Acorn Life Group Limited

Solvency and Financial Condition Report

For year ending 31 December 2017

Table of Contents

Executive Summary 4

Business and Performance Summary 4

System of Governance Summary 5

Risk Profile Summary 6

Valuation for Solvency Purposes Summary 6

Capital Management Summary 7

A. BUSINESS AND PERFORMANCE 8

A.1 Business 8

A.2 Underwriting Performance 11

A.3 Investment Performance 14

A.4 Performance of other activities 15

A.5 Any other information 15

B. SYSTEM OF GOVERNANCE 16

B.1 General Information on the system of governance 16

B.2 Fit and proper requirements 21

B.3 Risk management system including the own risk and solvency assessment 22

B.4 Internal control system 26

B.5 Internal Audit Function 29

B.6 Actuarial Function 29

B.7 Outsourcing 30

B.8 Assessment of governance and any other disclosures 31

C. RISK PROFILE 32

C.1 Underwriting risk 32

C.2 Market risk 37

C.3 Credit risk 39

C.4 Liquidity risk 41

C.5 Operational risk 43

C.6 Other material risks 44

C.7 Any Other Disclosure 45

D. VALUATION FOR SOLVENCY PURPOSES 46

D.1 Assets 46

D.2 Technical Provisions 47

D.3 Other liabilities 52

D.4 Alternative methods for valuation 52

D.5 Any other information 52

E. CAPITAL MANAGEMENT 53

E.1 Own funds 53

E.2 Solvency Capital Requirement and Minimum Capital Requirement 54

E.3 Use of the duration-based equity risk submodule in the calculation of the SCR 55

E.4 Difference between the standard formula and any internal model used 56

E.5 Non-compliance with the MCR and non-compliance with the SCR 56

E.6 Any other information 56

Appendix A: Public QRTs (all figures are in €'000s) 57

Executive Summary

Acorn Life Group Limited ("ALGL") is the ultimate parent entity of the group to which Acorn Life DAC belongs (collectively referred to as "the Group"). Acorn Life Group Limited ("the Group") fulfils the minimum and solvency capital requirements as set down under the Solvency II regime as at the reporting date 31 December 2017 and in the financial year 2017.

This Solvency and Financial Condition Report (SFCR) published by the Group has been reviewed and approved by its Board of Directors. This report covers the Business and Performance of the Group, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate administrative body that has the responsibility for all of these matters is the Group's Board of Directors, with the help of various governance and control functions that it has put in place to monitor and manage the business.

As at 31 December 2017, the Group has a solvency coverage ratio of 160% (2016: 157%) meaning that it holds 1.6 times (2016: over 1.5 times) the capital requirements calculated in line with Solvency II regulations. This is equivalent to €17.1 million (2016: €15.0 million) of excess assets over the Group solvency capital requirement. The minimum capital requirement for the Group is €7.6 million (2016: €7.1 million) and the Group holds €37.9 million (2016: €34.2 million) of excess assets over the minimum capital requirement, meaning that it holds more than 6 times (2016: 5 times) the minimum capital requirements calculated in line with Solvency II regulations.

Key Figures: Solvency II Balance Sheet	**2017**	**2016**
Assets	€762.2m	€708.3m
Gross Technical Provisions	€699.8m	€644.7m
Other liabilities	€16.8m	€22.2m
Excess of Assets over Liabilities	€45.6m	€41.4m
Eligible Own Funds	**€45.5m**	**€41.3m**
Capital Requirements		
Group Minimum Capital Requirement (MCR)	€7.6m	€7.1m
Group Solvency Capital Requirement (SCR) (after tax & diversification benefits)	€28.4m	€26.3m
Coverage Ratio		
Ratio of Eligible Own Funds to MCR	601%	584%
Ratio of Eligible Own Funds to SCR *(Solvency Ratio)*	160%	157%

Business and Performance Summary

Acorn Life DAC ("ALD") is a 100% Irish owned Life Assurance Company within the Group, providing protection, pensions, savings and investment solutions to the Irish public. ALD is satisfied with the development of its business during the year. Gross premium income was €107 million during 2017 (2016: €123 million). The decrease year on year is driven by single premium income during 2016 which benefited from two one off events. Normalising 2016 single premium income for our core products, it has increased by 19% during 2017.

Regular premium income grew by 8% during 2017 reflecting a 3% increase in new annualised premiums and a 5% increase in average premium sizes generating an ordinary profit before tax of €5.5 million (2016: €2.3 million). ALD had policyholders' assets under management of €721 million at 31 December 2017 (2016: €667 million).

Acorn Brokerage Limited ("ABL") earns commission and fees on policies underwritten by major insurance companies. During 2017, income increased by 22% on 2016. This is reflective of both the increase in the average premium size and also the growth of the customer base. ABL continues to rely on the support of the Group, however it is expected to grow into profitability in the coming years despite a very competitive market by continuing to provide value to its clients, building on client retention and through the continued implementation of efficiencies.

More information on the business and performance can be found in section A below.

System of Governance Summary

The Group has an effective system of governance, which provides for sound and prudent management. Its Board continues to take measures to maintain a strong corporate governance framework and risk management function.

The governance structure comprises the Board of Directors who are responsible for organising and directing the affairs of the Group. As an insurance holding company as defined under the Solvency II Regulations, ALGL is focussed on compliance with the relevant group related requirements. ALD, as the largest company and the only insurance undertaking within the Group, is the entity responsible for carrying out the activities to support ALGL in order to comply with group supervision requirements. ALD has a board of directors and a number of board sub-committees as required under the corporate governance requirements for insurance undertakings. ALGL does not operate sub-committees and relies on information provided via subsidiary companies and through the group risk management framework.

The governance structure of ALD comprises its Board of Directors who are responsible for organising and directing the affairs of ALD, the Chief Executive, Board Risk Committee, Board Audit Committee and Management Committees. Each of these committees operates within well-defined terms of reference. Risk Management, Compliance, Actuarial and Internal Audit are considered key functions within ALD with governance responsibilities to ensure the sound and prudent management of the business.

The Risk Management Function is responsible for managing the Group's risks. The Risk Management Function oversees the Own Risk and Solvency Assessment (ORSA) which analyses the risks faced by Group companies and looks for ways to limit the impact of these risks. The compliance function is responsible for ensuring that the Group complies with all relevant regulatory requirements. The Actuarial Function of ALD supports the directors of ALGL by ensuring that the life assurance business sets aside enough funds to cover policyholders' claims and expenses of the business. The role of the ALD Internal Audit Function is to support the Group's boards in discharging the operation of internal controls and corporate governance responsibilities by reviewing the work undertaken by various departments and recommending possible improvements. The Group has a comprehensive set of internal controls in place, including operating a three lines of defence model where the first line represents the various departments performing their regular duties, the second line represents the work of the risk and compliance functions and the third line represents independent review i.e. internal and external audit. More information on the Group's system of governance can be found in section B below.

Risk Profile Summary

In the context of its business operations the Group enters into a broad variety of risks. These risks are deliberately accepted, steered and monitored. They specifically concern underwriting risk, capital market risks, operational risks and counterparty default risks. We describe the cause of these risks and how we deal with them in Section C.

The following is a breakdown of the Group's capital requirements at 31 December 2017 i.e. money set aside at this date to be able to withstand certain adverse events:

	SCR Amount	SCR %	SCR Amount	SCR %
	2017		2016	
Underwriting Risk	**€22.4m**	**53.6%**	**€20.1m**	**50.5%**
Market Risk	**€14.9m**	**35.8%**	**€12.7m**	**31.9%**
Counterparty Risk	**€3.3m**	**8.0%**	**€5.9m**	**14.8%**
Operational Risk	**€1.1m**	**2.6%**	**€1.1m**	**2.8%**
Solvency Capital Requirement (before tax relief & diversification)	**€41.7m**	**100%**	**€39.8m**	**100%**

Underwriting risk is one of the main risks to which the Group is exposed; it relates to the risk of an increase in claims, expenses or lapses which reduce future profits. Reinsurance is used to limit the risk of increases in claims volumes and to reduce the volatility of cash flows.

The second largest risk relates to market risk which arises from the risk of falls in the value of investments or falls in the value of policyholders' funds which lead to a reduction in Group income. The Group manages its investments through the use of limits in terms of the types and amounts of assets in which it can invest.

Counterparty risk is the risk that some of the Group's counterparties, e.g. the bank in which overnight deposits are held or the reinsurers used, default. This risk is managed through the use of limits in terms of the amount of exposure to a single counterparty and limits on the creditworthiness of counterparties that the Group will deal with.

Operational risk is defined as the risk of direct or indirect losses or of reputational damage arising from inadequate or failed internal process, people and systems or from external events. The Group has a number of controls in place to manage this risk.

Valuation for Solvency Purposes Summary

Assets comprising investments and amounts due from debtors are valued in accordance with Solvency II valuation requirements.

The Group's liabilities consist of technical provisions which represent the value of future claims and expenses less the value of future income. This is the amount of money that the Group sets aside to ensure it is able to cover its liabilities to policyholders. The Group also has other liabilities representing payments due to creditors.

More information on the valuation of assets and liabilities can be found in section D below.

Capital Management Summary

As at 31 December 2017, the Group has a solvency coverage ratio of 160% (2016: 157%) meaning it holds 1.6 times (2016: over 1.5 times) the capital requirements calculated in line with Solvency II regulations. This is equivalent to €17.1 million (2016: €15.0 million) of excess assets over the Solvency Capital Requirement. The Minimum Capital Requirement for the Group is €7.6 million (2016: €7.1 million) and the Group currently holds €37.9 million (2016: €34.2 million) of excess assets over the Minimum Capital Requirement, meaning that it holds more than 6 times (2016: more than 5 times) the minimum capital requirements calculated in line with Solvency II regulations.

A primary responsibility of the board is to ensure that capital is adequate to cover the required solvency capital requirements for the nature and scale of the business and the expected operational requirements of the business. A number of mechanisms are in place to evaluate capital adequacy and those evaluations indicate that the Group's capital is adequate at this time.

The Group uses the Solvency II 'standard formula' for the purposes of calculating the Solvency Capital Requirement (SCR). The Solvency Ratio is continuously monitored and also assessed as part of planning activities and in the event of large transactions. The future development of the Solvency and Minimum Capital Requirements are forecast at regular intervals as part of the planning process.

Own funds in the Solvency II balance sheet comprise the excess of assets over liabilities. 100% of all own funds available to cover our capital requirements are assigned to the highest quality level (tier 1).

More information on the Group's capital can be found in section E below.

A. BUSINESS AND PERFORMANCE

A.1 Business

Acorn Life DAC ("ALD") is a regulated life assurance private company limited by shares, based in Ireland and authorised by the Central Bank of Ireland ("CBI") to conduct business in the Republic of Ireland. Acorn Brokerage Limited trading as Acorn Insurance ("ABL") is a private company limited by shares, based in Ireland and authorised by the CBI to conduct business in the Republic of Ireland. The ultimate parent undertaking of the group to which ALD and ABL belongs is Acorn Life Group Limited ("ALGL"), a private company limited by shares. The Central Bank of Ireland is the Group Supervisor of the Acorn Group.

The Group consists of the following companies:

Acorn Life Group Limited:	A holding company which is the parent to the Group companies.
Tanis Limited:	A holding company of Acorn Life DAC.
Acorn Life DAC:	A regulated insurance company conducting life protection, pensions and single premium investments business.
Acorn Brokerage Limited:	A regulated insurance intermediary predominantly distributing home, motor and commercial insurance policies and mortgages.
Orcan Limited:	A company set up to facilitate the operation of a Revenue Approved Employee Share Ownership Scheme.

The registered address is:

Acorn Life Group Limited
NZI Plaza
St Augustine Street
Galway

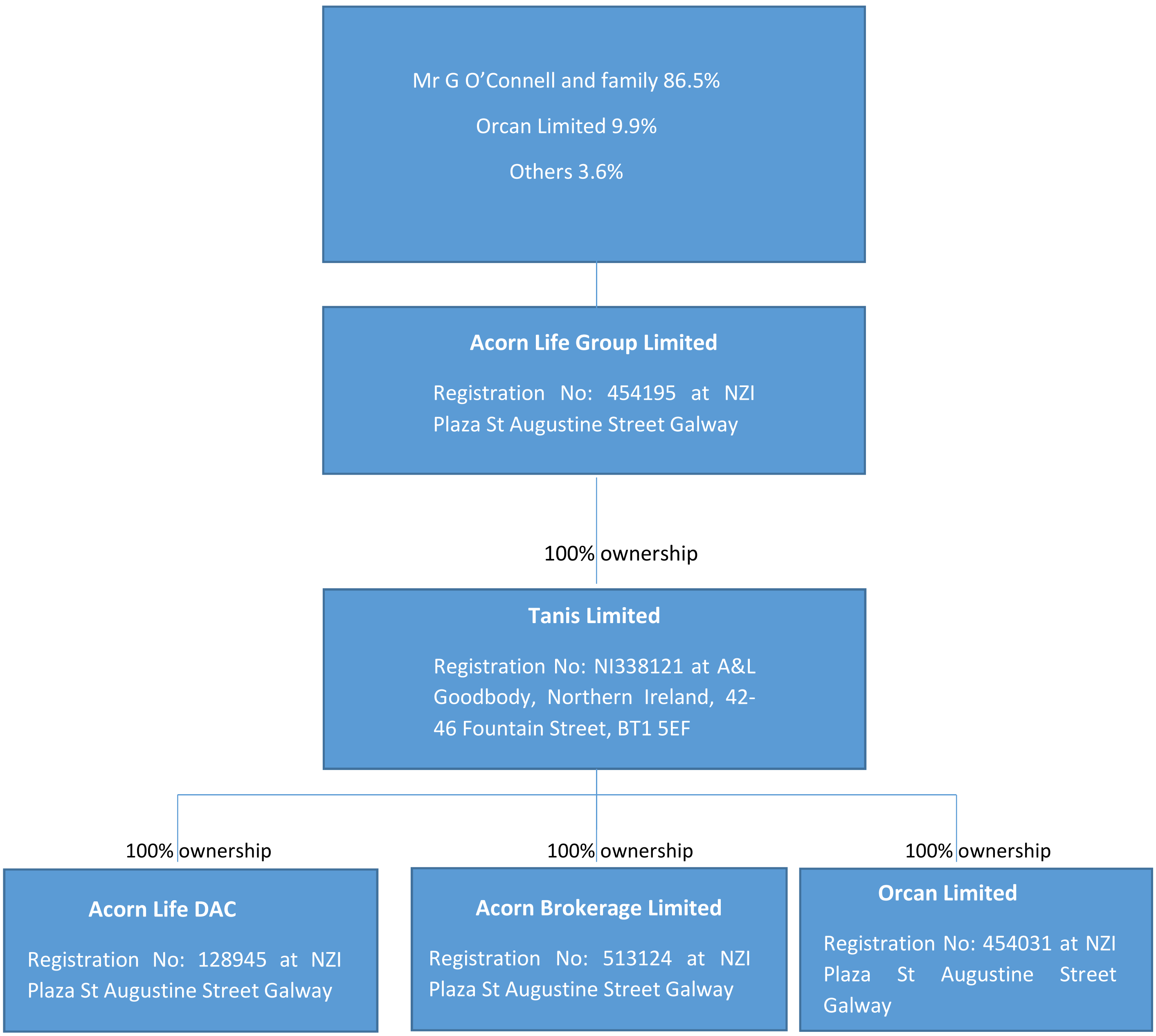
The CBI is responsible for the financial supervision of the Group:

Central Bank of Ireland
New Wapping Street
North Wall Quay
PO Box 559
Dublin 1

Acorn Life Group Limited’s external auditor is:

KPMG
Chartered Accountants
1 Harbourmaster Place
Dublin 1

Acorn Life Group Limited Shareholders and Group Companies are:



Acorn Life Group Limited is a 100% Irish owned company. ALD is a Life Assurance Company providing life assurance products to the Irish public. Its material lines of business are the distribution of unit-linked and non-linked protection, savings, investments and pensions contracts distributed in Ireland through a nationwide team of tied financial advisors who operate out of the ALD branch network. ALD does not have any related undertakings (subsidiaries).

ALD is satisfied with the development of the business in the 2017 financial year. During the year it saw a 19% increase in normalised single premium income for its core pension and investment/savings products, an 8% increase in regular premium income from protection savings and pension products reflecting an increase in new annualised premiums and an increase in average premium sizes. ALD also recorded favourable actual versus expected claims experience during the year and generated an ordinary profit before tax of €5.5 million (2016: €2.3 million).

ALD had policyholders' assets under management of €721 million (2016: €667million) at the end of 2017. The 8% increase on the previous year is predominantly due to investment growth.

ABL continues to develop its business and saw commission and fee income increase by 22% during the year and trading losses decrease by 37%. ABL has a clear strategy for 2018 and is moving forward as an integral part of the Acorn Life Group as it develops and consolidates its brand in line with Group objectives.

There are no material differences between the scope used for the group consolidated financial statements and that used for determining the consolidated data used in the calculation of group solvency.

A.2 Underwriting Performance

The consolidated underwriting performance (premium income, claims payments and expenses) provided in this section is on an Irish GAAP basis as the Group prepares its Consolidated Financial Statements in accordance with Irish GAAP accounting rules. ALD uses reinsurance (with global insurers SCOR and Munich Re) to limit its overall risk exposure as well as to reduce the volatility of its claims and hence underwriting performance. ALD did not enter into any new reinsurance arrangement during the year ended 31 December 2017.

In 2018, ALD plans to maintain premium income levels and to continue to invest in IT infrastructure for the benefit of future years, while also continuing to provide liquidity to the company's shareholders and achieve its target SCR coverage ratio of at least 143%. These plans have been stress tested as part of the ORSA process and approved by the board of directors.

For 2018, ABL expects to consolidate its position into a move towards profitability and enhance its relationship and data flow with its network of introducers with a view to increasing its customer base and further sales opportunities for the Group.

The table below sets out the Group's income, claims and expenses for the period ended 31 December 2017, as reported in its Consolidated Financial Statements. The main difference in income when compared with the previous period relates to an increase in investment income and gains in ALD. Most of this difference relates to policyholder investments and does not impact profits as it is offset by changes in unit reserves (which also increased between 2016 and 2017). See section A3 for more information on investment income. Insurance claims incurred during 2017 were over €3m lower than during 2016. The prudential reserve was increased during 2017 as ALD set aside more funds to cover future claims and future expenses. Net operating expenses increased by €4m in 2017, primarily due to increased compliance costs, the acquisition of new business and continued investment in IT infrastructure.

Differences in premiums, claims and expenses between this table and the Solvency II table below (and in QRT S.05.01.02 of Appendix A) relate to the fact that the Consolidated Financial Statements only show premiums and claims in respect of business that is classified as insurance business (i.e. business with a significant sum assured) while the Solvency II returns also include premiums and claims in respect of business that is classified as investment business. The Consolidated Financial Statements also include deferred income liabilities and deferred acquisition costs which are not included within Solvency II reporting.

Year-ended 31 December	2017	2016
Income	**€'000**	**€'000**
Earned premiums, net of reinsurance		
Gross insurance premiums written	39,557	38,459
Outward reinsurance premiums	(9,030)	(8,937)
Net insurance premiums written and earned	**30,527**	**29,522**
Commission income	**2,054**	**1,683**
Other technical income, net of reinsurance	**8,536**	**5,811**
Investment income	**2,397**	**830**
Unrealised gains on investments	**5,050**	**4,422**
Total Income	**48,564**	**42,268**
Expenses		
Claims incurred, net of reinsurance		
Insurance claims paid		
Gross amount	(23,225)	(25,041)
Reinsurers' share	6,221	6,923
Change in provision for claims	2,521	(91)
Reinsurers' share	405	(916)
	(14,078)	**(19,125)**
Changes in insurance liabilities	(5,520)	(3,673)
Changes in deferred acquisition costs	1,497	3,437
Other net operating expenses	(25,757)	(21,885)
Total Expenses	**(43,858)**	**(41,246)**
Ordinary profit before tax	**4,706**	**1,022**

The table below (which is a summary of QRT S.05.01.02 in Appendix A) sets out the Group's premiums, claims and expenses split by Solvency II lines of business for the period ended 31 December 2017, as reported in the Group's Solvency II returns. All business was written in Ireland.

	2017			2016		
	Index-linked and unit linked insurance	Other life insurance	Total	Index-linked and unit linked insurance	Other life insurance	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Premiums written and earned						
Gross	106,355	889	107,244	122,128	841	122,969
Reinsurers' shares	9,005	374	9,379	8,737	360	9,097
Net	97,350	515	97,865	113,391	480	113,872
Claims incurred						
Gross	64,385	-	64,385	73,295	-	73,295
Reinsurers' shares	6,625	-	6,625	6,008	-	6,008
Net	57,760	-	57,760	67,287	-	67,287
Expenses incurred	18,315	119	18,434	14,123	140	14,263
Other expenses			5,078			3,967
Total expenses			23,512			18,230

A.3 Investment Performance

The assets invested by the Group fall into the following asset classes:

- Cash and deposits
- Government Bonds
- Corporate Bonds
- Equity (primarily within unit-linked funds)
- Investment Funds (primarily within unit-linked funds)
- Structured Notes (primarily within unit-linked funds)

Investment income as reported in the Consolidated Financial Statements can be seen in the table in section A2 above. The following table which is based on information contained in the Group's Solvency II returns summarises income (interest and dividends) and gains (realised and unrealised) by asset class. It differs to the income in the Consolidated Financial Statements because the Consolidated Financial Statements only show income in respect of insurance contracts and shareholder's funds while the Solvency II returns (as summarised below) show income and gains on all policies and on shareholders' funds.

Investment fund performance over 2017 was generally favourable due to market growth. The continued low interest rate environment has meant that gains on bond investments and income on cash deposits were not material.

Investment Income, Gains and Losses

	2017			2016		
	Income €'000	Gains and losses €'000	Total €'000	Income €'000	Gains and losses €'000	Total €'000
Government bonds	108	(87)	21	115	14	129
Corporate bonds	4	-	4	4	2	6
Equity	-	(1)	(1)	1,856	(6,927)	(5,071)
Investment funds	8,103	31,042	39,145	6,133	26,246	32,379
Structured notes	-	2,135	2,135	-	(222)	(222)
Cash and deposits	(13)	-	(13)	18	-	18
Total	**8,202**	**33,089**	**41,290**	**8,126**	**19,113**	**27,239**

The above table describes the Investment Income, Gains and Losses as reported within the Group's Solvency II Quantitative Reporting Templates (QRTs) for year-end 2017. Note that the Investment Income reported within the Consolidated Financial Statements (page 12 of this report) records investment income and gains in respect of insurance contracts and shareholders' investments only. The Solvency II QRTs record investment income and gains in respect of insurance contracts, investment contracts and shareholders' investments.

Looking at shareholder investments in isolation, gains were €0.4 million (2016: €0.6 million). These figures are included within the figures in the previous table (which also shows the performance of policyholder funds).

A.4 Performance of other activities

Other income

ALD's unit-linked business is classified as either investment business or insurance business in its Financial Statements, depending on the nature of the contract. The Financial Statements of ALD record premiums and claims in respect of insurance business only (see section A.2 Underwriting Performance). Fee and charges income generated on investment contracts are recorded as such in the Consolidated Financial Statements.

Fee and charges income relates to fees charged to investment contracts for contract administration services, investment management services, payment of benefits and other services related to the administration of investment-linked contracts. Fees are recognised as revenue for the services provided. The fees charged for the current and previous years are shown in the Consolidated Financial Statements table in section A.2 above.

Other expenses

Other expenses referred to in the table on page 13 above are those expenses incurred which did not fall into the following categories: Administrative Expenses, Investment Management Expenses, Claims Expenses, Acquisition Expenses and Overhead Expenses.

The Group does not have any material leasing arrangements.

A.5 Any other information

The Group is satisfied that there is no other material information that needs to be disclosed.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the system of governance

B.1.1 Group Overview

As an insurance holding company as defined under the Solvency II Regulations, ALGL is focussed on compliance with relevant Group related requirements under Solvency II.

As an insurance undertaking, ALD is subject to the Corporate Governance Requirements 2015 issued by the CBI and is classified as medium low impact under the CBI's risk-based framework of supervision (PRISM).

ABL is classified as low impact under the CBI's risk-based framework of supervision (PRISM). A system of proportionate controls and procedures are in place within ABL which are appropriate for the nature, scale and complexity of the business.

The governance structure in place in the Group has clear allocation and appropriate segregation of duties. The Board retains primary responsibility for governance within ALGL. The boards and senior management teams of the subsidiary companies are responsible for operating effective oversight within subsidiary companies that is consistent with and supports the Group system of governance policy. The board of each group entity retains primary responsibility for corporate governance within the Group at all times. The senior management teams also play an important part in ensuring effective governance.

ALD, as the largest company and the only insurance undertaking within the Group, is the entity responsible for carrying out the activities to support ALGL in order to comply with group supervision requirements. ALD has a board of directors and a number of board sub-committees. ALGL does not operate sub-committees and relies on information provided via subsidiary companies and through the Group risk management framework.

Effective governance is achieved through the integration of the Corporate Governance Framework, the Risk Management Framework and key functions.

B.1.2 Governance Structure

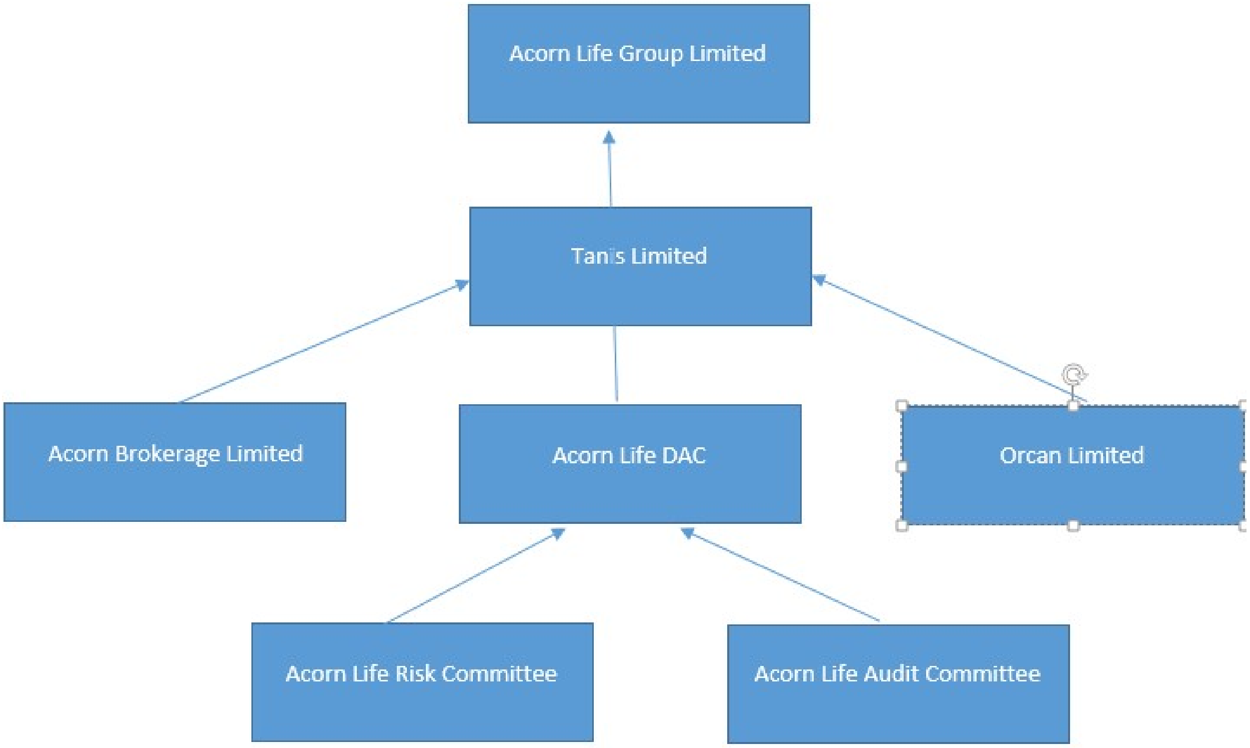
The governance structure in ALGL comprises the Board of Directors who are responsible for organizing and directing the affairs of the Company and the wider group in a manner designed to further its best interests, having regard to the interests of its shareholders, customers, and employees, while complying with its fiduciary duties to the Company and all other relevant legal and regulatory requirements, the Company's constitution, and relevant corporate governance standards. Board meetings take place at least 3 times a year. Extra Board meetings may be called if required. All Board meetings take place in Ireland.

The Board of Directors of ALGL is comprised of:

1. Mr Gerry O'Connell, (non-executive)
2. Mr Patrick Byrne, (non-executive)
3. Mr John Gibson, (independent non-executive)
4. Mr Brian Neilan, (independent non-executive)

The company secretary is Mr Sean Harte.

The company, board and board sub-committee structure for ALGL is shown below.



The governance structure in ALD comprises the board of directors who are responsible for organizing and directing the affairs of ALD, the Chief Executive and sub-committees. Each of these committees operates within well-defined terms of reference.

There were no material changes in governance structures during 2017.

The board of directors of ALD is comprised of:

1. Mr Anthony Johnstone, Chairman (Independent Non-Executive)
2. Mr Patrick Byrne, CEO
3. Mr Gerry O'Connell, (Non-Executive)
4. Mr Paul Shelly (Independent Non-Executive)
5. Mr James Kehoe (Independent Non-Executive)
6. Mr John Gibson (Independent Non-Executive)
7. Mr John Lyons (Independent Non-Executive)

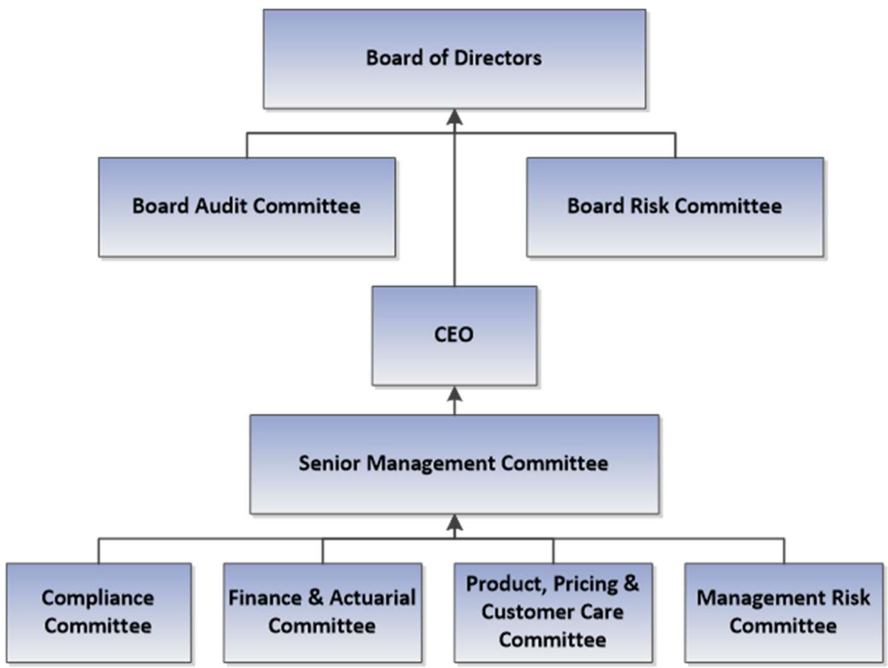
The company secretary is Mr Sean Harte.

ALD board meetings are held at least quarterly in Ireland. The ALD board is collectively responsible for determining the overall strategic objectives of ALD (in line with its Constitution), and ensuring that it has the appropriate human and financial resources in place to meet those objectives.

The ALD board has established robust key functions across Risk Management, Compliance, Actuarial and Internal Audit and is satisfied that all such key functions are appropriately independent of business units and have adequate resources and authority to operate effectively.

The Chairman leads the ALD board, encourages open and challenging discussions and promotes effective communication between executive and non-executive directors.

The company, board and board sub-committee structure for ALD is shown below.



The board of ALD has established a Board Risk Committee and a Board Audit Committee, in line with the CBI's governance requirements for insurance companies, each chaired by an Independent Non-Executive Director.

ALD Board Risk Committee (Chaired by Mr James Kehoe)

The purpose of the committee is to ensure that all potential business risks are identified, evaluated, mitigated and controlled. The committee provides oversight and advice to the board on the current risk exposures, risk appetite, risk policies and future risk strategy of the company. The committee oversees the risk management function of the company. The committee oversees the implementation of the ORSA policy, reviews and approves the methodology for the ORSA process, and reviews and provides initial challenge to the results of the ORSA, reviews the ORSA report and ORSA Supervisory reports and recommends them to the board for approval. It also considers Risk Appetite and Solvency II policy reviews before recommendation to the board for approval. The Compliance Function reports to the board via the Board Risk Committee.

ALD Board Audit Committee (Chaired by Mr Paul Shelly)

The purpose of the committee is to ensure that the inherent risks within the business are subject to an appropriate level of independent review and to give comfort to the board that the assets of the company are being safeguarded and that integrity of data is not being compromised. It reviews with external auditors, the scope and subsequently the result of the annual external audit, assesses auditor independence and the effectiveness of the audit process, reviews the preliminary Financial Statements and annual accounts of the company before recommending to the board for approval.

ABL has a system of proportionate controls and procedures which are appropriate for the nature, scale and complexity of the business. The governance structure in ABL comprises the Board of Directors who are responsible for organizing and directing the affairs of the company. The compliance function reports to the board. Board meetings take place on a quarterly basis. All Board meetings take place in Ireland.

The Board of Directors of ABL is comprised of:

1. Mr Gerry O'Connell, (CEO)
2. Mr Patrick Byrne, (non-executive)
3. Mr Gerard Ryan, (non-executive)
4. Mr Keith Butler, (non-executive)
5. Mr Willie Murphy, (non-executive)
6. Mr Barry O'Sullivan, (executive)

The company secretary is Mr Sean Harte.

The governance structures in Orcan Limited and Tanis Limited comprise their boards of directors.

B.1.3 Key Functions

Risk Management, Compliance, Internal Audit and Actuarial are considered key functions with governance responsibilities to ensure the sound and prudent management of the business.

B.1.3.1 Risk Management

ALD has a Risk Function, responsible for the oversight and management of risk within the Group. The Chief Risk Officer (CRO) leads the Risk Management Function. The CRO reports to the CEO and has a direct line of responsibility to the Board Risk Committee and to the Board. The Risk Management Function is responsible for providing direction, guidance and support to the Group with regard to its risk management systems and for ensuring that a consistent process is applied across the Group for managing risk. It has the primary responsibility for designing the framework that is applied by the Group in identifying, assessing, measuring, mitigating and monitoring risks. The Risk Management Function also undertakes independent monitoring of risk management systems and processes to assist in assessing the robustness of risk management processes.

More information on the Risk Function can be found in section B.3 below.

B.1.3.2 Compliance

ALD has an independent Compliance Function with responsibility for the oversight of compliance within the life assurance business. ABL, as the other regulated entity within the Group also has a compliance function and a compliance policy. The compliance function is responsible for ensuring that the Group complies with all relevant regulatory requirements. The Board of ALGL have access to the compliance reports of each subsidiary company.

More information on the Compliance Function can be found in section B.4 below.

B.1.3.3 Internal Audit

Given the materiality of ALD within the Group, this function is largely employed by that entity and the focus of the activities relate to that entity. The Internal Audit Function's role is to support the board and management of ALD in achieving its strategic and operational objectives and in discharging its control and corporate governance responsibilities.

It satisfies this purpose by providing the Audit Committee and the Chief Executive Officer of ALD with independent assurance as to whether adequate and effective risk management, governance and internal control procedures are in place and are functioning effectively. The Head of Internal Audit reports to the Board through the Audit Committee Chairman.

The directors of ALGL and ABL request additional internal audits in other areas within the Group from time to time.

The Internal Audit Function is outsourced to PwC. The Head of Internal Audit prepares an annual Audit Plan and individual terms of reference for each audit. More information on the Internal Audit Function is included in section B.5 below.

B.1.3.4 Actuarial

ALD has an Actuarial Function headed by the Head of Actuarial Function (HoAF). More information in the Actuarial function can be found in section B.6 below.

B.1.4 Remuneration Policy

The Group's Remuneration Policy is designed to support key business strategies and create a strong, performance-orientated environment across the Group. It is designed to attract, motivate and retain talented individuals who will contribute to the success of the Group and to provide clarity on the overall remuneration approach and structure within the Group.

The policy is also cognisant and reflective of obligations of all regulatory codes including but not limited to:

- Consumer Protection Code
- Solvency II
- CBI's guidelines on variable remuneration.

The Group generally intends to provide competitive salaries and to reward employees fairly. The major duties and responsibilities of each role determine the salary for the position along with the skills and experience of the person appointed to the position.

The Group's remuneration policy is:

- Established, implemented and maintained in line with the relevant undertaking's business and risk management strategy as approved by the Board of Directors
- Consistent with its risk profile, objectives, risk management practices

- Reflective of the long-term interests and performance of the Group as a whole and shall incorporate measures aimed at avoiding conflicts of interest
- Designed not to promote excessive risk taking which is not aligned with the tolerable risks as per the risk appetite statement.

Permanent employees are encouraged to join the Acorn Life Defined Contribution Pension Scheme, however it is optional; it is also optional for fixed term contract employees. Only basic salary is pensionable. ALD and ABL also contribute to the scheme, subject to relevant upper limits. Death in service entitlements also apply.

ALD generally operates an annual Staff Bonus Scheme for designated categories of staff. The scheme aims to reward staff for achieving key success metrics. The Staff Bonus Scheme is submitted to the Board annually for approval. Should the Board approve the Bonus Scheme, the criteria and employees entitled thereto will be identified. At present, bonus levels are generally based on targets for persistency, expenses and production across the company. All qualifying employees receive the bonus as a percentage of their basic salary unless their contract states otherwise.

ABL operates a sales performance related bonus scheme under which any payments are in line with the principals of the Consumer Protection Code and CBI guidelines on variable remuneration.

Independent Non-Executive Directors remuneration consists of a fixed fee. Independent Non-Executive Directors do not receive performance-based remuneration. All other directors participate in the Staff Bonus Scheme.

Dividends of €3 million were paid within the Group during 2017 (2016: €2 million) by ALD to Tanis Limited. The Group is currently considering its dividend plans for 2018. There were no material transactions between any group companies and members of the Boards during 2017.

B.2 Fit and proper requirements

B.2.1 Fitness & Probity Policy

The Central Bank Reform Act 2010 provides that any person performing a pre-approval controlled function (a "PCF") or a controlled function (a "CF") must have a level of fitness and probity appropriate to the performance of that particular function. These Fitness and Probity standards require that such individuals must be:

- Competent and capable
- Honest, ethical and act with integrity
- Financially sound.

ALD and ABL operate Fitness and Probity Policies which document the due diligence checks that must be performed for those operating in key roles, including board directors. Key roles are referred to within the policies as PCFs and approval from the CBI is required to be received prior to the appointment of any person to any such role.

For PCF roles, ALD and ABL carry out an assessment of competency that includes the following, where relevant to the role in question:

- Professional qualifications and proof of same
- Experience and personal competency of the individual to carry out the role
- Individual’s skill set, including educational and professional background
- Records of previous employments
- References as appropriate
- Concurrent responsibilities
- Individual questionnaire
- Continuous Professional Development
- Proof of compliance with the Minimum Competency Code where relevant

The Compliance Functions in ALD and ABL are responsible for carrying out the assessment in line with the policies, which is then considered by the Boards prior to approval.

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

B.3.1 Risk Management Framework

The Group has a Risk Management Function (employed by ALD) which is responsible for the oversight and management of risk within the Group. The Group’s risk management system includes the interaction of a number of key components, which operate together as an integrated whole. The key components of the risk management system are as follows:

Risk Universe

The Risk Universe is the Group’s categorisation and definition of the risks facing the business. It provides a common risk language, which is used across the Group. The material risk categories are outlined within the Risk Management Policy.

Risk Appetite

Group risk appetite is the aggregate level and types of risk the Group is willing to assume within its risk capacity to achieve its strategic objectives and business plan. It reflects risk objectives and influences culture and operating style. Risk appetite is determined by business strategy, risk management competencies and core values.

The Group’s risk appetite is approved by the Board of Directors on, at least, an annual basis. The risk management process is designed to manage risk within the appetite. Risk Appetite, limits and trigger levels are integral to the strategic decision-making process, day-to-day business and risk management.

The Group’s Risk Appetite consists of a focused number of key measures which are used by the Board to steer the business from a risk perspective. The parameters used to describe the Risk Appetite are not expected to change significantly year-to-year. However, some parameters may change occasionally to reflect changes in strategy, business volumes and external environment.

The Group uses trigger levels to anticipate breaches of appetite and to initiate management action in advance of the breach occurring. These actions may include avoiding, controlling, transferring or accepting the risk.

A well-articulated Risk Appetite provides the Group with:

- A firm basis for risk input to strategic decisions
- Clear guidance to senior management
- Strengthened confidence of external stakeholders
- More efficient use of scarce risk-related resources (e.g. capital and liquidity)
- A basis to apply a holistic enterprise approach to risk management.

Risk Policies

Risk management processes and requirements of the risk management system are set out in the Group Risk Management Policy and other polices which govern the material risks facing the business. Each material risk in the Risk Universe is covered by one of the risk policies. These have been written to provide clear guidance to all levels of staff on the way the Group manages material risks.

There is no appetite for discretion to diverge from policy. Risk Policies set out the principles to be followed to manage the risk within acceptable limits or bring those risk exposures that are outside limit back within limit, where relevant. They establish monitoring and reporting requirements and describe consequences and escalation requirements of breaches. They drive risk management actions and address how the Group manages its business and the impact its actions may have on the business. The policies also link directly to the governance requirements of the Group.

Risk Identification

The risks that the Group faces are identified at company and departmental levels and logged on the Group Risk Register. The risk identification process is carried out by the business, facilitated by the Risk Management Function. The Risk Management Function ensures that the risk identification process is refreshed by the business on a regular basis. The business is also required to report all risk incidents and any emerging risk identified to the Risk Management Function.

The Group appreciates that planned changes to products and business processes may affect its risk profile. Consequently, the business is required to analyse the risk of all proposed changes to products and business processes to ensure that any new risks are identified in a timely manner.

There are a number of processes by which risks are identified and brought to the attention of the Risk Management Function:

- The Annual ORSA Process
- Quarterly Risk Reporting
- Annual Risk Appetite Review
- Clear Risk Reporting Lines
- Risk Event Reporting

The Annual ORSA process

Each year the risk function interacts with Senior Management and the heads of all departments as part of the Own Solvency Needs (OSN) assessment. This assessment encourages department heads to identify all significant risks to which their area is exposed including emerging and evolving risks. These risks are documented as part of the ORSA Report. Stress testing and scenario analysis, used as part of the ORSA process, are also used as risk management tools. The ALGL Board reviews and approves the ORSA report annually.

The aggregate impact of risks is assessed on an annual basis by way of the ORSA process that is facilitated by the Risk Management Function. The ORSA provides the Board with detailed information on the risks of the business, the cost of assuming or mitigating the risk, and how it compares to the risk appetite and solvency position.

Risk Assessment and Measurement

Robust risk assessment and measurement is necessary to generate appropriate management information that enables informed decision-making. The Group's risk assessment and measurement methodologies are based on industry practice and form a key part of the policy and procedures. Each methodology explains how the measurement process works from the identification of a risk, through to the assessment of the risk, its quantification (if appropriate), and the assessment of the capital (or other risk mitigant) that should be set aside to mitigate the risk.

Key Risk Indicators (KRIs) and Key Risk Controls (KRCs) are monitored on a regular basis by the Risk Management Function. If there are significant movements in the values of the parameters used for measuring risk, the Risk Management Function instigates appropriate action by the business within a fixed timeline. Risk management action may also be required if there is a significant business change proposal (e.g. revised business plan / strategy) or material new information emerges regarding the business environment.

Risk Control

The Group implements a number of controls to manage risks (e.g. investment mandates, reinsurance, liquidity buffers and process requirements). Relevant risk mitigants may reduce the likelihood and/or the impact of the risk. Control effectiveness is required to be taken into consideration while assessing and aggregating risks.

The regular review and measurement of the risk profile contributes to the assessment of the amount of own solvency capital the business needs and/or the need for additional risk controls.

The process of implementing control improvements is owned by the business, reviewed by the Risk Function and overseen and directed by the Board.

Any business change (as opposed to a process change) proposal requires that a risk analysis be performed. This analysis identifies control improvements that are necessary to manage any increase in risk that might result from the change.

Risk Monitoring and Reporting

Each business unit has responsibility for operating the risk management system and reporting information on adherence to the prescribed system to the Risk Management Function. The Risk Management Function reviews and challenges the information provided and reports to the Board (via the ALD Board and ALD Board Risk Committee) on the level of risk, the risks to new initiatives, the status of the control framework and the effectiveness of the risk management system. The Internal Audit Function tests key controls and provides assurance over the control environment within the business, including its risk management processes, as relevant.

The Group has a suite of risk metrics and management information to facilitate and support effective risk management and decision-making at all levels of the Group. The management information contains a mix of financial, risk and operational indicators to ensure that reporting is clear, consistent and efficient. Reports aim to provide information that is appropriately balanced between predictive and historic data, and includes commentary and explanations where relevant. Overall, there is an emphasis on analysis of forward-looking information as opposed to mere production of risk data. The Group monitors and reports a comprehensive range of KRIs and KRCs which are outlined in the Risk Management Policy.

Risk Management Function

The Chief Risk Officer (CRO) leads the Risk Management Function which maintains and monitors the effectiveness of the risk management policy and framework. The CRO has a direct line of responsibility to the ALD Board Risk Committee and to the ALD Board. The CRO also provides input into ongoing business decisions, ensuring consistency with risk policies and any Board escalation protocols.

The Risk Management Function:

- Assists the Board in the effective operation of the risk management system.
- Facilitates, and provides inputs into, the process of setting the risk strategy and appetite.
- Facilitates the process by which the business identifies and assesses the risks it faces (including emerging risks) and maintains a central repository of all risks facing the business along with the corresponding controls and mitigation measures in place.
- Supports the business in developing and implementing risk policies, risk identification, monitoring and reporting.
- Ensures that risk policies and procedures are communicated throughout the business in order to foster the risk culture set out by the Board.
- Monitors that the risk policies, procedures and the risk governance framework are up to date and fit for purpose.
- Monitors the effectiveness of the risk management system by utilising Key Risk Indicators (“KRIs”) and Key Risk Controls (“KRCs”).
- Monitors the overall risk profile and reports on risk exposures against risk appetite, key risk events and also on emerging risks facing the business.

- Advises the Board on risk management matters including in relation to strategy, investment and change projects.
- Fulfils a stewardship role with respect to embedding the risk culture, and the policies and processes that support it, within the business.

B.4 Internal control system

B.4.1 Internal Control Framework

The Group's internal control framework consists of a combination of elements as described below.

B.4.1.1 Governance and Internal Control structures:

a) The Board is ultimately responsible for setting and overseeing the Internal Control Framework.

b) The ALD Board has delegated the responsibility for the establishment, review and maintenance of the system of internal control to boards of its subsidiary companies and relevant risk and audit committees

c) A number of key control functions within ALD (Risk, Compliance and Internal Audit), provide guidance, set relevant policies and provide assurance on the internal control environment across the Group through relevant feedback to the Board of ALGL.

B.4.1.2 Three Lines of defence:

The Group has adopted the 3 lines of defence approach to internal control as follows:

- The first line of defence encompasses the business functions which carry out the day-to-day operations of the Group companies.
- The second line of defence sets control policies and undertakes monitoring and surveillance of business operations.
- The third line of defence undertakes independent monitoring and assurance activities. Internal Audit provides independent assurance in relation to the various frameworks and controls in the 1st and 2nd lines of defence.

B.4.1.3 Policies

A suite of supporting policies is in place, approved by the Board, implemented and maintained by the business functions. The policies set out the minimum standards with which the Group must comply. The policies are implemented throughout the Group via processes, procedures and controls. Policies are reviewed annually by the Board.

B.4.1.4 Training:

The Group provides relevant internal control training to all staff. The content of this training will include but is not limited to:

- The importance of an adequate system of internal control.
- The roles and responsibility toward internal control, tailored for the level of staff being trained.
- Reporting lines for potential control deficiencies/failures.

B.4.1.5 General Accounting Controls

The Group has developed and maintains an appropriate internal accounting control system including internal controls at different levels and operational structures for different time periods and with different levels of detail, as needed. The Group also makes use of appropriate manual and IT controls.

General Accounting Control activities include but are not limited to:

- Approvals, authorisations, verifications, reconciliations, management reviews, and other appropriate measures applicable to each business area and unit;
- Development of accounting policies and procedures to ensure accounting records provide a true and accurate view of the financial position (this is reviewed by external audit on an annual basis and by internal audit as and when required) of the Group
- Physical controls to the premises and assets
- Access control to key financial data
- Checks on agreed exposure limits (e.g. deposit limits) and operating principles
- Appropriate segregation of duties.

B.4.1.6 Communication

A formal line of communication is developed to ensure all staff report on:

- Control breaches
- Control deficiencies
- Fraudulent activities

The Group will ensure quality, timely, accurate and complete reporting and will encourage suggestions for improvements.

Reporting lines are designed to enable functional managers to inform the risk management function, internal audit, compliance and actuarial functions of facts relevant to the performance of their duties.

B.4.1.7 Monitoring and Reporting

Monitoring and reporting mechanisms are implemented and take place on an on-going basis in order to:

- Provide timely and relevant information relating to the internal control framework to assist management in decision-making processes - this includes financial and non-financial data.

- Report annually on the overall state of internal controls (Risk Management Committee);
- Identify deficiencies in the system of internal control and rectify them in a timely manner.

Regular internal audits are conducted as required over the process of internal control by the Internal Audit function. In addition to the internal audit reviews, reviews are performed by the Compliance Function to ensure compliance with all relevant codes, policies and regulatory requirements. The results of these reviews are reported to the relevant areas.

In addition to the above, the Group ensures that the mechanisms within internal control provide information for decision making processes in a timely manner for reporting to the boards.

B.4.1.8 Compliance Function

The Compliance Function for ALD and ABL undertake the following key roles and responsibilities:

- Ensures compliance with all relevant legislation
- Establishes an Annual Compliance Plan
- Promotes a Culture of Compliance
- Identifies External Requirements and Trends
- Advises the Board of new and upcoming regulations and assists in making submissions to both the CBI and industry bodies
- Issues policies and provides guidance
- Acts as a business partner by providing strategic, transactional and day to day compliance advice and direction. This includes providing interpretation and judgement in respect of business practices and applicable rules
- Establishes a compliance universe of applicable legislation, regulation, codes and guidance and identifies areas within the business responsible for the operation of compliant processes and controls relevant to each requirement
- Undertakes an annual programme of independent risk based compliance monitoring and reporting
- Maintains a log of breaches and errors and will identify compliance risks and issues ongoing remediation recommendations to the respective departments and management
- Ensures that all directors, staff and agents are trained on their obligations under relevant codes and regulations and ensures AML monitoring is reported to the Board.

This is a non-exhaustive list of items that are conducted by the Compliance Function. From time to time the Compliance Function may also be involved in certain first line of defence projects. During the tenure of these projects, the Compliance Function will always ensure that its independence will never be undermined. Furthermore, the Compliance Function will not be involved in any activities where the performance of tasks gives rise to potential conflicts of interest.

B.5 Internal Audit Function

The third line of defence against risk is comprised of the Internal Audit Function and the Audit Committee of ALD.

The role of Head of Internal Audit is outsourced to PWC, thus ensuring the role is independent from other operational functions within the Group. The outsourcing allows access to areas of technical expertise in Finance, Actuarial, Systems, Compliance and Risk which given the size of the organisation would otherwise prove very difficult to afford.

The responsibilities of Internal Audit are defined by the ALD Board in its terms of reference which are approved by the Board. Internal Audit examines and evaluates the functioning of internal controls and other elements of the system of governance, as well as the adequacy of and compliance with regulatory obligations, internal strategies, policies, processes and reporting procedures. Internal Audit exists to provide independent assessments of the quality of internal controls and administrative processes and provide recommendations and suggestions for continuous improvement.

The Internal Audit Function reports on the relevant audit items to the ALD Audit Committee, including audit findings from completed reviews, audits in progress and any notable issues including overdue actions.

A standing item at ALD Board meetings is an update from the Chairman of the Audit Committee with respect to issues raised at the Audit Committee and any recommendations arising from the Audit Committee.

The directors of ALGL and ABL request additional internal audits in other areas within the Group from time to time.

B.6 Actuarial Function

ALD has an Actuarial Function headed by the Head of Actuarial Function (HoAF). A brief summary of responsibilities of the Actuarial Function are:

- Coordinating the calculation of Technical Provisions, Reinsurance Recoverables and Solvency Capital Requirement on a quarterly basis
- Reporting to the Board and the CBI in line with requirements under both Solvency II and the CBI's "Domestic Actuarial Regime and Related Governance Requirements" (e.g. the Actuarial Function Report, Actuarial Opinion on Technical Provisions (AOTPs), Actuarial Report on Technical Provisions (ARTPs)
- Ensuring that the calculation of Technical Provisions is appropriately controlled and reporting any deficiencies in the control environment to the Board
- Providing an annual opinion on the ORSA, Underwriting and Reinsurance arrangements of the organisation
- Completing cash-flow and capital modelling, stress and scenario modelling for input to the ORSA process.
- Assisting with production of SFCR and RSR reports annually
- Embedded value calculations
- Experience analyses
- Pricing

- Considering PRE (Policyholder Reasonable Expectations)
- Providing recommendations on dividends

B.7 Outsourcing

The Group has a Board approved outsourcing policy which documents the requirements for the management of outsourcing contracts and service providers. It sets out requirements to identify and justify outsourcing risks and costs and to implement outsourcing arrangements. Outsourcing involves transferring responsibility for carrying out an activity to an outsourcing provider for an agreed charge. The outsourcer provides services based on an agreed contract.

The policy specifies the contractual controls in place with the outsourcing providers to address day to day operations and potential risks involved.

The benefits of outsourcing must be balanced against the risks. This policy assists in choosing the right outsourcing provider ensuring that the Solvency II requirements on outsourcing are complied with, including prior notification to the CBI (where applicable), assessing the risks and ensuring risk appetite alignment, identifying the benefits, carrying out appropriate due diligence, setting service level agreements and forming a contract so that a successful partnership will prevail.

When the Group contracts a third party to process personal information on its behalf, it remains responsible for the personal information processed. The Board are responsible for ensuring that the outsourcing policy and agreed outsourcing contracts are followed.

Critical or important outsourcing arrangements are defined in the policy as follows:

- The outsourced function or activity is essential to the operation of a company within the Group;
- The Group would be unable to deliver its services to policyholders without the function or activity;
- Responsibility for the performance of a business function is discharged fully to the outsourced company but the Group retains ultimate responsibility for discharging its obligations.

The policy also covers Inter-Group Outsourcing arrangements, Business Continuity Management and ongoing monitoring and management of outsourcing relationships.

A report on the performance of outsourcing arrangements is provided at least annually to the Board and a monitoring schedule is in place for all critical and important outsourcing contracts.

ALD has put in place the following critical and important outsourcing arrangements including details of the jurisdiction of the service provider and the internal owner of the relationship with the service provider:

Outsourced Activity	Jurisdiction of Outsourcing Provider	Internal Owner
Fund management services	United Kingdom	Head of Investment
Unit Trust administration services and Pensioner Trustee services for Self-Directed Pension contracts	Ireland	CFO
Tele Interviewing	United Kingdom	Head of Underwriting
Internal Audit	Ireland	CFO

B8. Assessment of governance and any other disclosures

ALD commissioned an independent review of its compliance with Corporate Governance Requirements for Insurance Undertakings during 2016 and has concluded that it effectively provides for the sound and prudent management of the business, proportionate to the nature, scale and complexity of its operations.

C. RISK PROFILE

The following is a summary of the Gross SCR (before tax relief & diversification):

	2017		2016	
	SCR Amount	SCR %	SCR Amount	SCR %
Underwriting Risk	**€22.4m**	**53.6%**	**€20.1m**	**50.5%**
Market Risk	**€14.9m**	**35.8%**	**€12.7m**	**31.9%**
Counterparty Risk	**€3.3m**	**8.0%**	**€5.9m**	**14.8%**
Operational Risk	**€1.1m**	**2.6%**	**€1.1m**	**2.8%**
Solvency Capital Requirement (before tax relief & diversification)	**€41.7m**	**100%**	**€39.8m**	**100%**

C.1 Underwriting risk

C.1.1 RISK EXPOSURE

The Group's exposure to underwriting risks relates to the uncertainty regarding the occurrence, amount or timing of insurance claims, income, payments or liabilities.

ALD is in the business of accepting mortality and morbidity risk in order to generate profits for shareholders. It takes a generally prudent approach to managing underwriting risk and has a framework for underwriting new business and managing claims in a manner that is consistent with the pricing basis and reinsurance agreements currently in place.

The material product lines and the risks associated with them which ALD is willing to accept are summarised in the table below:

Product	Risk Exposure
Protection Life Plan including: • Life cover benefit • Critical illness benefit • Hospital cash benefit • Surgical cash benefit • Accidental Injury benefit • Accidental death benefit • Personal accident benefit • Premium protection benefit	• Mortality risk • Morbidity risk • Expense risk • Lapse risk • Market risk • Children's mortality risk • Children's critical illness risk • Children's hospital cash benefit • Unit pricing
Mortgage Protection • Direct sales force business • Also sold through Hello.ie	• Mortality risk • Lapse risk • Expense risk
Pensions including: • Single premium personal pension plan • Personal pension plan • Executive pension plan • Personal retirement bond • Approved retirement funds • Approved minimum retirement fund • Self-Directed pension plan	• Expense risk • Lapse risk • Market risk • Unit pricing
Savings and investments including: • Savings plan • Investment bond	• Expense risk • Lapse risk • Market risk • Unit pricing

Mortality Risk

ALD is exposed to the risk of mortality being higher than expected which can arise through adverse experience trends, mis-priced charges, anti-selection, catastrophe or risk concentrations.

Given ALD's relatively small book of business, especially for clients at older ages, mortality experience has experienced natural fluctuations year on year. However, over the course of time, the long term average has been shown to be stable.

Morbidity Risk

ALD is exposed to the risk that illness experience is worse than expected on the following benefits:

- Critical Illness Cover
- Hospital Cash Cover
- Surgical Cash Cover
- Accidental Injury Cover
- Personal Accident Cover
- Waiver of Premium Benefit

ALD's experience in recent years has seen year on year volatility in morbidity claims. However the long term trend has remained steady.

Lapse Risk

ALD is exposed to a risk of lapses being higher or lower than expected, as well as the possibility of a once off lapse event.

It is important that, in the long term, the business base continues to expand. High lapses do not significantly affect solvency in the short term however reduced profits emerging as a result over the longer term will subsequently have an adverse impact on solvency in the medium to long term.

Lapse rates can be driven by the wider economy and therefore management have little control over movements in a given year.

Expense Risk

Expense risk is very relevant to ALD. The charges deducted from both new and in-force policies aim to cover expenses incurred in running the business. Much of the cost base is relatively fixed and therefore covering costs depends on having sufficient numbers of policies on the books.

Risk Monitoring

It is the responsibility of the HoAF, with support from other areas of the business such as Sales and Marketing, Underwriting and Finance to monitor the principal risk factors influencing the profitability of business to be written during the next year.

The HoAF maintains appropriate processes to monitor these factors on a regular basis.

This includes at least the following:

- Quarterly monitoring of new business volumes and mix versus the business plan.
- Regular monitoring of business mix by gender to ensure the basis for gender-neutral pricing remains appropriate.
- Monthly analysis of change in embedded value including value of new business sold and experience variance impacts.

- Monthly monitoring of lapse, claim and expense experience compared with both the business plan and adverse ORSA scenarios for each of these risks.

The HoAF's assessment of these risk factors, their likely impact on future profitability and any need to re-price must be included in the annual opinion on underwriting which is part of the Actuarial Function Report.

Profitability is monitored regularly at a high level through monthly experience investigations and Embedded Value analysis.

ALD does not use special purpose vehicles as described under Article 211 of Solvency II Directive.

C.1.2 RISK CONCENTRATION

As an insurer that sells a range of products mainly through its agency distribution within the domestic market only, ALD accepts that its preferred strategy incorporates some element of concentration risk. However, the HoAF monitors concentrations of risk on a regular basis and is currently satisfied that ALD is not currently exposed to excessive concentrations of risk. Any potential future excessive concentrations of risk would be managed through reinsurance and/or other appropriate mitigation techniques. There is no significant risk concentration in the other group companies.

C.1.3 RISK MITIGATION

C.1.3.1. The Underwriting Process

The Underwriting process is the primary method by which mortality and morbidity risks are mitigated.

- It is ALD's policy to follow SCOR's underwriting philosophy to underwrite all new policies and ancillary benefits that are covered by existing reinsurance contracts.
- The Head of Underwriting is responsible for ensuring that sufficient training is in place for underwriters on the use of the reinsurer's underwriting manual.
- The Head of Underwriting is responsible for ensuring that the underwriting manual sufficiently mitigates the risk of anti-selection through appropriate medical and financial underwriting.
- All Underwriters must be members of an appropriate professional body, to be designated by the Head of Underwriting, and must engage in continuing professional development activities.

C.1.3.2 The Claims Process

- ALD maintains a Claims Management manual at all times which sets out the claims management process in detail.
- It is the responsibility of the Head of Claims to ensure that all claims handlers have sufficient training around using the claims manual.
- Any changes in the Claims Management manual must be approved by the Head of Claims.
- Any changes to the claims philosophy must be agreed with our reinsurers.

C.1.3.3. Reinsurance

Reinsurance arrangements are in place to cover a proportion of sums assured on death, critical illness and accidental death benefits

Reinsurance is a key risk management tool which reduces the volatility of cash flows, transfers risk to a third party that is independent of ALD and reduces its SCR. The primary objectives of ALD's reinsurance strategy are as follows:

- Reduce the volatility of cash flows
- Cap exposure to individual lives
- Raise capital/increase capacity to write new business
- Reduce the volatility of own funds
- Reduce the size and volatility of the SCR
- Support the pricing of new business
- Support the underwriting and claims management processes
- Support the product design process

ALD currently reinsures sums at risk with two reinsurers, Munich Re and SCOR.

- Both reinsurers have a current (as at 23 May 2018) credit-rating of AA3 (with Moody's) which means there is no breach of ALD's Risk Appetite.
- Credit risk associated with both reinsurers is considered to be currently very low.

ALD also has a reinsurance financing arrangement currently in place.

C.1.4 RISK SENSITIVITY

As part of the ORSA process in 2017, a number of underwriting stresses were tested. These included expense, claims and lapse stresses as well as increases in reinsurance costs. In addition, several scenarios which looked at a combination of stresses, including underwriting stresses, were analysed. These stresses involved the recalculation of the projected Solvency II own funds and capital requirements (SCR) to determine if ALD would have sufficient own funds to cover the SCR at each future point in time. In terms of standalone stresses the underwriting stress which was most onerous was the mass lapse stress where ALD is assumed to lose a large proportion of its portfolio immediately. Even in this extreme stress ALD's free assets remained positive i.e. solvency coverage remained above 100% with own funds continuing to exceed solvency capital requirements over the business planning horizon.

C.1.5 Dependencies between risk modules

This section is not applicable to the SFCR.

C.1.6 Any other information regarding the underwriting risk profile

There is no other material information that needs to be disclosed.

C.2 Market risk

C.2.1 RISK EXPOSURE

Market Risk in ALD arises from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, immovable property prices and exchange rates.

The overall Market Risk SCR calculated at 31 December 2017 was €14.9m (2016: €12.7m) made up of Interest Rate, Equity, Spread, Currency and Property Risk SCRs.

ALD pursues a policy of full matching in terms of policyholder liabilities (except for daily mismatching that occurs naturally due to facilitation of daily transactions, limits are set out in the ALM policy) and has no appetite for other mismatching of policyholder unit liabilities in any way as reflected in the policy.

Shareholder funds are invested in highly liquid assets (cash, gilts, bank deposits, trackers, bonds) and in the Head Office property and these are exposed to a number of financial risks. ALD is comfortable to hold the Head Office building as its only direct property investment and has no additional appetite for direct property investment of shareholder funds at this time. This is subject to Board review. Overall investment policy for shareholder funds is covered in the Investment Policy.

Interest rate risk exposure is not material for ALD. It is exposed to an element of interest rate risk through shareholder gilt and corporate bond holdings, DB scheme assets, shareholder tracker holdings and indirectly through policyholder funds.

Equity Risk SCR is calculated in respect of DB scheme assets, shareholder tracker holdings and indirectly through management charges on policyholder funds; it comprises 46% (2016: 43%) of total Market SCR. The income generated through unit related charges on policyholder funds makes this SCR significant for ALD. However the net impact of the Equity SCR on free assets is not material due to the presence of a corresponding asset (a negative Technical Provision representing the present value of future profits including charges levied on policyholders' equity exposures) permissible for solvency purposes.

The Property Risk SCR generated in respect of the Head Office property is not material.

The Spread Risk SCR is calculated in respect of Shareholders' Corporate Bond Holding, Shareholders' Tracker Holding, Policyholder Funds (and hence future management charges generated) and is about 9% (2016: 10%) of overall Market SCR.

Investments are made in accordance with the Prudent Person Principle giving due regard to the security, quality, liquidity and profitability of individual investments and the portfolio as a whole. Investment is limited to certain asset classes and internal risk limits. Tolerance levels have been calibrated to ensure ALD achieves the desired portfolio profile.

C.2.2 RISK CONCENTRATION

ALD is exposed to Concentration Risk via its fixed term bank deposits. The exposure to any single bank is limited however as set out in the Treasury Policy. Deposits are therefore well diversified which reduces the Concentration Risk exposure.

C.2.3 RISK MITIGATION

As per above, ALD has in place board approved policies for:

- Investment and Market Risk Management
- Asset and Liability Management (ALM) Policy, and
- Liquidity Risk Management Policy

ALD has also established market risk limits with respect to the investment portfolio.

Interest rate risk – the Shareholder's appetite for interest rate risk is defined by the Investment Policy in respect of Government Bonds, Corporate Bonds, Tracker holdings and unit fund mismatches. It is accepted that the shareholder is also exposed to interest rate risk indirectly through management charge margins generated on policyholder assets

Equity risk – ALD has no appetite to invest Shareholders' assets directly in equities. The policy in respect of exposure to equity risk through tracker holdings and unit fund mismatches are set out in the Investment Policy. It is accepted that the shareholder is exposed to equity risk indirectly through management charge margins generated on policyholder assets.

Credit spread risk – the shareholder's appetite for credit spread risk is defined by the Investment Policy in respect of Government Bonds, Corporate Bonds and Tracker holdings and unit fund mismatches. It is accepted that the shareholder is exposed to credit spread risk indirectly through management charge margins generated by policyholder assets.

Currency risk - ALD has no appetite to invest Shareholders' assets directly in foreign currency. The policy in respect of exposure to currency risk through unit fund mismatches is set out in the Investment Policy. It is accepted that the shareholder is exposed to currency risk indirectly through management charge margins generated on policyholder assets

Valuation Policy

Shareholder assets are not invested in complex products that are difficult to value and has a valuation source for each asset class in the investment portfolio.

The procedure for the valuation of investment assets (excluding bank placements) and other assets giving rise to market risk is as follows:

- Monthly valuations for bond and gilt investments are provided by brokers.
- Tracker deposit/bond values are provided by the investment bank on a monthly basis.
- The freehold property is revalued by an independent valuation specialist on an annual basis.

C.2.4 RISK SENSITIVITY
Market Risk stresses and sensitivity tests are carried out annually through the ORSA process and Actuarial Function Report. As part of the ORSA process in 2017, a number of market stresses were tested. These included an equity shock leading to a reduction in unit-linked fund values and changes in interest rates and fund growth rates. In addition, several scenarios looked at a combination of stresses, including market stresses. In terms of standalone stresses, ALD was able to comfortably withstand adverse changes in market values.

C.2.5 Dependencies between risk modules
This section is not applicable to the SFCR.

C.2.6 Any other information regarding the market risk profile
There is no other material information that needs to be disclosed.

C.3 Credit risk

C.3.1 RISK EXPOSURE
Credit (Counterparty) Risk is the risk of financial loss arising from an obligator, borrower, issuer, surety, guarantor or counterparty who fails to meet its obligations in accordance with agreed terms. Exposure to this risk occurs any time funds are extended, committed or invested though actual or implied contractual agreements. The Group has a very low appetite for credit risk. The Group manages this risk carefully by applying a strict set of criteria to investments, confining its dealings to institutions of high creditworthiness and monitoring relevant exposures to counterparties.

The Group has some credit risk exposures to banks via its overnight cash deposits although there is a limit in terms of exposure to a single bank. ABL operates a credit facility in relation to the funding of premiums which results in an exposure to counterparty default risk.

ALD currently avails of reinsurance through two reinsurers, Munich Re and SCOR. In line with the company's Risk Appetite Statement, both reinsurers have a current Moody's credit-rating of greater than A (both are rated "AA3" as at 23 May 2018) and an SCR coverage in excess of 125% (2016: 125%). The credit risk associated with both reinsurers is thus currently very low. ALD's current regulatory free asset position (excess of Own Funds over the Solvency Capital Requirement) is more than sufficient to absorb an immediate default of either/both reinsurers.

In compliance with the Solvency II Prudent Person Principle, it is ALD's policy to match policyholder unit linked liabilities fully with unit-linked assets.

C.3.2 RISK CONCENTRATION
While Pre-1998 Sums at Risk are reinsured by Munich Re, all other Sums at Risk in force, including new business, are reinsured by SCOR. ALD currently reinsures approximately 45% (2016: 47%) of total mortality and critical

illness sums insured, the majority of which are reinsured by SCOR. This position represents a concentration risk in terms of significant exposure to one reinsurer. ALD is however confident that alternative cover would be available if SCOR were to withdraw from the market or increase prices. If a particular type of reinsurance became too expensive, ALD have the option to cease or reduce the level of reinsurance cover subject to an analysis of the impact of such a decision on its current and future solvency position.

The investment policy and Risk Appetite policy sets out clear limits with respect to concentrations of deposits/investments with individual institutions.

C.3.3 RISK MITIGATION

The Risk Appetite Statement sets out limits on reinsurers' credit ratings to limit credit risk.

There are limits on the amount that can be deposited with a single bank and on the ratings of banks that ALD will deal with.

ALD is permitted to invest in Government and Corporate bonds but there are limits on credit ratings and Board Risk Committee approval is needed before the purchase of bonds above a certain duration/size.

Bond investments are to be admitted for trading on a regulated financial market.

C.3.4 RISK SENSITIVITY

The ORSA report considers the impact of a full default of one of ALD's counterparties (c€6m (2016: €6m) impact on free assets). Applying this stress, the solvency coverage ratio fell but remained well above 100%.

C.3.5 Dependencies between risk modules

This section is not applicable to the SFCR.

C.3.6 Any other information regarding the credit risk profile

There is no other material information that needs to be disclosed.

C.4 Liquidity risk

C.4.1 RISK EXPOSURE

Liquidity risk is defined as the risk that ALD either does not have sufficient financial resources to meet obligations as they fall due or can only secure such financial resources at excessive cost.

At 31 December 2017, ALD held assets of €759m (2016: €705m) on its Solvency II Balance Sheet in order to meet its liabilities and Solvency Capital Requirement (SCR). €753m (2016: €700m) of these assets were held in liquid investments. The HoAF has also performed an assessment of the liquidity position of assets representing Own Funds in particular. At 31 December 2017, ALD held Own Funds of €14.7m (2016: €12.9m) over and above the Solvency Capital Requirement. The entire €14.7m was held in highly liquid investments. The HoAF is very satisfied with the current liquidity position.

ALD is exposed to liquidity risk as a result of its business operations including cash flow timing mismatches between policyholder obligations and claims and re-insurance recoveries as well as cash flow obligations arising on operating expenses, taxation, dividends and other liabilities.

ABL is exposed to liquidity risk as a result of its business operations including cash flow timing mismatches between the transfer of premiums to underwriters and receipt of premium payments from clients as well as obligations arising in relation to operating expenses, taxation and other liabilities.

ALD has a limited appetite for liquidity risk and seeks to mitigate it, including via:

- the maintenance of a portfolio of liquid assets and short term/on demand bank placements to ensure that sufficient financial resources are available at all times to allow for settlement of obligations as they fall due;
- active management of re-insurance arrangements to recover claims paid; and
- access to funds from committed borrowing facilities from its bankers.

ALD is exposed to a general Liquidity Risk due to the administrative delay between payment of claims and recovery of reinsurance. Balances due from reinsurers are tracked quarterly by the Finance Function and reported to the Risk Management Function. This allows us to identify any unreasonable delays in the recovery of reinsurance and to address the issue with the reinsurer. ALD is satisfied that reinsurance balances are currently settled in a timely fashion and that current balances outstanding are in line with the Risk Appetite Statement. The delay between the payment of a particularly large claim and recovery of the reinsured portion poses a particular Liquidity Risk however. Any such large claims are flagged through the Risk Management System as soon as they become pending and sufficient cash is set aside in advance of payment such that the Liquidity Risk is minimised.

In compliance with the Solvency II Prudent Person Principle, the approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

C.4.2 RISK CONCENTRATION

The Group does not believe that there are any material liquidity risk concentrations.

C.4.3 RISK MITIGATION

Free Assets (defined as Own Funds in excess of those required to meet the Solvency Capital Requirement) are backed entirely by Qualifying Liquid Assets as defined in the Liquidity Risk Management Policy.

An amount of at least €1 million is maintained in a callable deposit account at all times. The terms of the call account entitles ALD to access the funds immediately if required.

Additional term deposits are maintained in maturities of less than one year duration. The maturity profile is actively managed to take account of known and/or expected cash outflows. ALD also has the potential to encash term deposits early subject to breakage penalties.

In managing and/or mitigating liquidity risk, ALD:

- Invests in, and maintains a portfolio of, liquid assets in accordance with permissions and limits as defined in this policy and in the Investment & Market Risk Management Policy;
- Matches unit-linked policies with investment in linked assets with identical duration and cash flow profile subject to minor mismatch limits as set out in the Asset and Liability Management Policy;
- Funds the redemption of client investment contracts by the redemption of the linked assets supporting the contract liability;
- Redeems client trackers only following the receipt of cash flow from the investment bank providing the hedge;
- Notifies the relevant reinsurer for claims in excess of €0.5 million on the day a claim notification is received in order to minimise the timeframe within which cash on reinsurance recoveries is received. These large claims are negotiated on a case-by-case basis;

Liquidity risk monitoring and reporting

- Cash flow forecasting is performed to determine shortages/excesses in cash. An analysis by Finance of the inflows and outflows is performed on a monthly basis and this determines future cash requirements.
- Expected Cash flows are back tested on a monthly basis against actual flows to analyse any deviations from the forecast.
- The maturity profile of bank deposits (the Group's primary source of liquidity) and the composition of the liquid asset portfolio is monitored quarterly at the Finance Committee.

  An assessment of the liquidity position of Own Funds is performed on a quarterly basis and reported to the Finance Committee and Board Risk Committee. The projected liquidity position of ALD's assets in excess of liabilities under each scenario examined in the ORSA is highlighted within the annual ORSA report.

Expected Profits in Future Premiums ("EPIFP")

EPIFP is the amount of profit arising from including future premiums in the calculation of ALD's technical provisions. The EPIFP at 31 December 2017 was €0.72 million (2016: €0.82 million).

C.4.4 RISK SENSITIVITY

A meaningful liquidity stress is difficult to apply to a balance sheet with very healthy liquidity; ALD has therefore looked at the level of liquid assets available as a % of total Own funds in excess of the SCR under each ORSA stress scenario. ALD is expected to retain a healthy liquid asset balance in all such scenarios.

C.4.5 Dependencies between risk modules

This section is not applicable to the SFCR.

C.4.6 Any other information regarding the liquidity risk profile

There is no other material information that needs to be disclosed.

C.5 Operational risk

C.5.1 RISK EXPOSURE

Operational risk is the risk associated with a loss resulting from failed internal processes, human and system errors, fraud or from external events as well as through the direct and indirect consequences of natural or man-made disasters such as terrorist attacks, fire, flood, earthquake and pandemics. Operational risk includes legal risk but excludes strategic and reputational risk. In addition, the Group considers Cyber Security Risk, Outsourcing Risk (see section B.7) and Business Continuity Risk as other key operational risks. Mitigation of operational risk is considered in section C.5.3 below.

C.5.2 RISK CONCENTRATION

Operational risks can occur in a number of different areas. There is no obvious concentration in a particular area.

C.5.3 RISK MITIGATION

Operational risks are mitigated to a large extent via the use of internal controls and detailed processes and procedures. ALD considers additional risks in its analysis that it feels are necessary for the nature of its business. Based on this, ALD considers it appropriate to hold additional own solvency needs capital of €0.5m over and above that calculated in the SCR for Operational Risks.

C.5.4 RISK SENSITIVITY

Operational risks exposures are considered as part of the ORSA. As explained above this has led to extra capital being set aside to cover such risks.

C.5.5 Dependencies between risk modules

This section is not applicable to the SFCR.

C.5.6 Any other information regarding the operational risk profile

There is no other material information that needs to be disclosed.

C.6 Other material risks

Combined Stresses

In addition to stressing each of the risks discussed in sections C.1 to C.5 above individually. ALD also examined a number of scenarios in which several different stresses were combined.

The most strenuous of these scenarios was a severe recession stress which combined falling sales with market stresses and higher lapses. Even in this scenario, solvency coverage only fell below 110% in year 5 and there was no allowance for expense reductions or contingency plans that might lessen the effect of such a stress.

However, it is assumed that management action would be taken in such a scenario and that expenses can be saved in accordance with the Recession Scenario Contingency Plan which is documented in the Capital Management plan and was approved by the ALD Board Risk Committee in September 2017.

Special Purpose Vehicles

ALD does not use Special Purpose Vehicles.

Upstream Regulatory Change

In the wake of implementation of the new Solvency II regime, the International Association of Insurance Supervisors (IAIS) and regulators across the globe, including European and Irish regulators, are shifting their focus to address the root causes of poor outcomes for insurance customers and are placing greater emphasis on insurer conduct and the consumer protection agenda. Various guidelines and legislation in the space include:

- PRIIPs disclosure requirements (effective January 2018)
- The Insurance Distribution Directive (effective February 2018)
- Data Protection: The General Data Protection Regulation will come into effect in May 2018 and there are significant impacts for the Group.
- Financial Reporting: A revised international financial reporting standard (IFRS17) for insurance contracts was issued in May 2017. The changes involved are broad and complex and will include changes to the way insurance liabilities are measured. The date by which it will become effective is 1 January 2021.

Regulatory change is constant and the Group monitors upstream regulatory developments through its risk management framework and compliance functions to ensure that it is prepared for all legislative developments to be assessed and implemented as required within its business.

Cybersecurity

The risks associated with IT and Cybersecurity are a key area of focus for the Group given their potential to have serious implications for consumer protection, financial stability and the overall reputation of the Irish financial system.

The Boards and Senior Management of the Group have recognised their responsibilities in relation to IT and cybersecurity governance and risk management and place these among their top priorities.

The Group’s Strategy sets out management of Cybersecurity risk as a key focus over the business planning horizon and it is in the process of reviewing the CBI guidelines in order to ensure that it is well placed to withstand such risks in the ever changing world of technology.

C.7 Any Other Disclosure

There is no other material information that needs to be disclosed.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

With a few exceptions as described below, the Group recognised and valued its assets for solvency purposes based on the valuation methods it used to prepare its Consolidated Financial Statements, as provided for by Article 9 of Delegated Regulation (EU) 2015/35. Those methods are consistent with the Solvency II valuation rules which require that assets are valued at the amount for which they could be exchanged between knowledgeable and willing parties at an arm's length transaction.

	2017				2016			
	Statutory accounts value	Valuation adjustments	Reclassification Adjustments	Solvency II Value	Statutory accounts value	Valuation adjustments	Reclassification Adjustments	Solvency II Value
Assets	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Goodwill	35	(35)		0	70	(70)		0
Deferred Acquisition Costs	23,386	(23,386)		0	21,889	(21,889)		0
Intangible assets								
Deferred tax assets								
Pension benefit surplus	743			743	728			728
Property, plant and equipment held for own use	2,620			2,620	2,639			2,639
Investments (other than assets held for index-linked and unit-linked contracts	6,405		88	6,493	6,299		88	6,387
Property other than for own use								
Holdings in related undertakings, including participations								
Equities								
Equities - Listed								
Equities - unlisted								
Bonds	6,405		88	6,493	6,299		88	6,387
Government bonds	2,802		85	2,887	2,889		84	2,974
Corporate bonds	145		3	148	145		4	149
Structured notes	3,458			3,458	3,265			3,265
Collateralised securities								
Collective investments undertakings								
Derivatives								
Deposits other than cash equivalents								
Other investments								
Assets held for index-linked and unit-linked contracts	721,260			721,260	666,552			666,552
Loans and mortgages	2,316			2,316	2,073			2,073
Loans on policies								
Loans and mortgages to individuals	2,316			2,316	2,073			2,073
Other loans and mortgages								
Reinsurance recoverables from:	4,550	(3,248)	(3,260)	(1,957)		(2,358)		(2,358)
Non-life and health similar to non-life								
Non-life excluding health								
Health similar to non-life								
Life and health similar to life, excluding health and index-linked and unit-linked	186	(338)	(186)	(338)		52		52
Health similar to life								
Life excluding health and index-linked and unit-linked	186	(338)	(186)	(338)		52		52
Life index-linked and unit linked	4,364	(2,910)	(3,074)	(1,619)		(2,410)		(2,410)
Deposits to cedants								
Insurance and intermediaries receivables	530			530	203			203
Reinsurance receivables	501			501	3,064		(2,855)	209
Receivables (trade, not insurance)	564			564	679			679
Own shares (held directly)								
Amounts due in respect of own fund items or initial funds called up but not yet paid in								
Cash and cash equivalents	29,079			29,079	31,169			31,169
Any other assets, not elsewhere shown	88		(88)	0	88		(88)	
Total assets	**792,076**			**762,150**	**735,454**			**708,283**

The differences in valuation between GAAP accounting and Solvency II accounting primarily relate to the following:

- Deferred acquisition costs and Goodwill: which are not recognised as an asset for the purposes of Solvency II.
- Reinsurance recoverable: which relates to the present value, net reinsurance cash-flows, calculated in accordance with Solvency II Best Estimate Liability (BEL) rules. These balances are shown as negative assets for the purposes of Solvency II accounts because the expected reinsurance premiums are greater than the expected claim amounts recoverable.
- Reinsurance recoverable - valuation: the Financial Statements under Irish GAAP include reinsurance recoverable on the prudential reserve.
- Reinsurance recoverable - classification: part of the statutory reinsurance recoverable balance which relates to reinsurance which could be recovered in respect of claims that have been notified to ALD but have not been fully investigated, is classified as a reduction to the pending claims liability under Solvency II. The balance is not a receivable under Solvency II because it is not related to settled claims. The balance is not a reinsurance recoverable under Solvency II because the claims have already happened and therefore the liability is not related to the technical provisions.

Remaining adjustments relate to the fact that accrued interest is not included in the market value of assets under the Statutory Accounts but is included in the market value of assets under the Solvency II accounts.

The Group does not currently have a deferred tax asset on its Solvency II balance sheet nor has it provided any guarantees.

D.2 Technical Provisions

Technical Provisions by material line of business

The technical provisions comprise the Best Estimate of the Liabilities ("BEL"), the Risk Margin, Unit-Linked liabilities and other technical provisions relating to policyholders. Technical Provisions are valued for solvency purposes in accordance with the Solvency II valuation rules which require liabilities to be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction. The tables below show the technical provisions at 31 December 2017 and 31 December 2016 by material line of business (in €'000s):

2017

Line of business	Gross best estimate liability	Risk margin	Gross technical provisions (calculated as a whole)	Recoverables from reinsurance contracts and SPVs	Total technical provisions net of recoverables
Unit-linked life	(29,556)	9,582	720,731	1,619	702,376
Non unit-linked life	(1,056)	131	0	338	(587)
Total	(30,612)	9,713	720,731	1,957	701,789

2016

Line of business	Gross best estimate liability	Risk margin	Gross technical provisions (calculated as a whole)	Recoverables from reinsurance contracts and SPVs	Total technical provisions net of recoverables
Unit-linked life	(29,443)	8,275	666,507	2,410	647,749
Non unit-linked life	(769)	116	0	(52)	(705)
Total	(30,212)	8,391	666,507	2,358	647,044

A. Gross Best Estimate Liability

BEL is calculated using a gross premium valuation for all policies in-force and on risk at the valuation date. The BEL is thus calculated as the prospective value of future expected cash-flows on a policy-by-policy basis. Future premium income is projected for Decreasing Term Assurance business only. Future premiums are not projected on regular premium Unit-Linked business. This approach is in line with Solvency II rules regarding contract boundaries. Future claims, investment growth, expenses and lapses are projected consistently with contract boundaries. Negative reserves are permitted.

The BEL is calculated gross of reinsurance, although the cash flow projections include both gross of reinsurance and reinsurance-related cash flows in order to allow separate calculation of the reinsurance recoverables. The BEL calculation allows for future management actions as approved by the board of ALD.

Main assumptions

Claims assumptions

Claims rate assumptions take account of relevant reinsurance information and, where credible, internal experience over a relevant five year period. Expert judgement is applied where necessary to make sure there is enough allowance for relevant trends or factors which we expect to change.

Investment Growth Rate

The investment growth rate used to project future investment growth on unit-linked funds is derived from the EUR relevant risk-free structure as specified by the Solvency II regulations. ALD used the rates as provided by European Insurance and Occupational Pensions Authority (“EIOPA”).

Discount Rate

The risk-free interest rate term structure used for discounting the projected cash flows in the technical provisions calculation is the EUR relevant risk-free structure as specified by the Solvency II regulations. ALD used the rates as provided by EIOPA. ALD did not use the matching adjustment or the volatility adjustment at 31 December 2017.

Expenses and Inflation

The expenses incurred in servicing ALD's insurance obligations consist of administration, claims management/handling and overhead expenses. ALD performs a regular expense analysis in order to allocate the expenses between initial and renewal and by type of expense. The best estimate expense assumptions are based on the results of this regular analysis together with budgeted expenses.

Projected investment management expenses are equal to a percentage of the projected future fund values.

The assumption for expense inflation is based on the current best estimate of future salary inflation and non-salary inflation, taking account of uncertainties around the future inflation rate applicable to regulatory costs and IT costs.

Lapse assumptions

Lapse assumptions are set with reference to ALD's actual experience over a relevant five year period. Expert judgement is applied where necessary to make sure there is enough allowance for relevant trends or factors which we expect to change.

<u>Changes in Assumptions</u>

The main changes to the assumptions over the 2017 financial year were as follows:

- The assumptions for future mortality, morbidity and lapse rates were updated based on the results of the most recent experience investigations;
- The assumptions for expenses were updated based on the results of the annual budgeting and expense investigation exercise;
- The assumptions for future discount rates and future unit growth rates were updated in line with the latest EIOPA risk free yield curve information.

B. Risk Margin

The Risk Margin is an addition to the Best Estimate Liabilities to ensure that the technical provisions as a whole are equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations. The risk margin is calculated as the amount of capital needed to support the Solvency Capital Requirement over the lifetime of the business at a prescribed cost of capital rate of 6% per annum.

In the calculation of the risk margin, future Solvency Capital Requirements are estimated using appropriate risk drivers for each individual Solvency Capital Requirement.

C. Gross Technical Provisions (calculated as a whole)

Gross Technical Provisions (calculated as a whole) consist of the Unit-Linked liability and other reserves relating to policyholders including a reserve for future tax payments. The Unit-Linked liability is equal to the value of policyholder units plus the value of the loyalty bonus units multiplied by the relevant fund valuation price at the valuation date. 99.76% (2016: 99.84%) of the Unit-Linked liability was fully matched by unit-linked assets at 31 December 2017. The remaining 0.24% (2016: 0.16%) of the Unit-Linked Liability was held in cash. Other policyholder reserves are equal to the best estimate of future outgo at the valuation date.

D. Recoverables from reinsurance contracts and special purpose vehicles

ALD reinsures mortality and morbidity risk on a quota share basis with a maximum retention per life and is split between two reinsurance counterparties depending on the type of cover. ALD also has reinsurance financing arrangements in place which incorporate risk transfer due to repayments being contingent on policyholders' future premium payments. The reinsurance recoverables are the excess of projected future reinsurance recoveries over projected future reinsurance premiums payable.

Total reinsurance recoverables at 31 December 2017 were (€1,957k) (2016: (€2,358k)). The recoverables are negative as the expected reinsurance premiums are greater than the expected claim amounts recoverable. This liability is presented as a negative asset on the Solvency II Balance Sheet.

ALD did not hold any investments in special purpose vehicles at 31 December 2017.

Uncertainty associated with the value of technical provisions

The key sources of uncertainty for ALD are future lapse rates, mortality rates, morbidity rates, interest rates and expense rates. A robust assumption setting process is followed in order to ensure the uncertainty is well understood.

Solvency II and IFRS valuation differences of Technical Provisions by material line of business.

The table below compares the Solvency II valuation of gross technical provisions with the Irish GAAP valuation of Technical Provisions, split by line of business, at 31 December 2017.

	2017		2016	
	Solvency II	Irish GAAP	Solvency II	Irish GAAP
	€'000	€'000	€'000	€'000
Unit-linked technical provisions	700,757	112,695	645,339	111,823
Non-unit linked technical provisions	(925)	12,332	(653)	6,393
Investment contract liabilities	-	605,842	-	554,813
Total	**699,832**	**730,869**	**644,686**	**673,029**

The main differences between the Solvency II and Irish GAAP Technical Provisions are as follows:

- Solvency II Technical Provisions include Unit-Linked liabilities in respect of both insurance and investment contracts. Irish GAAP Technical Provisions include Unit-Linked liabilities in respect of

Insurance contracts only. Unit linked liabilities in respect of investment contracts are classified as investment contract liabilities under Irish GAAP.

- Solvency II uses best estimate assumptions while the IFRS assumptions include margins for adverse deviation.
- The Solvency II technical provision policyholder fund unit-growth rate is specified by regulation (the relevant risk-free interest rate is provided by EIOPA). For IFRS the expected policyholder fund unit-growth rate is based on the expected return on the underlying assets in which our policyholder funds are invested, incorporating a margin for adverse deviation.
- The Solvency II technical provision discount rate is specified by regulation (the relevant risk-free interest rate is provided by EIOPA). For IFRS the discount rate is based on the expected return on the assets backing the technical provisions, incorporating a margin for adverse deviation.
- Solvency II permits negative technical provisions.
- Solvency II technical provisions include the risk margin.

ALD does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC. ALD does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC. ALD does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC. ALD does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.3 Other liabilities

As at 31 December 2017, the Group recorded the following classes of liabilities for solvency purposes:

	2017		2016	
Liabilities	Solvency II value €'000	Statutory accounts value €'000	Solvency II value €'000	Statutory accounts value €'000
Contingent liabilities				
Provisions other than technical provisions	0	0	3,380	3,380
Pension benefit obligations				
Deposits from reinsurers				
Deferred tax liabilities	4,360	2,035	5,229	1,981
Derivatives				
Debts owed to credit institutions				
Financial liabilities other than debts owed to credit institutions				
Insurance and intermediaries payables	7,821	11,080	7,458	10,314
Reinsurance payables	85	85	747	747
Payables (trade, not insurance)	4,480	4,480	5,388	5,388
Subordinated liabilities				
Subordinated liabilities not in basic own funds				
Subordinated liabilities in basic own funds				
Any other liabilities, not elsewhere shown		14,200		13,117
Total other liabilities	**16,746**	**31,880**	**22,202**	**34,927**

Deferred tax liabilities recognised on the Consolidated Financial Statements relate to historic earned profits, on which the corporation tax liability has not yet fallen due. Deferred tax liabilities are higher under Solvency II reflecting the fact that the Group can to take credit for future profits under Solvency II which are not allowed in the Consolidated Financial Statements. All prudence in the Consolidated Financial Statements is also removed in the Solvency II Technical Provisions.

Insurance & intermediaries liabilities under the Solvency II rules include amounts owed from reinsurers in the balance sheet of €3.3m (2016: €2.8m) which are included as an asset in the Consolidated Financial Statements. The 'any other liabilities, not elsewhere shown' figure of €14.2 million (2016: €13.1 million) relates to a deferred income liability that is included in the Consolidated Financial Statements but not the Solvency II Balance Sheet. All other liabilities (excluding the technical provisions) are recognised and valued for Solvency II purposes on the same basis as the annual Financial Statements, which are based on Irish GAAP.

D.4 Alternative methods for valuation

ALD does not use any alternative valuation methods.

D.5 Any other information

There is no other material information that needs to be disclosed.

E. CAPITAL MANAGEMENT

E.1 Own funds

The Group fulfils the minimum and solvency capital requirements stipulated by Solvency II as at the reporting date 31 December 2017 and in the financial year 2017.

The objective of own funds management is to maintain sufficient own funds to cover the MCR, SCR and Own Solvency Needs requirement at all times. The own funds are required to be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. Responsibility for own funds management ultimately rests with the Board. As part of own funds management, ALD prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The annual ORSA contains a five year projection of funding requirements under a range of scenarios.

An analysis of own funds is set out in the table below:

	2017 €'000	2016 *€'000*
Ordinary share capital (gross of own shares)	8,799	8,799
Share premium account related to ordinary share capital	62,895	62,895
Reconciliation reserve	(26,160)	(30,362)
Total basic own funds after deductions	**45,534**	**41,332**

The Group's ordinary share capital, share premium arising on ordinary share capital and reconciliation reserve are all available as unrestricted Tier 1 items. The ordinary share capital and share premium arising are immediately available to absorb losses and are fully subordinated to all other claims in the event of winding-up. The reconciliation reserve of (€26.2m) (2016: (€30.3m)) equals the excess of assets over liabilities less other basic own fund items and less the difference between the Defined Benefit surplus and the Defined Benefit SCR[1], as at the reporting date. The Group's Solvency II liabilities include negative technical provisions meaning that the own funds include an amount representing the expected future profits generated from current fund values on unit-linked business and future premiums on DTA business.

There were no material changes to how capital was managed during 2017. However, a detailed exercise to define and document the capital management plan for ALD over the medium term 2017-2021 was carried out. A Strategic Solvency Target ("SST") for ALD that was appropriate to the nature, scale, ownership structure and risk profile of the firm was also established, using the ORSA model, as a key part of process of developing the capital management plan.

The SST was set in line with the stated appetite of the ALD Board to have solvency coverage above SCR + OSN capital immediately after the occurrence of the risk events modelled in the ORSA and such that we can regain our SST via the invocation of documented contingency plans over the business planning horizon. The SST is

[1] This difference cannot be used to cover the SCR that is not related to the Defined Benefit pension scheme.

now the reference point for dividend distribution and strategy setting and is reviewed annually as part of the ORSA process.

The Group is not considering a dividend in 2018.

The Group's own funds are Tier 1 unrestricted and available to cover the SCR and MCR.

The difference between equity as shown in the Consolidated Financial Statements and the Solvency II excess of assets over liabilities comprises differences in the valuation of assets and liabilities, as set out in section D1 and D2 above. In particular, the Solvency II technical provisions are much lower than in the Consolidated Financial Statements due to the use of best estimate rather than prudent assumptions. In fact the Solvency II technical provisions are negative (i.e. an asset).

The Group does not make use of ancillary own funds or transitional arrangements.

The only deductions from the own funds relate to part of the defined benefit scheme surplus €0.04m (2016: €0.06m). The defined benefit scheme is treated as a ring-fenced fund for the purpose of calculating the SCR and as such is only partly available to support the SCR.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The table below sets out the total SCR and MCR at 31 December 2017:

	2017 €'000	2016 €'000
SCR	28,459	26,335
MCR	7,572	7,081

The required capital has been calculated based on the standard formula for Solvency II. The model is subject to close internal quality control and extensive validation. Both solvency and minimum capital requirements were complied with at all times during the reporting under consideration.

The table below sets out the risk modules that make up the Group's SCR at 31 December 2017:

	2017 €'000	2016 €'000
Operational risk	1,098	1,052
Market risk	14,947	12,646
Underwriting risk	22,378	20,144
Counterparty risk	3,319	5,960
Diversification benefit	(9,333)	(9,705)
SCR gross of tax relief	**32,409**	**30,097**
Tax relief on SCR stresses	(3,950)	(3,762)
SCR net of tax relief	**28,459**	**26,335**

The table below describes the calculation of the Group's Minimum Capital Requirement (MCR) at 31 December 2017:

	2017 €'000	**2016 €'000**
Absolute Floor	3,700	3,700
Linear MCR	7,572	7,081
SCR	28,459	26,335
Combined MCR	7,572	7,081
MCR	**7,572**	**7,081**

Approximations

In order to perform the SCR calculation as efficiently as possible at 31 December 2017, a number of approximations were necessary in the calculation of the Market Risk and Underwriting Risk SCRs at that date. The Group is satisfied that the use approximations at 31 December 2017 did not materially impact the SCR calculation.

Material movements in MCR and SCR

The SCR and MCR both increased over the period. The SCR has increased over the period as a result of increased market risk following strong market growth and increased underwriting risk following portfolio movements and assumptions changes. The MCR has also increased over the period as a result of increased funds under management driven by strong market growth.

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

The Group does not use the duration-based equity risk submodule in the calculation of the SCR so this section is not relevant.

E.4 Difference between the standard formula and any internal model used

The Group does not use an internal model, partial internal model or undertaking specific parameters so this section is not relevant.

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

The Group was compliant with the MCR and SCR requirements at all times during 2017.

E.6 Any other information

The Group does not believe that there is any other information that needs to be disclosed.

Appendix A: Public QRTs

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	743
Property, plant & equipement held for own use	**R0060**	2,620
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	6,493
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	0
Equities - listed	**R0110**	0
Equities - unlisted	**R0120**	0
Bonds	**R0130**	6,493
Government Bonds	**R0140**	2,887
Corporate Bonds	**R0150**	148
Structured notes	**R0160**	3,458
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	0
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	721,260
Loans and mortgages	**R0230**	2,316
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	2,316
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	-1,957
Non-life and health similar to non-life	**R0280**	0
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-338
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	-338
Life index-linked and unit-linked	**R0340**	-1,619
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	530
Reinsurance receivables	**R0370**	501
Receivables (trade, not insurance)	**R0380**	564
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	29,079
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	762,150

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
TP calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
TP calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-925
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-925
TP calculated as a whole	R0660	0
Best Estimate	R0670	-1,056
Risk margin	R0680	131
Technical provisions – index-linked and unit-linked	R0690	700,757
TP calculated as a whole	R0700	720,731
Best Estimate	R0710	-29,556
Risk margin	R0720	9,582
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	4,360
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	7,821
Reinsurance payables	R0830	85
Payables (trade, not insurance)	R0840	4,480
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	716,578
Excess of assets over liabilities	R1000	45,572

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	0	0	0	0	0	0	0	0	0
Net	**R0200**	0	0	0	0	0	0	0	0	0
Premiums earned										
Gross - Direct Business	**R0210**	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	0	0	0	0	0	0	0	0	0
Net	**R0300**	0	0	0	0	0	0	0	0	0
Claims incurred										
Gross - Direct Business	**R0310**	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	0	0	0	0	0	0	0	0
Net	**R0400**	0	0	0	0	0	0	0	0	0
Changes in other technical provisions		0	0	0	0	0	0	0	0	0
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	0	0	0	0	0	0	0	0	0
Other expenses	**R1200**									
Total expenses	**R1300**									

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**	0	0	0					0
Gross - Proportional reinsurance accepted	**R0120**	0	0	0					0
Gross - Non-proportional reinsurance accepted	**R0130**				0	0	0	0	0
Reinsurers' share	**R0140**	0	0	0	0	0	0	0	0
Net	**R0200**	0	0	0	0	0	0	0	0
Premiums earned									
Gross - Direct Business	**R0210**	0	0	0					0
Gross - Proportional reinsurance accepted	**R0220**	0	0	0					0
Gross - Non-proportional reinsurance accepted	**R0230**				0	0	0	0	0
Reinsurers' share	**R0240**	0	0	0	0	0	0	0	0
Net	**R0300**	0	0	0	0	0	0	0	0
Claims incurred									
Gross - Direct Business	**R0310**	0	0	0					0
Gross - Proportional reinsurance accepted	**R0320**	0	0	0					0
Gross - Non-proportional reinsurance accepted	**R0330**				0	0	0	0	0
Reinsurers' share	**R0340**	0	0	0	0	0	0	0	0
Net	**R0400**	0	0	0	0	0	0	0	0
Changes in other technical provisions		0	0	0	0	0	0	0	0
Gross - Direct Business	**R0410**	0	0	0					0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0					0
Gross - Non- proportional reinsurance accepted	**R0430**				0	0	0	0	0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	0	0	0	0	0	0	0	0
Other expenses	**R1200**								0
Total expenses	**R1300**								0

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

		Line of Business for: **life insurance obligations**						**Life reinsurance**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	0	106,355	889	0	0	0	0	107,244
Reinsurers' share	**R1420**	0	0	9,005	374	0	0	0	0	9,379
Net	**R1500**	0	0	97,350	516	0	0	0	0	97,865
Premiums earned										
Gross	**R1510**	0	0	106,355	889	0	0	0	0	107,244
Reinsurers' share	**R1520**	0	0	9,005	374	0	0	0	0	9,379
Net	**R1600**	0	0	97,350	516	0	0	0	0	97,865
Claims incurred										
Gross	**R1610**	0	0	64,385	0	0	0	0	0	64,385
Reinsurers' share	**R1620**	0	0	6,625	0	0	0	0	0	6,625
Net	**R1700**	0	0	57,760	0	0	0	0	0	57,760
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	0	0	18,315	119	0	0	0	0	18,434
Other expenses	**R2500**									5,078
Total expenses	**R2600**									23,512

S.23.01.22
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	8,799	8,799		0	
Non-available called but not paid in ordinary share capital at group level	R0020	0	0		0	
Share premium account related to ordinary share capital	R0030	62,895	62,895		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual a	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Non-available subordinated mutual member accounts at group level	R0060	0		0	0	0
Surplus funds	R0070	0	0			
Non-available surplus funds at group level	R0080	0	0			
Preference shares	R0090	0		0	0	0
Non-available preference shares at group level	R0100	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Non-available share premium account related to preference shares at group level	R0120	0		0	0	0
Reconciliation reserve	R0130	-26,161	-26,161			
Subordinated liabilities	R0140	0		0	0	0
Non-available subordinated liabilities at group level	R0150	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
The amount equal to the value of net deferred tax assets not available at the group level	R0170	0				0
Other items approved by supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	R0190	0	0	0	0	0
Minority interests (if not reported as part of a specific own fund item)	R0200	0	0	0	0	0
Non-available minority interests at group level	R0210	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0	0			
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	0	0	0	0	
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	0	0	0	0	0
Deductions for participations where there is non-availability of information (Article 229)	R0250	0	0	0	0	0
Deduction for participations included by using D&A when a combination of methods is used	R0260	0	0	0	0	0
Total of non-available own fund items	R0270	0	0	0	0	0
Total deductions	R0280	0	0	0	0	0
Total basic own funds after deductions	R0290	45,534	45,534	0	0	0

S.23.01.22 (continued)

Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Non available ancillary own funds at group level	**R0380**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	0			0	0
Own funds of other financial sectors						
Reconciliation reserve	**R0410**					
Institutions for occupational retirement provision	**R0420**	0	0	0	0	0
Non regulated entities carrying out financial activities	**R0430**	0	0	0	0	
Total own funds of other financial sectors	**R0440**	0	0	0	0	
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	**R0450**	0	0	0	0	0
Own funds aggregated when using the D&A and a combination of method net of IGT	**R0460**	0	0	0	0	0
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	45,534	45,534	0	0	0
Total available own funds to meet the minimum consolidated group SCR	**R0530**	45,534	45,534	0	0	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	45,534	45,534	0	0	0
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	45,534	45,534	0	0	
Minimum consolidated Group SCR (Article 230)	**R0610**	7,572				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	601%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	45,534	45,534	0	0	0
Group SCR	**R0680**	28,459				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	160%				

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	**R0700**	45,572				
Own shares (included as assets on the balance sheet)	**R0710**	0				
Forseeable dividends, distributions and charges	**R0720**	0				
Other basic own fund items	**R0730**	71,695				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	38				
Other non available own funds	**R0750**	0				
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	-26,161				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	718	718			
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0	0			
Total EPIFP	**R0790**	718	718			

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0080**	**C0090**
Market risk	**R0010**	14,947		0
Counterparty default risk	**R0020**	3,319		
Life underwriting risk	**R0030**	22,378	0	0
Health underwriting risk	**R0040**	0	0	0
Non-life underwriting risk	**R0050**	0	0	0
Diversification	**R0060**	-9,333		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	31,311		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	1,098
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	-3,950
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	28,459
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	28,459
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	27,754
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	705
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0
Minimum consolidated group solvency capital requirement	**R0470**	7,572
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	**R0500**	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	**R0510**	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	**R0520**	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	**R0530**	0
Capital requirement for non-controlled participation requirements	**R0540**	0
Capital requirement for residual undertakings	**R0550**	0
Overall SCR		
SCR for undertakings included via D and A	**R0560**	0
Solvency capital requirement	**R0570**	28,459

S.32.01.22
Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
IE	635400NDPDLB7KJWFG98	1 - LEI	ACORN LIFE	1 - Life insurance undertaking	SA	2 - Non-mutual	CBI
IE	ACORN_BROKERAGE	2 - Specific code	ACORN BROKERAGE	2 - Non life insurance undertaking	SA	2 - Non-mutual	CBI
IE	635400DCLRXC8IP7B175	1 - LEI	ACORN LIFE GROUP	5 - Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	SA	2 - Non-mutual	CBI
IE	ORCAN	2 - Specific code	ORCAN	99 - Other	SA	2 - Non-mutual	NONE
GB	TANIS	2 - Specific code	TANIS	99 - Other	SA	2 - Non-mutual	NONE

	Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
Legal name of the undertaking	% capital share	% used for the establishment of accounting consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
ACORN LIFE	100%	100%	100%	AAA	1 - Dominant	100%	1 – Included in the scope	2014-01-01	1 - Method 1: Full consolidation
ACORN BROKERAGE	100%	100%	100%	AAA	1 - Dominant	100%	1 – Included in the scope	2014-01-01	1 - Method 1: Full consolidation
ACORN LIFE GROUP	100%	100%	100%	AAA	2 - Significant	100%	1 – Included in the scope		1 - Method 1: Full consolidation
ORCAN	100%	100%	100%	AAA	1 - Dominant	100%	1 – Included in the scope		1 - Method 1: Full consolidation
TANIS	100%	100%	100%	AAA	1 - Dominant	100%	1 – Included in the scope		1 - Method 1: Full consolidation