</b>    | <b>680,456</b>         | <b>(197,271)</b> | <b>406,654</b>    | <b>523,435</b>         | <b>(116,781)</b> |

The bases and methods and main assumptions used for SII MVBS Other Liabilities are as follows:

- Provisions other than technical provisions - provisions are recognised when the Company has a present legal or constructive obligation that can be estimated reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation;
- Deferred Tax Liabilities - deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date;
- Insurance and intermediaries payable includes:
  - Claims outstanding – valued at fund value payable;
  - Investment related payables;
  - Distributor Commissions payable
    - valued at full cost of amount payable to discharge liability.
- Payables (trade not insurance) include:
  - Italian Claims Tax;
  - Irish Taxes;

- Expense accruals:
  - valued at full cost of amount payable to discharge liability.
- Any other liabilities, not shown elsewhere, include:
  - Actuarial funding liability – valued of full cost of purchasing policyholder units not yet purchased in respect of elapsed accounting period;
  - Economic cost of future claims tax payments – valued as follows:
    - rate of payment assumed at 0.5% of the unit liability at end of December each year;
    - recoveries of each individual payment happening within 5 years;
    - Future payments estimated on a going concern basis (assuming that new business maintains the unit liability at the year-end 2022 level as opposed to decreasing in line with the existing book).
    - demographic and financial assumptions used are the same as for BEL valuation.

### **D.3.2 Difference between calculations for Solvency and Financial Reporting Purposes**

As can be seen from the table above, the principal difference between the SII MVBS and Statutory Other Liability amounts are as follows:

- Other technical provisions;
  - NIL in SII MVBS liabilities; €9.4mln (2021: €9.3mln) in Statutory liabilities, representing Bonus and Mortality reserves;
- Deferred Income Liability (DIL)
  - DIL, being an intangible liability, has a carrying value in SII MVBS of NIL;
  - DIL carrying value in Statutory Accounts is €232 mln (2021:€ 299.3 mln) and is reported within “Insurance and intermediaries payable”
- Economic cost of future claims tax payments:
  - This has carrying value in SII MVBS of €50.7 mln (2021:€ 14.6mln) and is reported within “any other liabilities, not elsewhere shown”
  - Carrying value in Statutory Accounts is NIL

Note that whereas the quantum of Deferred Tax Liability differs between SII MVBS and Statutory Accounts, the basis is the same – the different amounts explained by

tax attributable to the adjustments to move from Statutory Accounts balance sheet to SII MVBS.

#### **D.4 Alternative methods for valuation**

This is not applicable.

#### **D.5 Any other information**

There is no other information to be disclosed.

## **E. CAPITAL MANAGEMENT**

### **E.1 Own funds**

#### **E.1.1 Management of own funds**

Own funds are managed using a combination of techniques, including Asset Liability Management and Liquidity Management, so as to be satisfied that the Company is sufficiently well capitalised. The business planning time horizon is typically 3 years and the planning includes having regard to likely strains on Own Funds, and management of those strains. Principal drivers of Own Funds include:

- Profit after tax on a Statutory Basis;
- Dividend payments;
- Adjustments to arrive at MVBS.

#### **E.1.2 Structure, amount and quality of own funds**

The following tables report the component parts of Own Funds as at 31 December 2022 (with 2021 equivalents) on both an MVBS and Statutory basis:

| Own Funds                                    | 2021 MVBS<br>€000 | 2021 Statutory<br>€000 | Diff<br>€000   | 2022 MVBS<br>€000 | 2022 Statutory<br>€000 | Diff<br>€000   |
|----------------------------------------------|-------------------|------------------------|----------------|-------------------|------------------------|----------------|
| Total Assets                                 | 42,369,222        | 42,720,241             | (351,020)      | 35,432,078        | 35,709,368             | (277,290)      |
| Total Technical Provisions                   | (40,219,228)      | (41,050,428)           | 831,200        | (33,494,576)      | (34,172,273)           | 677,697        |
| Total Other liabilities                      | (483,186)         | (680,456)              | 197,270        | (406,654)         | (523,435)              | 116,781        |
| <b>Total Own Funds</b>                       | <b>1,666,808</b>  | <b>989,357</b>         | <b>677,451</b> | <b>1,530,849</b>  | <b>1,013,661</b>       | <b>517,188</b> |
| <b>Composition and analysis of own funds</b> |                   |                        |                |                   |                        |                |
| Share Capital                                | 635               | 635                    | -              | 635               | 635                    | -              |
| Capital Contribution                         | 104,444           | 104,444                | -              | 104,444           | 104,444                | -              |
| Reconciliation Reserve                       | 1,561,729         | 884,278                | 677,451        | 1,425,770         | 908,582                | 517,188        |
| <b>Total Own Funds</b>                       | <b>1,666,808</b>  | <b>989,357</b>         | <b>677,451</b> | <b>1,530,849</b>  | <b>1,013,661</b>       | <b>517,188</b> |

Reconciliation Reserve is comprised of accumulated profits after tax, less dividend distributions to date.

#### **E.1.3 Analysis of change in own funds over the period**

The following table shows the main components of change in own funds over 2022 (with the equivalent movement in 2021).

| Movement in Reconciliation Reserve over period        | 2021 (€000)      | 2022 (€000)      |
|-------------------------------------------------------|------------------|------------------|
| Opening reconciliation reserve                        | 1,448,513        | 1,561,729        |
| IFRS Insurance profits                                | 193,078          | 160,697          |
| Adjustment AFS Reserve                                | (2,416)          | (44,220)         |
| Change in write down of tax asset                     | -                | (42,175)         |
| Change arising from removing IFRS Balance Sheet items | (8,486)          | 5,302            |
| Change arising from recording MVBS amounts            | 31,578           | (165,862)        |
| Dividend                                              | (100,000)        | (50,000)         |
| Other                                                 | (542)            | 294              |
| <b>Closing Reconciliation Reserve</b>                 | <b>1,561,729</b> | <b>1,425,770</b> |

The key items were the cashflows arising from the business in the year less the decrease in the value of future margins included in the SII balance sheet and the dividend paid in the period.

There was a dividend distribution during 2022 of €50mln paid to immediate parent company. The Company paid a €100 mln dividend in 2021.

The Capital Management policy dictates that the Board must approve any dividends payable having been furnished with reports from both the Chief Risk Officer and the Head of Actuarial Function in relation to the appropriateness of the proposed amounts.

#### **E.1.4 Eligible amount of own funds to cover the SCR and MCR**

Own funds are entirely Tier 1 funds and 100% of MVBS own funds are eligible to cover both the SCR and the MCR.

### **E.1.5 Differences between equity as shown in the undertaking's financial statements and the excess of assets over liabilities as calculated for solvency purposes**

Own Funds on an MVBS basis are materially different from those on a Statutory Basis. The following table explains the differences:

| Difference between equity in statutory accounts and Own Funds in SII Balance Sheet | 2021 (€000)      | 2022 (€000)      |
|------------------------------------------------------------------------------------|------------------|------------------|
| <b>Equity Statutory</b>                                                            | <b>989,357</b>   | <b>1,013,661</b> |
| Remove intangibles (including DAC)                                                 | (351,020)        | (277,290)        |
| Add adjustment to SII Technical Provisions                                         | 831,200          | 677,697          |
| Add back IFRS Bonus and Mortality Reserve                                          | 9,331            | 9,363            |
| Difference in Deferred Tax Liability                                               | (96,777)         | (73,884)         |
| Add back Deferred Income Liability                                                 | 299,354          | 231,993          |
| Economic cost of future claims tax payments                                        | (14,637)         | (50,690)         |
| <b>Own Funds in SII Balance Sheet</b>                                              | <b>1,666,808</b> | <b>1,530,848</b> |

- Intangible assets adjustment arises from valuing the DAC Asset at NIL in MVBS;
- Life insurance provisions adjustment arises from the recording of PVFP and Risk Margin in the MVBS;
- Other technical provisions adjustment represents the valuing of Mortality and Bonus Reserves at NIL in the MVBS;
- Deferred tax liabilities adjustment arises from the taxation impact of adjustments necessary to move from Statutory Balance Sheet to MVBS;
- Insurance & intermediaries payable adjustment arises from valuing Deferred Income liabilities at NIL in the MVBS;
- Other adjustments represents the recording of the liability in the MVBS regarding the economic cost of future claims tax payment.

### **Expected developments of the own funds**

The Company's business planning time period is three years and the Company does not envisage the need to raised additional own funds. Furthermore, with the exception

of dividend payments that might be made, the Company does not envisage repaying or redeeming own funds. Business planning suggests that own funds will increase over time, in line with the expected increasing book of business.

### **E.1.6 Transitional arrangements**

The Company does not have any basic own funds items that are subject to transitional arrangements.

## **E.2 SCR and MCR**

### **E.2.1 Amounts of SCR and MCR at year end**

The following table summarises Own Funds, SCR and MCR as at 31<sup>st</sup> December 2022 (including 2021 equivalents)

| Coverage of SCR and MCR | 2021<br>(€000) | 2022<br>(€000) |
|-------------------------|----------------|----------------|
| Own Funds               | 1,666,827      | 1,530,849      |
| SCR                     | 637,067        | 511,925        |
| SCR Coverage            | 262%           | 299%           |
| MCR                     | 281,076        | 230,366        |
| MCR Coverage            | 593%           | 665%           |

The Company's SCR calculation does not use simplified calculations or undertaking-specific parameters. Furthermore, the Company is not required to hold capital additions.

The MCR is a factor driven calculation prescribed under the standard formula, including calculation of a linear MCR, based on a number of factors including sums at risk and unit linked administration expenses. The MCR is equal to the 45% of SCR with an absolute minimum of EUR 4 million.

### **E.2.2 SCR Split by risk modules**

The following table sets out the Company's SCR as at 31 December 2022 (with the 2021 equivalent) broken into its constituent parts.

| <b>Solvency Capital Requirement</b>       | <b>YE 2021</b> |                | <b>YE 2022</b> |                |
|-------------------------------------------|----------------|----------------|----------------|----------------|
| <b>Solvency Capital Requirement (SCR)</b> |                | <b>637,067</b> |                | <b>511,925</b> |
| Loss absorbing capacity of deferred tax   |                | (91,010)       |                | (68,305)       |
| SCR before adjustment                     |                | 728,077        |                | 580,229        |
| <b>Operational Risk</b>                   |                | <b>87,560</b>  |                | <b>82,067</b>  |
| <b>Basic SCR</b>                          |                | <b>640,517</b> |                | <b>498,163</b> |
| Diversification                           |                | (181,237)      |                | (141,317)      |
| <b>Market Risk</b>                        |                | <b>354,740</b> |                | <b>246,204</b> |
| Interest Rate Risk                        | 16,237         |                | 44,825         |                |
| Equity Risk                               | 248,480        |                | 163,766        |                |
| Spread Risk                               | 47,651         |                | 23,597         |                |
| Market Risk Concentrations                | 3,535          |                | 1,948          |                |
| Currency Risk                             | 145,269        |                | 111,659        |                |
| Diversification within Market Risk        | (106,431)      |                | (99,591)       |                |
| <b>Underwriting Risk</b>                  |                | <b>442,110</b> |                | <b>364,905</b> |
| Mortality Risk                            | 23,372         |                | 24,921         |                |
| Lapse Risk                                | 379,167        |                | 313,954        |                |
| Life Expense Risk                         | 102,010        |                | 81,457         |                |
| Life Catastrophe Risk                     | 3,406          |                | 3,478          |                |
| Diversification within Underwriting Risk  | (65,845)       |                | (58,906)       |                |
| <b>Default Risk</b>                       |                | <b>24,903</b>  |                | <b>28,371</b>  |

The Company's SCR is largely driven by lapse risk, market risk arising from policyholder funds and by the operational risk component. Lapse risk and market risk are heavily influenced by the volume of assets under management.

The expense risk module has increased mainly due to the inclusion of investment expenses in the amounts stressed (following a change in guidance from EIOPA).

Further detail on the individual components is included in section C.

The Company does not use an internal model to determine its SCR.

The Company does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

### **E.2.3 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement**

The Company sees no foreseeable risk of non-compliance with our MCR or SCR. MCR and SCR coverage is analysed at each quarter, and a further analysis is carried out to demonstrate that the Company continuously complies with its capital requirements between quarters, by using certain key variables. The Company regularly measures the levels of these variables intra-quarter in order to understand the likely development of its capital requirements including the composition, quantity and quality of own funds.

By way of its Risk Appetite Statement, metrics are set in order to monitor the evolution of the main risk categories, and regular controls on these metrics are performed. In addition to this, the evolution of the SCR and Own Funds figures are estimated on a monthly basis.

On a forward looking basis, the stressed scenarios considered in the ORSA Report provide a strong comfort that the Company will continue to comply with its capital requirements over time. The strength of the MCR and SCR coverage ratios under each of the stressed scenarios provide a further assurance in respect of the Company's ability to continuously comply with its capital requirements, even in adverse scenarios.

The Company's own funds are currently all classified as Tier 1 basic own funds. The current capital structure does not include any instruments subject to redemptions, repayments or maturity.

The projections carried out in the ORSA also demonstrate that the Company would comply continuously with the technical provisions. The calculation of the technical provisions is conducted quarterly and processes and procedures are in place for this calculation. The ORSA calculations of the technical provisions are consistent with these procedures.

### **E.2.4 Any other information**

There is no other information regarding capital management not already disclosed within this document.



## Appendix: Intesa Sanpaolo Life QRTs

### SE.02.01.16 Balance Sheet

SE.02.01.16

Variant of Solvency II template S.02.01.01 with ECB add-ons

Annual reporting, solo

Balance sheet

|                                                                                        | Solvency II value | Statutory accounts value | Reclassification adjustments |
|----------------------------------------------------------------------------------------|-------------------|--------------------------|------------------------------|
|                                                                                        | C0010             | C0020                    | EC0021                       |
| <b>Assets</b>                                                                          |                   |                          |                              |
| Goodwill                                                                               | R0010             |                          |                              |
| Deferred acquisition costs                                                             | R0020             | 275,829,933              |                              |
| Intangible assets                                                                      | R0030             | 1,460,012                |                              |
| Deferred tax assets                                                                    | R0040             | 5,580,300                |                              |
| Pension benefit surplus                                                                | R0050             |                          |                              |
| Property, plant & equipment held for own use                                           | R0060             | 538,165                  |                              |
| Investments (other than assets held for index-linked and unit-linked contracts)        | R0070             | 414,912,599              | -                            |
| Property (other than for own use)                                                      | R0080             |                          |                              |
| Holdings in related undertakings, including participations                             | R0090             | -                        |                              |
| Equities                                                                               | R0100             | 203,173                  |                              |
| Equities - listed                                                                      | R0110             | 203,173                  |                              |
| Equities - unlisted                                                                    | R0120             |                          |                              |
| Bonds                                                                                  | R0130             | 352,400,909              |                              |
| Government Bonds                                                                       | R0140             | 267,588,022              |                              |
| Corporate Bonds                                                                        | R0150             | 84,812,887               |                              |
| Structured notes                                                                       | R0160             |                          |                              |
| Collateralised securities                                                              | R0170             |                          |                              |
| Collective Investments Undertakings                                                    | R0180             | 62,308,517               |                              |
| Derivatives                                                                            | R0190             |                          |                              |
| Deposits other than cash equivalents                                                   | R0200             |                          |                              |
| Other investments                                                                      | R0210             |                          |                              |
| Assets held for index-linked and unit-linked contracts                                 | R0220             | 34,174,494,263           |                              |
| Loans and mortgages                                                                    | R0230             |                          |                              |
| Loans on policies                                                                      | R0240             |                          |                              |
| Loans and mortgages to individuals                                                     | R0250             |                          |                              |
| Other loans and mortgages                                                              | R0260             |                          |                              |
| Reinsurance recoverables from:                                                         | R0270             |                          |                              |
| Non-life and health similar to non-life                                                | R0280             |                          |                              |
| Non-life excluding health                                                              | R0290             |                          |                              |
| Health similar to non-life                                                             | R0300             |                          |                              |
| Life and health similar to life, excluding health and index-linked and unit-linked     | R0310             |                          |                              |
| Health similar to life                                                                 | R0320             |                          |                              |
| Life excluding health and index-linked and unit-linked                                 | R0330             |                          |                              |
| Life index-linked and unit-linked                                                      | R0340             |                          |                              |
| Deposits to cedants                                                                    | R0350             |                          |                              |
| Insurance and intermediaries receivables                                               | R0360             |                          |                              |
| Reinsurance receivables                                                                | R0370             |                          |                              |
| Receivables (trade, not insurance)                                                     | R0380             | 659,297,105              |                              |
| Own shares (held directly)                                                             | R0390             |                          |                              |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400             |                          |                              |
| Cash and cash equivalents                                                              | R0410             | 143,495,775              |                              |
| Any other assets, not elsewhere shown                                                  | R0420             | 33,759,922               |                              |
| <b>Total assets</b>                                                                    | <b>R0500</b>      | <b>35,432,078,129</b>    | <b>35,709,368,074</b>        |



**Liabilities**

|                                                                                     |
|-------------------------------------------------------------------------------------|
| Technical provisions - non-life                                                     |
| Technical provisions - non-life (excluding health)                                  |
| TP calculated as a whole                                                            |
| Best Estimate                                                                       |
| Risk margin                                                                         |
| Technical provisions - health (similar to non-life)                                 |
| TP calculated as a whole                                                            |
| Best Estimate                                                                       |
| Risk margin                                                                         |
| Technical provisions - life (excluding index-linked and unit-linked)                |
| Technical provisions - health (similar to life)                                     |
| TP calculated as a whole                                                            |
| Best Estimate                                                                       |
| Risk margin                                                                         |
| Technical provisions - life (excluding health and index-linked and unit-linked)     |
| TP calculated as a whole                                                            |
| Best Estimate                                                                       |
| Risk margin                                                                         |
| Technical provisions - index-linked and unit-linked                                 |
| TP calculated as a whole                                                            |
| Best Estimate                                                                       |
| Risk margin                                                                         |
| Other technical provisions                                                          |
| Contingent liabilities                                                              |
| Provisions other than technical provisions                                          |
| Pension benefit obligations                                                         |
| Deposits from reinsurers                                                            |
| Deferred tax liabilities                                                            |
| Derivatives                                                                         |
| Debts owed to credit institutions                                                   |
| Debts owed to credit institutions resident domestically                             |
| Debts owed to credit institutions resident in the euro area other than domestic     |
| Debts owed to credit institutions resident in rest of the world                     |
| Financial liabilities other than debts owed to credit institutions                  |
| debts owed to non-credit institutions                                               |
| debts owed to non-credit institutions resident domestically                         |
| debts owed to non-credit institutions resident in the euro area other than domestic |
| debts owed to non-credit institutions resident in rest of the world                 |
| other financial liabilities (debt securities issued)                                |
| Insurance & intermediaries payables                                                 |
| Reinsurance payables                                                                |
| Payables (trade, not insurance)                                                     |
| Subordinated liabilities                                                            |
| Subordinated liabilities not in basic own funds                                     |
| Subordinated liabilities in basic own funds                                         |
| Any other liabilities, not elsewhere shown                                          |
| <b>Total liabilities</b>                                                            |
| <b>Excess of assets over liabilities</b>                                            |

|        | Solvency II value | Statutory accounts value | Reclassification adjustments |
|--------|-------------------|--------------------------|------------------------------|
|        | C0010             | C0020                    | EC0021                       |
| R0510  | -                 | -                        |                              |
| R0520  |                   |                          |                              |
| R0530  |                   |                          |                              |
| R0540  |                   |                          |                              |
| R0550  |                   |                          |                              |
| R0560  |                   |                          |                              |
| R0570  |                   |                          |                              |
| R0580  |                   |                          |                              |
| R0590  |                   |                          |                              |
| R0600  | -                 | -                        |                              |
| R0610  |                   |                          |                              |
| R0620  |                   |                          |                              |
| R0630  |                   |                          |                              |
| R0640  |                   |                          |                              |
| R0650  |                   |                          |                              |
| R0660  |                   |                          |                              |
| R0670  |                   |                          |                              |
| R0680  |                   |                          |                              |
| R0690  | 33,494,575,842    | 34,172,272,529           |                              |
| R0700  |                   |                          |                              |
| R0710  | 33,326,237,297    |                          |                              |
| R0720  | 168,338,544       |                          |                              |
| R0730  |                   | 9,362,772                |                              |
| R0740  |                   |                          |                              |
| R0750  | 1,753,894         | 1,753,894                |                              |
| R0760  |                   |                          |                              |
| R0770  |                   |                          |                              |
| R0780  | 73,885,141        | 1,168                    |                              |
| R0790  |                   |                          |                              |
| R0800  |                   |                          |                              |
| ER0801 |                   |                          |                              |
| ER0802 |                   |                          |                              |
| ER0803 |                   |                          |                              |
| R0810  | 378,640           | 378,640                  |                              |
| ER0811 | 378,640           |                          |                              |
| ER0812 | 20,937            |                          |                              |
| ER0813 | 357,703           |                          |                              |
| ER0814 |                   |                          |                              |
| ER0815 |                   |                          |                              |
| R0820  | 209,964,365       | 441,957,043              |                              |
| R0830  | 76,930            | 76,930                   |                              |
| R0840  | 16,899,929        | 16,899,929               |                              |
| R0850  |                   |                          |                              |
| R0860  |                   |                          |                              |
| R0870  |                   |                          |                              |
| R0880  | 103,694,792       | 53,004,385               |                              |
| R0900  | 33,901,229,533    | 34,695,707,290           | -                            |
| R1000  | 1,530,848,596     | 1,013,660,784            | -                            |



**S.05.01.01 Premiums, claims and expenses**

|                                              | Line of Business for: life insurance obligations |                                     |                                        |                      |                                                                                |                                                                                | Life reinsurance obligations |                  | Total         |
|----------------------------------------------|--------------------------------------------------|-------------------------------------|----------------------------------------|----------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------|------------------|---------------|
|                                              | Health insurance                                 | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to insurance | Annuities stemming from non-life insurance contracts and relating to insurance | Health reinsurance           | Life reinsurance |               |
|                                              | C0210                                            | C0220                               | C0230                                  | C0240                | C0250                                                                          | C0260                                                                          | C0270                        | C0280            |               |
| <b>Premiums written</b>                      |                                                  |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Gross                                        | R1410                                            |                                     | 2,849,566,802                          |                      |                                                                                |                                                                                |                              |                  | 2,849,566,802 |
| Reinsurers' share                            | R1420                                            |                                     | 56,227                                 |                      |                                                                                |                                                                                |                              |                  | 56,227        |
| Net                                          | R1500                                            |                                     | 2,849,510,575                          |                      |                                                                                |                                                                                |                              |                  | 2,849,510,575 |
| <b>Premiums earned</b>                       |                                                  |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Gross                                        | R1510                                            |                                     | 2,849,566,802                          |                      |                                                                                |                                                                                |                              |                  | 2,849,566,802 |
| Reinsurers' share                            | R1520                                            |                                     | 56,227                                 |                      |                                                                                |                                                                                |                              |                  | 56,227        |
| Net                                          | R1600                                            |                                     | 2,849,510,575                          |                      |                                                                                |                                                                                |                              |                  | 2,849,510,575 |
| <b>Claims incurred</b>                       |                                                  |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Gross                                        | R1610                                            |                                     | 4,434,980,475                          |                      |                                                                                |                                                                                |                              |                  | 4,434,980,475 |
| Reinsurers' share                            | R1620                                            |                                     | 1,860                                  |                      |                                                                                |                                                                                |                              |                  | 1,860         |
| Net                                          | R1700                                            |                                     | 4,434,978,614                          |                      |                                                                                |                                                                                |                              |                  | 4,434,978,614 |
| <b>Changes in other technical provisions</b> |                                                  |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Gross                                        | R1710                                            |                                     | 6,878,155,432                          |                      |                                                                                |                                                                                |                              |                  | 6,878,155,432 |
| Reinsurers' share                            | R1720                                            |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Net                                          | R1800                                            |                                     | 6,878,155,432                          |                      |                                                                                |                                                                                |                              |                  | 6,878,155,432 |
| <b>Expenses incurred</b>                     | R1900                                            |                                     | 482,017,840                            |                      |                                                                                |                                                                                |                              |                  | 482,017,840   |
| <b>Administrative expenses</b>               |                                                  |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Gross                                        | R1910                                            |                                     | 241,903,183                            |                      |                                                                                |                                                                                |                              |                  | 241,903,183   |
| Reinsurers' share                            | R1920                                            |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Net                                          | R2000                                            |                                     | 241,903,183                            |                      |                                                                                |                                                                                |                              |                  | 241,903,183   |
| <b>Investment management expenses</b>        |                                                  |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Gross                                        | R2010                                            |                                     | 53,971,656                             |                      |                                                                                |                                                                                |                              |                  | 53,971,656    |
| Reinsurers' share                            | R2020                                            |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Net                                          | R2100                                            |                                     | 53,971,656                             |                      |                                                                                |                                                                                |                              |                  | 53,971,656    |
| <b>Claims management expenses</b>            |                                                  |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Gross                                        | R2110                                            |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Reinsurers' share                            | R2120                                            |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Net                                          | R2200                                            |                                     | -                                      |                      |                                                                                |                                                                                |                              |                  | -             |
| <b>Acquisition expenses</b>                  |                                                  |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Gross                                        | R2210                                            |                                     | 150,586,327                            |                      |                                                                                |                                                                                |                              |                  | 150,586,327   |
| Reinsurers' share                            | R2220                                            |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Net                                          | R2300                                            |                                     | 150,586,327                            |                      |                                                                                |                                                                                |                              |                  | 150,586,327   |
| <b>Overhead expenses</b>                     |                                                  |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Gross                                        | R2310                                            |                                     | 35,556,674                             |                      |                                                                                |                                                                                |                              |                  | 35,556,674    |
| Reinsurers' share                            | R2320                                            |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| Net                                          | R2400                                            |                                     | 35,556,674                             |                      |                                                                                |                                                                                |                              |                  | 35,556,674    |
| <b>Other expenses</b>                        | R2500                                            |                                     |                                        |                      |                                                                                |                                                                                |                              |                  |               |
| <b>Total expenses</b>                        | R2600                                            |                                     |                                        |                      |                                                                                |                                                                                |                              |                  | 482,017,840   |
| <b>Total amount of surrenders</b>            | R2700                                            |                                     | 4,434,980,475                          |                      |                                                                                |                                                                                |                              |                  | 4,434,980,475 |



## S.05.02.01 Premiums, claims and expenses by country

Annex I

S.05.02.01

Premiums, claims and expenses by country

|                                              |       | Home Country | Top 5 countries (by amount of gross premiums written) - life obligations |            | Total Top 5 and home country |
|----------------------------------------------|-------|--------------|--------------------------------------------------------------------------|------------|------------------------------|
|                                              |       |              |                                                                          |            | C0210                        |
|                                              | R1400 |              | IT                                                                       | ES         |                              |
|                                              |       |              |                                                                          |            | C0280                        |
| <b>Premiums written</b>                      |       |              |                                                                          |            |                              |
| Gross                                        | R1410 |              | 2,821,086,654                                                            | 28,480,148 | 2,849,566,802                |
| Reinsurers' share                            | R1420 |              | 56,227                                                                   |            | 56,227                       |
| Net                                          | R1500 |              | 2,821,030,427                                                            | 28,480,148 | 2,849,510,575                |
| <b>Premiums earned</b>                       |       |              |                                                                          |            |                              |
| Gross                                        | R1510 |              | 2,821,086,654                                                            | 28,480,148 | 2,849,566,802                |
| Reinsurers' share                            | R1520 |              | 56,227                                                                   |            | 56,227                       |
| Net                                          | R1600 |              | 2,821,030,427                                                            | 28,480,148 | 2,849,510,575                |
| <b>Claims incurred</b>                       |       |              |                                                                          |            |                              |
| Gross                                        | R1610 |              | 4,425,968,018                                                            | 9,012,457  | 4,434,980,475                |
| Reinsurers' share                            | R1620 |              | 1,860                                                                    |            | 1,860                        |
| Net                                          | R1700 |              | 4,425,966,158                                                            | 9,012,457  | 4,434,978,614                |
| <b>Changes in other technical provisions</b> |       |              |                                                                          |            |                              |
| Gross                                        | R1710 |              | 6,878,155,432                                                            | -          | 6,878,155,432                |
| Reinsurers' share                            | R1720 |              |                                                                          |            |                              |
| Net                                          | R1800 |              | 6,878,155,432                                                            | -          | 6,878,155,432                |
| <b>Expenses incurred</b>                     | R1900 |              | 479,112,528                                                              | 2,905,312  | 482,017,840                  |
| <b>Other expenses</b>                        | R2500 |              |                                                                          |            | -                            |
| <b>Total expenses</b>                        | R2600 |              |                                                                          |            | 482,017,840                  |



## S.12.01.01 Technical Provisions

Annex 1  
S.12.01.01  
Life and Health SGT Technical Provisions

|       | Insurance with profit participation                                                                                          | Index linked and with linked insurance |        | Other life insurance |        | Accrued income from non-life insurance contracts with other than health insurance obligations |        | Accepted insurance |        |        | Accepted insurance |        |        | Health insurance (direct business) |        |        | Annuities from non-life insurance contracts with insurance obligation | Health insurance (reinsurance accepted) | Total (Health insurance similar to life insurance) |
|-------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------|----------------------|--------|-----------------------------------------------------------------------------------------------|--------|--------------------|--------|--------|--------------------|--------|--------|------------------------------------|--------|--------|-----------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------|
|       |                                                                                                                              | C.0020                                 | C.0030 | C.0040               | C.0050 | C.0060                                                                                        | C.0070 | C.0080             | C.0100 | C.0110 | C.0120             | C.0130 | C.0140 | C.0160                             | C.0170 | C.0180 | C.0190                                                                | C.0200                                  | C.0210                                             |
|       |                                                                                                                              |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18010 | Technical provisions calculated as a whole                                                                                   |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18020 | Technical provisions calculated as a whole                                                                                   |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18030 | Technical provisions calculated as a sum of BE and RM                                                                        |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18040 | Best Estimate                                                                                                                |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18050 | Total recoverables from reinsurances SPV and Fintec Re before the adjustment for expected losses due to counterparty default |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18060 | Recoverables from insurance (except SPV and Fintec Re) before the adjustment for expected losses                             |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18070 | Recoverables from insurance (except SPV and Fintec Re) before the adjustment for expected losses                             |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18080 | Recoverables from insurance (except SPV and Fintec Re) before the adjustment for expected losses                             |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18090 | Recoverables from insurance (except SPV and Fintec Re) before the adjustment for expected losses                             |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18100 | Best estimate minus recoverables from reinsurances SPV and Fintec Re                                                         |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18110 | Amount of the transitional on Technical Provisions                                                                           |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18120 | Technical Provisions calculated as a whole                                                                                   |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18130 | Best estimate                                                                                                                |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18140 | Risk margin                                                                                                                  |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18150 | Technical provisions - total                                                                                                 |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18160 | Technical provisions minus recoverables from reinsurances SPV and Fintec Re - total                                          |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18170 | Best estimate of products with a surrender option                                                                            |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18180 | Gross BE for Cash flow                                                                                                       |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18190 | Cash out flows                                                                                                               |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18200 | Future guaranteed and discretionary benefits                                                                                 |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18210 | Future discretionary benefits                                                                                                |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18220 | Future expenses and other cash out flows                                                                                     |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18230 | Cash in flows                                                                                                                |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18240 | Future premiums                                                                                                              |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18250 | Other cash in flows                                                                                                          |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18260 | Percentage of gross Best Estimate calculated using approximations                                                            |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18270 | Technical provisions subject to transitional of the interest rate                                                            |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18280 | Best estimate subject to transitional of the interest rate                                                                   |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18290 | Technical provisions without transitional on interest rate                                                                   |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18300 | Best estimate subject to volatility adjustment                                                                               |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18310 | Technical provisions without volatility adjustment and without other transitional measures                                   |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18320 | Best estimate subject to matching adjustment                                                                                 |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |
| 18330 | Technical provisions without matching adjustment and without all the others                                                  |                                        |        |                      |        |                                                                                               |        |                    |        |        |                    |        |        |                                    |        |        |                                                                       |                                         |                                                    |



## S.23.01.01 Own Funds

Annex I  
S.23.01.01  
Own funds

### Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

Ordinary share capital (gross of own shares)  
Share premium account related to ordinary share capital  
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings  
Subordinated mutual member accounts  
Surplus funds  
Preference shares  
Share premium account related to preference shares  
Reconciliation reserve  
Subordinated liabilities  
An amount equal to the value of net deferred tax assets  
Other own fund items approved by the supervisory authority as basic own funds not specified above

### Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

### Deductions

Deductions for participations in financial and credit institutions

### Total basic own funds after deductions

### Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand  
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand  
Unpaid and uncalled preference shares callable on demand  
A legally binding commitment to subscribe and pay for subordinated liabilities on demand  
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC  
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC  
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC  
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC  
Other ancillary own funds

### Total ancillary own funds

### Available and eligible own funds

Total available own funds to meet the SCR  
Total available own funds to meet the MCR  
Total eligible own funds to meet the SCR  
Total eligible own funds to meet the MCR

### SCR

### MCR

### Ratio of Eligible own funds to SCR

### Ratio of Eligible own funds to MCR

### Reconciliation reserve

Excess of assets over liabilities  
Own shares (held directly and indirectly)  
Foreseeable dividends, distributions and charges  
Other basic own fund items  
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced

### Reconciliation reserve

### Expected profits

Expected profits included in future premiums (EPIFP) - Life business  
Expected profits included in future premiums (EPIFP) - Non- life business

### Total Expected profits included in future premiums (EPIFP)

| Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|-------|-----------------------|---------------------|--------|--------|
| C0010 | C0020                 | C0030               | C0040  | C0050  |
| R0010 | 625,000               | 625,000             |        |        |
| R0030 | 9,869                 | 9,869               |        |        |
| R0040 |                       |                     |        |        |
| R0050 |                       |                     |        |        |
| R0070 |                       |                     |        |        |
| R0090 |                       |                     |        |        |
| R0110 |                       |                     |        |        |
| R0130 | 1,425,769,635         | 1,425,769,635       |        |        |
| R0140 |                       |                     |        |        |
| R0160 |                       |                     |        |        |
| R0180 | 104,444,092           | 104,444,092         |        |        |
| R0220 |                       |                     |        |        |
| R0230 |                       |                     |        |        |
| R0290 | 1,530,848,596         | 1,530,848,596       | -      | 0      |
| R0300 |                       |                     |        |        |
| R0310 |                       |                     |        |        |
| R0320 |                       |                     |        |        |
| R0330 |                       |                     |        |        |
| R0340 |                       |                     |        |        |
| R0350 |                       |                     |        |        |
| R0360 |                       |                     |        |        |
| R0370 |                       |                     |        |        |
| R0390 | -                     |                     |        |        |

| Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|-------|-----------------------|---------------------|--------|--------|
| C0010 | C0020                 | C0030               | C0040  | C0050  |
| R0400 |                       |                     | 0      | 0      |
| R0500 | 1,530,848,596         | 1,530,848,596       | -      | 0      |
| R0510 | 1,530,848,596         | 1,530,848,596       | -      | 0      |
| R0540 | 1,530,848,596         | 1,530,848,596       | -      | 0      |
| R0550 | 1,530,848,596         | 1,530,848,596       | -      | 0      |
| R0580 | 511,924,595           |                     |        |        |
| R0600 | 230,366,068           |                     |        |        |
| R0620 | 299%                  |                     |        |        |
| R0640 | 665%                  |                     |        |        |

| C0060 |               |
|-------|---------------|
| R0700 | 1,530,848,596 |
| R0710 | -             |
| R0720 |               |
| R0730 | 105,078,961   |
| R0740 |               |
| R0760 | 1,425,769,635 |
| R0770 | 43,260,480    |
| R0780 |               |
| R0790 | 43,260,480    |



## S.25.01.01 Solvency Capital Requirement

Annex I

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

Article 112 Z0010 2

Market risk  
Counterparty default risk  
Life underwriting risk  
Health underwriting risk  
Non-life underwriting risk  
Diversification  
Intangible asset risk  
Basic Solvency Capital Requirement

|       | Net solvency capital requirement | Gross solvency capital requirement | Allocation from adjustments due to RFF and Matching adjustments portfolios |
|-------|----------------------------------|------------------------------------|----------------------------------------------------------------------------|
|       | C0030                            | C0040                              | C0050                                                                      |
| R0010 | 246,204,110                      | 246,204,110                        | -                                                                          |
| R0020 | 28,370,810                       | 28,370,810                         | -                                                                          |
| R0030 | 364,904,859                      | 364,904,859                        | -                                                                          |
| R0040 | -                                | -                                  | -                                                                          |
| R0050 | -                                | -                                  | -                                                                          |
| R0060 | - 141,316,865                    | - 141,316,865                      |                                                                            |
| R0070 | -                                | -                                  |                                                                            |
| R0100 | 498,162,914                      | 498,162,914                        |                                                                            |

Calculation of Solvency Capital Requirement  
Adjustment due to RFF/MAP nSCR aggregation  
Operational risk  
Loss-absorbing capacity of technical provisions  
Loss-absorbing capacity of deferred taxes  
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/E  
Solvency Capital Requirement excluding capital add-on  
Capital add-on already set  
Solvency capital requirement  
Other information on SCR  
Capital requirement for duration-based equity risk sub-module  
Total amount of Notional Solvency Capital Requirements for remaining part  
Total amount of Notional Solvency Capital Requirements for ring fenced funds  
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios  
Diversification effects due to RFF nSCR aggregation for article 304  
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation  
Net future discretionary benefits

|       | C0100        |
|-------|--------------|
| R0120 | -            |
| R0130 | 82,066,522   |
| R0140 | -            |
| R0150 | - 68,304,841 |
| R0160 | -            |
| R0200 | 511,924,595  |
| R0210 | -            |
| R0220 | 511,924,595  |
| R0400 |              |
| R0410 |              |
| R0420 |              |
| R0430 |              |
| R0440 |              |
| R0450 | 4            |
| R0460 | -            |

Approach to tax rate

| Yes/No |
|--------|
| C0109  |
| 1      |

Approach based on average tax rate

R0590

Calculation of loss absorbing capacity of deferred taxes

DTA  
DTA carry forward  
DTA due to deductible temporary differences  
DTL  
LAC DT  
LAC DT justified by reversion of deferred tax liabilities  
LAC DT justified by reference to probable future taxable profit  
LAC DT justified by carry back, current year  
LAC DT justified by carry back, future years  
Maximum LAC DT

|       | Before the shock | After the shock | LAC DT       |
|-------|------------------|-----------------|--------------|
|       | C0110            | C0120           | C0130        |
| R0600 | 5,580,300        |                 |              |
| R0610 | 5,580,300        |                 |              |
| R0620 |                  |                 |              |
| R0630 | 73,885,141       |                 |              |
| R0640 |                  |                 | - 68,304,841 |
| R0650 |                  |                 | - 68,304,841 |
| R0660 |                  |                 |              |
| R0670 |                  |                 |              |
| R0680 |                  |                 |              |
| R0690 |                  |                 | - 68,304,841 |

## S.28.01.01 Minimum Capital Requirement

Annex I

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

MCRNL Result

|              |       |
|--------------|-------|
|              | C0010 |
| <b>R0010</b> | -     |

Medical expense insurance and proportional reinsurance  
Income protection insurance and proportional reinsurance  
Workers' compensation insurance and proportional reinsurance  
Motor vehicle liability insurance and proportional reinsurance  
Other motor insurance and proportional reinsurance  
Marine, aviation and transport insurance and proportional reinsurance  
Fire and other damage to property insurance and proportional reinsurance  
General liability insurance and proportional reinsurance  
Credit and suretyship insurance and proportional reinsurance  
Legal expenses insurance and proportional reinsurance  
Assistance and proportional reinsurance  
Miscellaneous financial loss insurance and proportional reinsurance  
Non-proportional health reinsurance  
Non-proportional casualty reinsurance  
Non-proportional marine, aviation and transport reinsurance  
Non-proportional property reinsurance

|       | 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 | -                                                                   | -                                                           |
| R0030 | -                                                                   | -                                                           |
| R0040 |                                                                     |                                                             |
| R0050 |                                                                     |                                                             |
| R0060 |                                                                     |                                                             |
| R0070 |                                                                     |                                                             |
| R0080 |                                                                     |                                                             |
| R0090 |                                                                     |                                                             |
| R0100 |                                                                     |                                                             |
| R0110 |                                                                     |                                                             |
| R0120 |                                                                     |                                                             |
| R0130 |                                                                     |                                                             |
| R0140 |                                                                     |                                                             |
| R0150 |                                                                     |                                                             |
| R0160 |                                                                     |                                                             |
| R0170 |                                                                     |                                                             |

Linear formula component for life insurance and reinsurance obligations

MCRL Result

|              |             |
|--------------|-------------|
|              | C0040       |
| <b>R0200</b> | 233,882,840 |

Obligations with profit participation - guaranteed benefits  
Obligations with profit participation - future discretionary benefits  
Index-linked and unit-linked insurance obligations  
Other life (re)insurance and health (re)insurance obligations  
Total capital at risk for all life (re)insurance obligations

|       | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|-------|---------------------------------------------------------------------|------------------------------------------------|
|       | C0050                                                               | C0060                                          |
| R0210 |                                                                     |                                                |
| R0220 |                                                                     |                                                |
| R0230 | 33,326,237,297                                                      |                                                |
| R0240 |                                                                     |                                                |
| R0250 |                                                                     | 855,969,291                                    |

Overall MCR calculation

Linear MCR  
SCR  
MCR cap  
MCR floor  
Combined MCR  
Absolute floor of the MCR

|              |             |
|--------------|-------------|
|              | C0070       |
| <b>R0300</b> | 233,882,840 |
| <b>R0310</b> | 511,924,595 |
| <b>R0320</b> | 230,366,068 |
| <b>R0330</b> | 127,981,149 |
| <b>R0340</b> | 230,366,068 |
| <b>R0350</b> | 4,000,000   |
|              | C0070       |
| <b>R0400</b> | 230,366,068 |

Minimum Capital Requirement