Acorn Life Group Limited

Solvency and Financial Condition Report

For year ending 31 December 2019

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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 DAC (ALD) is the only regulated insurance undertaking in the Group. It offers protection, savings, pension and investment products designed for the Irish market. Acorn Brokerage Limited (ABL) is a regulated insurance intermediary distributing home, motor and commercial insurance policies as well as mortgages. The Group fulfils the minimum and solvency capital requirements as set down under the Solvency II regime as at the reporting date 31 December 2019 and in the financial year 2019.

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 these matters is the Group's Board of Directors, with the help of the governance and control functions that it has put in place to monitor and manage the business.

The solvency objective of the Group is to ensure that it has and will have in the future sufficient capital to pay its policyholders and all other creditors in full as these liabilities fall due. This means that the Group must hold an appropriate amount and quality of capital in order to meet regulatory requirements as well as additional capital relevant to its specific capital needs given its risk profile, financial condition, business model and strategy, overall complexity, sensitivity to changing conditions and other factors that may arise from time to time. A strong capital position enables the Group to continue to operate through periods of severe stress. The Group measures and calculates capital using the Standard Formula. As at 31 December 2019, the Group has a solvency coverage ratio of 171% (2018: 165%). This equates to €19.1 million (2018: €17.4 million) of excess assets over the Solvency Capital Requirement (SCR) and €38.3 million (2018: €36.8 million) of excess assets over the Minimum Capital Requirement (MCR).

Key Figures: Solvency II Balance Sheet	**2019**	**2018**
	€'m	**€m**
Assets	889.5	743.0
Gross Technical Provisions	825.0	678.3
Other liabilities	18.6	20.4
Eligible Own Funds	**45.9**	**44.3**
Capital Requirements		
Minimum Capital Requirement (MCR)	7.6	7.5
Solvency Capital Requirement (SCR) (after tax & diversification benefits)	26.8	26.9
Coverage Ratio		
Ratio of Eligible Own Funds to MCR	605%	592%
Ratio of Eligible Own Funds to SCR *(Solvency Ratio)*	171%	165%

Business and Performance Summary

Annual Premium Equivalent grew by 2% during 2019. Regular premium income from pensions grew in line with the Group's plans. Single premium income, although 5% lower than 2018 was broadly in line with expectations. New business sales from the Group's protection offerings continue to decline in favour of the Group's other product lines. Commission and Fee income in the brokerage business grew by 8% since 2018. During the 2019 financial year, the ordinary profit before tax was €12.1 million (2018: loss of €0.2 million). During 2019, the Group ceded a 35% share of risk experience over a 15-year period in its unit-linked protection portfolio in force as at 31 December 2018. The quota share was effective from 1 January 2019. As part of the reinsurance contract, the Group recorded as income a reinsurance commission payment of €10m. The ordinary profit for 2019 also benefited from favourable claims experience, lower expenses and strong investment returns. The Group had policyholders' assets under management of €846 million at 31 December 2019 (2018: €699 million). The Group remains committed to retaining its independent status. The Group has embarked on a new business strategy, which it has called Distribution 21. This strategy will seek to develop a distribution network that will thrive in the 21st century financial services landscape and it is intended to future proof the business model by addressing key underlying risks such as product design, cost base and customer value.

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, Board Remuneration Committee and Management Committees. Each of these committees operates within well-defined terms of reference. Risk Management, Compliance, Actuarial, Finance 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 the Group 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 is responsible for ensuring that the Group sets aside enough funds to cover policyholders' claims and expenses of the business. The Finance Function is responsible for financial control and governance, financial reporting and tax compliance. The Internal Audit Function's role is to support the Board and Management 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 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.

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 the Group's 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, such as the bank in which overnight deposits are held or the reinsurers used, default. This risk is managed by the Company 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 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 2019, the Group has a solvency coverage ratio of 171% (2018: 165%). This equates to €19.1 million (2018: €17.4 million) of excess assets over the Solvency Capital Requirement (SCR) and €38.3 million (2018: €36.8 million) of excess assets over the Minimum Capital Requirement (MCR).

A primary responsibility of the Board is to ensure that the Group maintains sufficient capital in order to meet regulatory requirements as well as the additional capital relevant to its specific capital needs given its risk profile, financial condition, business model and strategy, overall complexity, sensitivity to changing conditions and other factors that may arise from time to time. A number of mechanisms are in place to evaluate capital adequacy and those evaluations indicate that the Group's capital is adequate.

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 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. All of the own funds available to cover the Group's capital requirements are tier 1 own funds.

More information on capital can be found in section E below.

A. BUSINESS AND PERFORMANCE

A.1 Business

Acorn Life DAC (ALD) is the only regulated insurance undertaking in the Group. It offers protection, savings, pension and investment products designed for the Irish market. Acorn Brokerage Limited (ABL) is a regulated insurance intermediary distributing home, motor and commercial insurance policies as well as mortgages.

ALD is a private company limited by shares, registered in Ireland and authorised by the Central Bank of Ireland ("CBI") to conduct business in the Republic of Ireland. Acorn Brokerage Limited (ABL) which trades as Acorn Insurance is a private company limited by shares, registered 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"). ALGL is a private company limited by shares, registered in Ireland. 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 Brokerage Limited and Orcan Limited.
Acorn Life DAC:	A regulated insurance company offering protection, savings, pension and investment products.
Acorn Brokerage Limited:	A regulated insurance intermediary predominantly distributing home, motor, commercial and health insurance policies as well as mortgages.
Orcan Limited:	A group company which facilitates the operation of a Revenue Approved Employee Share Ownership Scheme.

The registered address of the Group 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

The Group's independent auditor is:

KPMG
Chartered Accountants
1 Harbourmaster Place
Dublin 1

Acorn Life Group Limited Shareholders and Group Companies are:

O'Connell family

100%

Acorn Life Group Limited

Registration No: 454195 at NZI Plaza

St Augustine Street Galway

100% ownership

Tanis Limited

Registration No: NI338121 at A&L Goodbody, Northern Ireland, 42-46 Fountain Street, Belfast, BT1 5EF

100% ownership

Acorn Life DAC

Registration No: 128945 at NZI Plaza St Augustine Street Galway

100% ownership

Acorn Brokerage Limited

Registration No: 513124 at NZI Plaza St Augustine Street Galway

100% ownership

Orcan Limited

Registration No: 454031 at NZI Plaza St Augustine Street Galway

Annual Premium Equivalent grew by 2% during 2019. Regular premium income from pensions grew in line with the Group's plans. Single premium income, although 5% lower than 2018 was broadly in line with expectations. New business sales from the Group's protection offerings continue to decline in favour of other product lines. Commission and Fee income in the brokerage business grew by 8% since 2018. During the 2019 financial year, the ordinary profit before tax was €12.1 million (2018: loss of €0.1 million). During 2019, the Group ceded a 35% share of risk experience over a 15-year period in its unit-linked protection portfolio in force as at 31 December 2018. The quota share was effective from 1 January 2019. As part of the reinsurance contract, the Group recorded as income a reinsurance commission payment of €10m. The ordinary profit for 2019 also benefited from favourable claims experience, lower expenses and strong investment returns. The Group had policyholders' assets under management of €846 million at 31 December 2019 (2018: €699 million). The Group remains committed to retaining its independent status. The Group has embarked on a new business strategy, which it has called Distribution 21. This strategy will seek to develop a distribution network that will thrive in the 21st century financial services landscape and it is intended to future proof the business model by addressing key underlying risks such as product design, cost base and customer value.

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 underwriting performance provided in this section is on an FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) basis as the Group prepares its Consolidated Financial Statements in accordance with these accounting rules. The Group uses reinsurance to limit its overall risk exposure as well as to reduce the volatility of its claims and underwriting performance. The Group entered into a new reinsurance agreement during the year ended 31 December 2019, whereby it ceded a 35% share of risk experience over a 15-year period in its in-force unit-linked protection portfolio. As part of the reinsurance agreement, the Group recorded as income a reinsurance commission payment of €10m.

In 2020, the Group plans to continue to realise savings as it invests in its IT infrastructure and deliver on its business plan while maintaining its target SCR coverage. These plans have been stress tested as part of the ORSA process and approved by the Board of Directors.

The table below sets out the Group's profit and loss account for the year ended 31 December 2019, as reported in its Consolidated Financial Statements. The main differences in net income when compared with the previous year relate to reinsurance commission received as well as more favourable insurance claims experience and a decrease in expenses during 2019 compared to 2018.

Differences in premiums, claims and expenses between this table and the Solvency II QRT S.05.01.02 are because the Consolidated Financial Statements record premiums and claims in respect of insurance business whereas the Solvency II QRT records premiums and claims in respect of insurance and investment business. All business was written in Ireland.

Year-ended 31 December	**2019**	**2018**
	€'000	**€'000**
Net insurance premiums written and earned	26,827	31,541
Other technical income, net of reinsurance	9,236	8,260
Investment return	24,443	(5,698)
Total Income	**60,506**	**34,103**
Claims incurred, net of reinsurance	(17,559)	(21,505)
Changes in insurance liabilities	(18,438)	10,391
Net operating expenses (including reinsurance commission)	(12,425)	(23,126)
Total Expenses	**(48,422)**	**(34,240)**
Ordinary (loss)/profit before tax	**12,084**	**(137)**

The table below (which is a summary of QRT S.05 in Appendix A) sets out the Group's premiums, claims and expenses split by material Solvency II lines of business for the period ended 31 December 2019. All business was written in Ireland.

	2019			2018		
	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
Net Premiums earned	99,598	509	100,107	108,220	445	108,665
Net claims incurred	61,999	-	61,999	69,036	-	69,036
Expenses incurred	23,050	96	23,146	24,047	93	24,140
Other expenses	-	-	-	-	-	1,825

A.3 Investment Performance

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

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

Investment performance 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 QRTs summarises investment performance by asset class. It differs to the investment performance in the Consolidated Financial Statements because the Consolidated Financial Statements only show investment performance in respect of insurance contracts and shareholder's funds while the QRTs show investment performance on all policies and on shareholders' funds.

Investment performance over 2019 was significantly more favourable than 2018 primarily due to market conditions in both years.

Investment performance by asset class	2019	2018
	€'000	€'000
Government bonds	103	(2)
Corporate bonds	5	4
Investment funds	136,235	(36,677)
Structured notes	342	(321)
Cash and deposits	(213)	(63)
Total	**136,472**	**(37,059)**

Looking at shareholder investments in isolation, gains were €0.5 million (2018: loss of €0.2 million). These figures are included within the figures in the previous table together with the performance of policyholder funds. The Group has no investments in securitisation.

A.4 Performance of other activities

Other income

The Group's unit-linked business is classified as either investment business or insurance business in its Consolidated Financial Statements, depending on the nature of the contract. The Consolidated Financial Statements record premiums and claims in respect of insurance business only. Fee income generated on investment contracts is recorded as such in the Consolidated Financial Statements.

Fee 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 Financial Statements table in section A.2 above.

Other expenses

Other expenses referred to in the table in section A.2 are those expenses incurred which do not fall into the following categories: Administrative Expenses, Investment Management Expenses, Claims Expenses, Acquisition Expenses and Overhead Expenses.

The Company 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 corporate governance within ALGL. The Boards and Management teams of the subsidiary companies are responsible for operating effective oversight within subsidiary companies that is consistent with and supports the Group's policies. The board of each group entity retains primary responsibility for corporate governance within the Group.

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

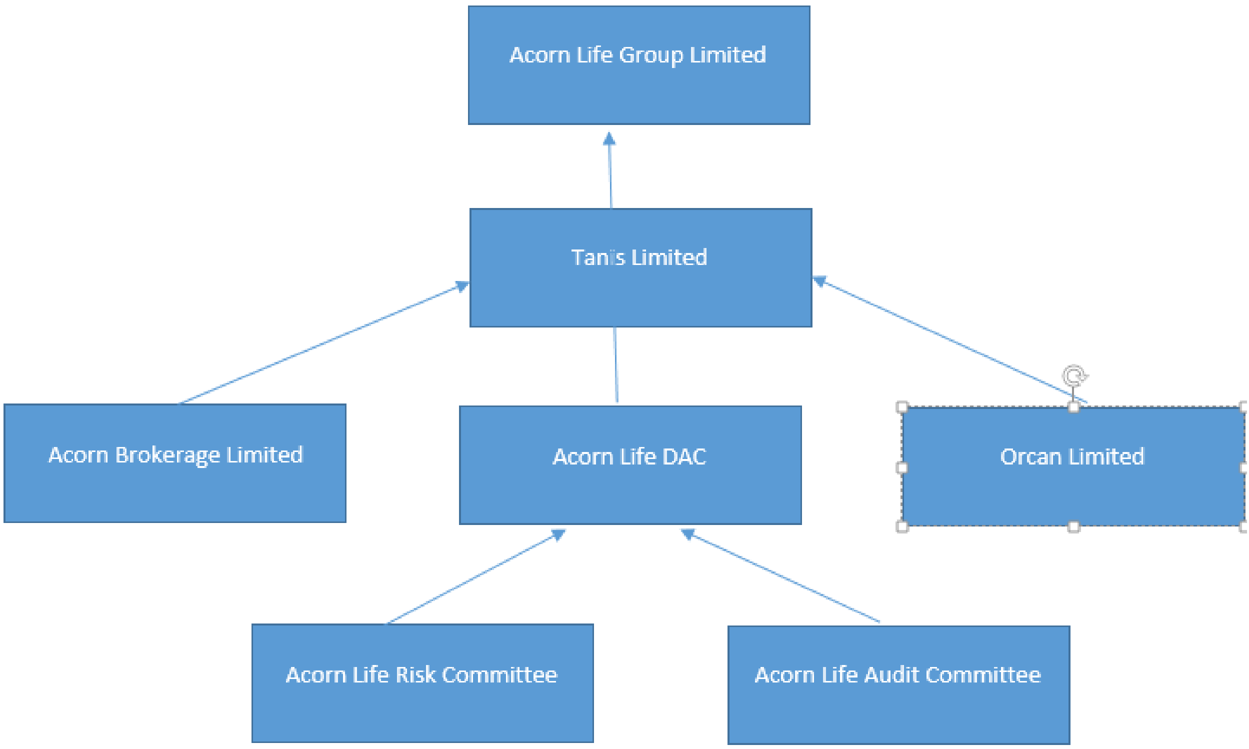
The governance structure in ALGL comprises the Board of Directors who are responsible for organizing and directing the affairs of the wider group in a manner designed to further its best interests, having regard to the interests of its shareholders, customers, and employees, while complying with its 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 held 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 Brian Neilan, (Independent Non-Executive)
4. Mr John Lyons (Independent Non-Executive, appointed 1 April 2019)
5. Mr Keith Butler (Non-Executive, appointed 16 March 2020)

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 organising and directing the affairs of the Company, 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 2019. A Board Remuneration Committee was established on 1 January 2020.

The board of directors of ALD is comprised of:

1. Mr Anthony Johnstone, Chairman (Independent Non-Executive)
2. Mr Patrick Byrne, CEO (resigned as CEO on 31 December 2019; he remains on the Board as a Non-Executive Director)
3. Mr Gerry O'Connell, (Non-Executive)
4. Mr Paul Shelly (Independent Non-Executive)
5. Mr James Kehoe (Independent Non-Executive)
6. Mr John Lyons (Independent Non-Executive)
7. Mr Keith Butler, CEO (appointed 1 January 2020)

The company secretary is Mr Sean Harte.

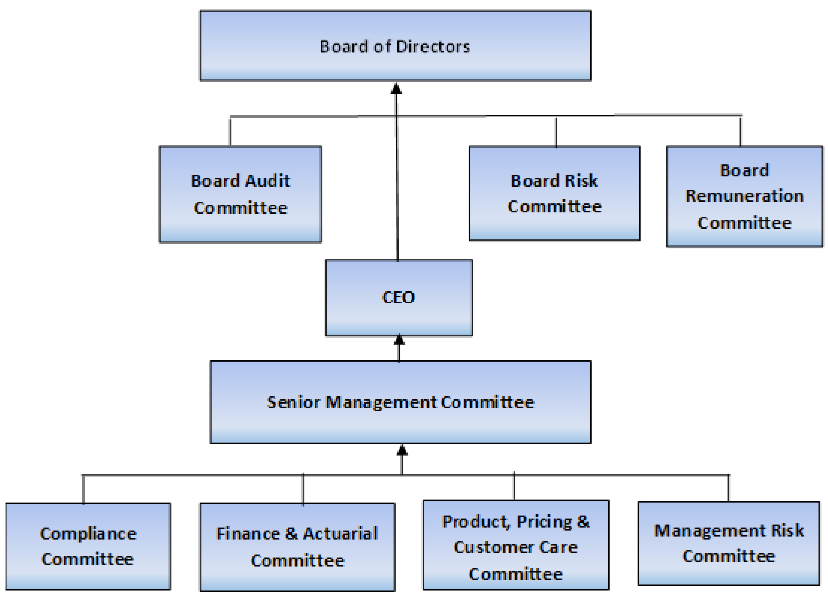
Mr Patrick Byrne resigned as CEO on 31st December 2019 and remains on the Board as a non-executive director. Mr Keith Butler was appointed to the role of CEO and Executive Director, effective 1 January 2020.

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

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



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. The Committee oversees the risk management function. 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.

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 assist the Board in fulfilling its oversight responsibilities in respect of financial reporting and financial risks, the system of internal control, the audit process and compliance with laws and regulations.

The Committee;

- reviews the scope and the result of the annual external audit
- assesses auditor independence and the effectiveness of the audit process
- reviews the Financial Statements and relevant Solvency II returns before recommending to the Board for approval
- reviews the scope, resources, results and effectiveness of the internal audit function; and
- reviews specific areas of financial reporting as required by the Board or the Audit Committee.

Board Remuneration Committee (Chaired by Mr John Lyons)

The purpose of the Committee is to establish remuneration policies and procedures within the Company. The Committee was established on 1 January 2020. The Committee;

- is responsible for setting remuneration policy for all executive directors and determining the remuneration package of each executive director
- recommends and monitors remuneration of Management so as to attract, retain and motivate Management of the quality required to run the Company successfully without paying more than is necessary and having regard to the risk appetite of the Company and alignment to its strategic goals
- reviews the on-going appropriateness and relevance of the remuneration policy
- approves the design of any performance-related pay schemes operated by the Company
- oversees any major changes in employee benefit structures throughout the Company
- oversees the policy for authorising claims for expenses from the directors.

ABL has a system of 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, (Non-Executive)
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, (CEO)

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, Actuarial, Internal Audit and Finance 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. 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 business regarding 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 in identifying, assessing, measuring, mitigating and monitoring risks. The Risk Management Function also undertakes independent monitoring of risk management systems and processes to assist the Group, and its Boards of Directors, in assessing the robustness of the 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 has a compliance function and a compliance policy. The compliance function is responsible for ensuring that the Group complies with all relevant regulatory requirements and it maintains oversight of consumer protection risks under a consumer protection risk management framework and conduct risk policy to help ensure that consumers' best interests are protected.

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. All Group companies are included in the scope of the ALD Internal Audit Charter Policy and the directors of ALGL and ABL may request additional internal audits from time to time. 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 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.1.3.5 Finance

This Function is led by the Chief Financial Officer, who reports directly to the Board Audit Committee of ALD. The CFO is responsible to the Chief Executive Officer for operational and day-to-day management. The Finance Team is a first line of defence. The main responsibilities of the Finance Function include Financial Control and Governance, Reporting Statutory and Regulatory financial information including preparing the financial statements, overseeing budgetary and forecasting processing and compliance with all relevant Tax obligations.

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:

- Corporate Governance Requirements for Insurance Undertakings
- Consumer Protection Code
- Insurance Distribution Regulations 2018
- Solvency II Regulations
- CBI's guidelines on variable remuneration

The Group seeks at all times to provide competitive salaries and to reward employees fairly. The 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 business and risk management strategy as approved by the Board of Directors
- Consistent with the 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. ALD and ABL also contribute to the scheme.

The Group's contributions are based on basic salaries and 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 €13.2 million were paid within the Group during 2019 (2018: Nil). There are no plans to pay dividends in 2020. There were no material transactions between any group companies and members of the Boards during 2019.

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 policy 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 Function of ALD and ABL are responsible for carrying out the assessment in line with the policies, which is then considered by the Board 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 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:

- Regular Risk Reporting
- Annual Risk Appetite Review
- Clear Risk Reporting Lines
- The Annual ORSA Process
- Risk Event Reporting
- Annual Risk Identification Exercise

The Annual ORSA process

The risks captured on the Risk Register are reviewed as part of the Own Solvency Needs (OSN) assessment to determine whether the risk is adequately covered by the Standard Formula, or whether an additional provision is required. Stress testing and scenario analysis, used as part of the ORSA process, are also used as risk management tools. The 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 Management Committees and 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. Risk assessment and measurement methodologies are based on industry practice and form a key part of the Group's 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 the Group should 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 and its Management, 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 business 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 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) of ALD leads the Risk Management Function which maintains and monitors the effectiveness of the risk management policy and framework in the Company. The CRO has a direct line of responsibility to the Board Risk Committee and to the Board. The CRO also provides input, via the Management Committees, into ongoing business decisions, ensuring consistency with risk policies and any Board escalation protocols.

The Risk Management Function:

- Assists the Board, and the ALD Risk Committee, in the effective operation of the risk management system.
- Develops and implements an annual Risk Plan.
- Carries out the annual ORSA process, and any ad hoc ORSA processes required.
- Facilitates, and provides inputs into, the process of setting the risk strategy and appetite of the Group.
- 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 of the Group and reports to the ALD Board Risk Committee, on a periodic basis (at least 3 times a year), on risk exposures against its risk appetite, key risk events and also on emerging risks facing the Group.
- Advises the Board, and the ALD Risk Committee, on risk management matters including those related to strategy, investment and change projects.
- Fulfils a stewardship role with respect to embedding the Group's 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, Audit and Remuneration Committees

c) The key control functions provide guidance, set relevant policies and provide assurance on the internal control environment across the Group through relevant feedback to the Board.

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.

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)
- 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; and
- 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, further 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 Functions for ALD and ABL undertake the following key roles and responsibilities:

- Implementation of policies and procedures to support compliance with all relevant legislation
- Establishment of a Compliance Plan – the Annual Compliance Plan is reviewed by Management and approved by Board Risk Committee and the Board of Directors
- Promotion a Culture of Compliance
- Identification of External Requirements and Trends
- Advise the Boards and Management of new and upcoming regulations and assist in making submissions on behalf of the companies to the CBI and industry bodies
- Issue Policies and provides Guidance on compliance related matters
- Act as business partners 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
- Establishment of 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
- Undertake an annual programme of independent risk-based compliance monitoring and reporting
- Maintain a log of breaches and errors and will identify compliance risks and issues ongoing remediation recommendations to the respective departments and Management
- Ensure the Compliance Committee meets regularly and acts in accordance with this System of Governance Policy document and its terms of reference
- Ensure that all directors, staff and agents are trained on their obligations under relevant codes and regulations and ensures AML monitoring is reported to the boards and Compliance Committees.

This is a non-exhaustive list of items that are conducted by the Compliance Functions. From time to time the Compliance Functions may also be involved in certain first line of defence projects. During the tenure of these projects, the Compliance Functions will always ensure that independence will never be undermined. Furthermore, the Compliance Functions 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 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 Recoverable and Solvency Capital Requirement on a quarterly basis
- Adhering to the Company's Reserving Policy
- 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
- Product pricing
- Considering PRE (Policyholder Reasonable Expectations) and reporting on PRE issues to the Board.
- Providing recommendations on dividend
- Monitoring compliance relating to disclosure of information to policyholders

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**
Custodian Services	France	Head of Investment
Asset Management	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
Printing, packing and posting of correspondence	Ireland	Chief Operating Officer

B8. Assessment of governance and any other disclosures

ALD is satisfied of its compliance with Corporate Governance Requirements for Insurance Undertakings 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. The Group is satisfied that there is no other material information that needs to be disclosed.

C. RISK PROFILE

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

	SCR Amount	SCR %	SCR Amount	SCR %
	2019		2018	
Underwriting Risk	**€21.0m**	**52.6%**	€21.3m	54.9%
Market Risk	**€13.8m**	**34.6%**	€12.5m	32.2%
Counterparty Risk	**€3.7m**	**9.3%**	€3.7m	9.5%
Operational Risk	**€1.4m**	**3.5%**	€1.3m	3.4%
Solvency Capital Requirement (before tax relief & diversification)	**€39.9m**	**100%**	€38.8m	100%

C.1 Underwriting risk

C.1.1 RISK EXPOSURE

Underwriting Risk relates to the uncertainty regarding the occurrence, amount or timing of insurance claims, income, payments or liabilities.

The Group is in the business of accepting mortality and morbidity risk in order to generate profits for shareholders. The Group 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 the Group 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

Mortgage Protection • Direct sales force business	• 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
Savings and investments including: • Savings plan • Investment bond	• Expense risk • Lapse risk • Market risk

Mortality Risk

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

Given the Group'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

The Group 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

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

Lapse Risk

The Group 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 limited control over movements in a given year.

Expense Risk

Expense risk is very relevant to the Group. 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, 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.
- Regular analysis of change in embedded value including value of new business sold and experience variance impacts.
- Regular 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.

The Group 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 satisfied that the Group is not exposed to excessive concentrations of risk. Any potential future excessive concentrations of risk would be managed through reinsurance and/or other appropriate mitigation techniques.

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 the Group and reduces SCR. The primary objectives of the Group'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

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

- Both reinsurers have at least an A rating (with Moody's) in line with Risk Appetite
- Credit risk associated with both reinsurers is low.

ALD also has a reinsurance financing arrangement in place.

C.1.4 RISK SENSITIVITY

As part of the ORSA process in 2019, a number of underwriting stresses were tested. These included expenses, claims and lapse stresses. 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 the Group 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 the Group is assumed to lose a large proportion of its portfolio immediately. Even in this extreme stress, free capital remained positive. 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

The Group uses the correlations specified for the Solvency II Standard formula to determine dependencies across underwriting risks and between these and other risks. The Group's insurance risk profile does not exhibit any unique features which would suggest that the correlation between sub-modules would be any lower than suggested by the prescribed formula.

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 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 2019 was €13.8m (2018: €12.5m) made up of Interest Rate, Equity, Spread, Currency and Property Risk SCRs.

The Group 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. The Group 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. There is 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 68% (2018: 55%) of total Market SCR. The income generated through unit related charges on policyholder funds makes this SCR significant for the Group. However, the net impact of the Equity SCR on free capital 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 future management charges generated) and is 12% (2018: 14%) 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 the Group achieves the desired portfolio profile.

C.2.2 RISK CONCENTRATION

The Group 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 Group's Treasury Policy. Deposits are therefore well diversified which reduces the Concentration Risk exposure.

C.2.3 RISK MITIGATION

As per above, ALD has 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 – the Group has no appetite to invest Shareholders' assets directly in equities. The Group 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 there is 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 the Company's 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 2019, 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, the Group was able to comfortably withstand adverse changes in market values.

C.2.5 Dependencies between risk modules

The Group uses the correlations specified for the Solvency II Standard formula to determine dependencies across market risks and between these and other risks. The Group's specific market risk exposures do not exhibit any particular unique fixtures which merit heightened correlation allowance between Market Risk sub-modules.

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.

The Group currently avails of reinsurance through two reinsurers, Munich Re and SCOR. In line with the Group's Risk Appetite Statement, both reinsurers have a Moody's credit-rating of greater than A. The credit risk associated with both reinsurers is very low. The Group's current regulatory free capital 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 the Group'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 62% (2018: 44%) 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 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 loss of 20% across all banks with a rating downgrade of all banks at the same time. Applying these stresses, the solvency coverage ratio fell but remained well above 100%.

C.3.5 Dependencies between risk modules

The Group uses the correlations specified for the Solvency II Standard formula to determine dependencies between counterparty risks and between these and other risks.

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 the Group 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 2019, ALD held assets of €882m (2018: €740m) on its Solvency II Balance Sheet in order to meet the its liabilities and Solvency Capital Requirement (SCR). €880m (2018: €734m) 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 2019, ALD held Own Funds of €13.1m (2018: €15.8m) over and above the Solvency Capital Requirement. All of this was held in highly liquid investments. The HoAF is satisfied with the ALD's 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 Liquidity Risk, however. Any such large claims are flagged through the Risk Management Framework as soon as they become pending and 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 Capital (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 mean that these funds are immediately accessible as 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 the Liquidity 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

Liquidity planning is performed by the Group. The purpose of this exercise is to determine its cash-flow needs.

The maturity profile of bank deposits and the composition of the Group's liquid asset portfolio is subject to ongoing monitoring.

An assessment of the liquidity position of Own Funds is performed on a quarterly basis and reported to the Board Risk Committee. The projected liquidity position of the Group'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 the ALD's technical provisions. The EPIFP at 31 December 2019 was €1.6 million (2018: €1.4 million).

C.4.4 RISK SENSITIVITY

A meaningful liquidity stress is difficult to apply to a balance sheet with very healthy liquidity. All regulatory free capital above the SCR are held in liquid assets. Because of this, when the Group is adequately solvent, it also has healthy liquidity position. The liquidity position is stressed under each of the scenarios in the ORSA with the level of liquid assets maintained in all such scenarios in line with the regulatory free capital position.

C.4.5 Dependencies between risk modules

Given that liquidity is not a material risk, the Group does not model dependencies between liquidity risks and other risks.

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. The Group considers Cyber Security Risk, Outsourcing Risk 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. The Group 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. In this scenario the Group's assets remained above the SCR. Management actions are required to be taken in such a scenario in accordance with the Group's Risk Appetite Statement and Recession Scenario Contingency Plan.

Special Purpose Vehicles

The Group does not use Special Purpose Vehicles.

Upstream Regulatory Change

The Group monitors upstream regulatory developments through its risk management framework to ensure that it is prepared to assess and implement legislative developments as required.

The key areas of focus for the Group at present are;

- Changes to commission structures for tied intermediaries arising from the CBI Consultation paper CP116
- Changes to the Consumer Protection Code arising from the Insurance Distribution Directive
- AML legislation changes with the transposition of the 5th and 6th Directives into Irish Law
- The transposition of the IORPS II Pensions Directive and related Master Trust Regulations
- The ongoing EIOPA review of the Solvency II regime

Cybersecurity

The risks associated with IT and Cybersecurity are a key area of focus for the Group given the potential to have serious implications for consumer protection, financial stability and the overall reputation of the Irish financial system. The Group recognises its responsibilities in relation to IT, cybersecurity governance and risk management and it places these among its top priorities. The Group is well placed to withstand such risks in the ever-changing world of technology.

Brexit

Brexit is likely to have some negative effects for business and business confidence in Ireland in the face of otherwise strong economic prospects. The Group continues to actively manage the risks associated with Brexit.

Coronavirus (COVID-19)

The Coronavirus Disease (COVID-19) outbreak is likely to have an impact on the Group through increased claims costs and adverse movements in the financial markets. Business interruption could also potentially impact premium income. The Group is actively managing these risks.

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.

	2019			2018		
	Irish GAAP Value	Solvency II Value	Variance	Irish GAAP Value	Solvency II Value	Variance
Assets	€'000	€'000	€'000	€'000	€'000	€'000
Deferred Acquisition Costs	26,759	0	(26,759)	25,946	0	(25,946)
Pension benefit surplus	58	58	0	575	575	0
Property, plant and equipment held for own use	2,438	2,438	0	2,632	2,632	0
Financial Assets - Government bonds	2,495	2,574	79	2,692	2,777	85
Financial Assets - Corporate bonds	143	147	4	142	145	3
Financial Assets - Structured notes	500	500	(0)	949	949	0
Assets held for index-linked and unit-linked contracts	845,712	845,712	0	698,539	698,539	0
Loans and mortgages	2,218	2,218	0	2,296	2,296	0
Reinsurance recoverables	8,590	(3,695)	(12,285)	6,665	(1,239)	(7,904)
Insurance and intermediaries receivables	529	529	0	450	450	0
Reinsurance receivables	0	2,225	2,225	267	4,687	4,420
Receivables (trade, not insurance)	973	973	0	1,794	1,794	0
Cash and cash equivalents	35,848	35,828	(20)	29,419	29,398	(21)
Any other assets, not elsewhere shown	61	0	(61)	67	0	(67)
Total assets	**926,323**	**889,506**	**(36,817)**	**772,433**	**743,003**	**(29,430)**

The Consolidated Financial Statements are prepared in line with FRS 102 and 103. The differences between the Financial Statements valuations compared to the valuations under the Solvency II framework are as follows;

- **Deferred acquisition costs:** DAC is recognised as an asset in the Consolidated Financial Statements but is not recognised under the Solvency II framework
- **Reinsurance recoverable** is stated on a discounted best estimate value in line with Solvency II rules. Reinsurance recoverable is not discounted for the FRS102 and 103 valuation.
- **Reinsurance receivable** - part of the reinsurance recoverable in the Consolidated Financial Statements relating to reinsurance which will be recovered in respect of claims that have been notified to the Group but have not been fully investigated is classified as a reinsurance receivable asset under the Solvency II framework.
- **Accrued interest** is not included in the market value of assets in the Consolidated Financial Statements but is included in the market value of assets under the Solvency II framework.

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

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, Gross Technical Provisions (calculated as a whole) 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 2019 and 31 December 2018 by material line of business:

2019

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
€'000					
Unit-linked life	(28,164)	8,903	846,259	3,037	830,035
Non unit-linked life	(2,288)	303	0	658	(1,327)
Total	**(30,452)**	**9,206**	**846,259**	**3,695**	**828,708**

2018

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
€'000					
Unit-linked life	(26,007)	8,366	697,724	650	680,733
Non unit-linked life	(2,010)	265	0	589	(1,156)
Total	**(28,017)**	**8,631**	**697,724**	**1,239**	**679,577**

A. Gross Best Estimate Liability

The BEL is calculated using a gross premium valuation for all policies in-force and on risk at the valuation date. The BEL is 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 calculation allows for future management actions as approved by the Board.

<u>Main assumptions</u>

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. The Group 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. The Group used the rates as provided by EIOPA. The Group did not use the matching adjustment or the volatility adjustment at 31 December 2019.

Expenses and Inflation

The expenses incurred in servicing insurance obligations consist of administration, claims management/handling and overhead expenses. The Group 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 Group's current best estimate of future salary inflation and non-salary inflation, taking account of uncertainties around the future inflation rate applicable to regulatory and technology costs.

Lapse assumptions

Lapse assumptions are set with reference to 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.

Changes in Assumptions

The main changes to the assumptions over the 2019 financial year were as follows:

- The assumptions for future morbidity and lapses 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 ensures that the technical provisions are equal to the amounts required to meet its 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. The Unit-Linked liability is equal to the value of policyholder units plus the value of loyalty bonus units multiplied by the relevant fund valuation price at the valuation date. All of the Unit-Linked liability was matched by unit-linked assets at 31 December 2019.

D. Recoverable from reinsurance contracts and special purpose vehicles

The Group 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. The Group also has a reinsurance financing arrangement in place which incorporates risk transfer due to repayments being contingent on policyholders' future premium payments. The reinsurance recoverable is the excess of projected future reinsurance recoveries over projected future reinsurance premiums payable.

The reinsurance recoverable at 31 December 2019 was (€3,695k) (2018: (€1,239k)). The reinsurance recoverable balance relates to the Best Estimate Liability. The reinsurance recoverable amount is negative because the expected reinsurance premiums are greater than the expected claim amounts recoverable.

The Group did not hold any investments in special purpose vehicles at 31 December 2019.

Uncertainty associated with the value of technical provisions

The key sources of uncertainty for the Group 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 FRS 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 2019.

	2019			2018		
	Irish GAAP Value	Solvency II Value	Variance	Irish GAAP Value	Solvency II Value	Variance
Valuation differences of Technical Provisions	€'000	€'000	€'000	€'000	€'000	€'000
Unit-linked technical provisons	119,586	826,998	(707,412)	102,121	680,084	(577,963)
Non-unit linked technical provisions	16,925	(1,985)	18,910	13,468	(1,745)	15,213
Investment contract liabilities	723,432	0	723,432	594,121	0	594,121
Total technical provisions	**859,943**	**825,013**	**34,930**	**709,710**	**678,339**	**31,371**

The main differences between the Solvency II and Irish GAAP Technical Provisions under FRS 102 and 103 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 Irish GAAP 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 Irish GAAP 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 Irish GAAP 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.

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

D.3 Other liabilities

As at 31 December 2019, the Group recorded the following classes of liabilities for solvency purposes:

	2019			2018		
	Irish GAAP Value	Solvency II Value	Variance	Irish GAAP Value	Solvency II Value	Variance
Other Liabilities	€'000	€'000	€'000	€'000	€'000	€'000
Deferred tax liabilities	1,666	3,851	(2,185)	1,051	3,251	(2,200)
Insurance and intermediaries payables	10,628	10,628	(0)	12,815	12,815	0
Reinsurance payables	1,637	0	1,637	0	0	0
Payables (trade, not insurance)	4,071	4,071	0	4,262	4,262	0
Any other liabilities, not elsewhere shown	17,736	0	17,736	15,660	0	15,660
Total other liabilities	**35,738**	**18,550**	**17,188**	**33,788**	**20,328**	**13,460**

Insurance and intermediaries' payables include claims outstanding. The full value of the amount being paid out is included. There is no valuation difference between Solvency II and the Consolidate Financial Statements. The provisions for outstanding claims as at 31 December 2019 are not included in the BEL.

Deferred tax liabilities recognised on the 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 take credit for future profits under Solvency II which are not allowed in the Consolidated Financial Statements.

A deferred income liability of €17.7 million (2018: €15.7 million) is recognised in the Consolidated Financial Statements but not recognised under the Solvency II framework.

All other liabilities are recognised and valued for Solvency II purposes on the same basis as the Financial Statements.

D.4 Alternative methods for valuation

The Group 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 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. The Group must ensure that it has and will have in the future sufficient capital to pay its policyholders and all other creditors in full as these liabilities fall due. This means that the Group must hold an appropriate amount and quality of capital in order to meet regulatory requirements as well as additional capital relevant to its specific capital needs given its risk profile, financial condition, business model and strategy, overall complexity, sensitivity to changing conditions and other factors that may arise from time to time. A strong capital position enables the Group to continue to operate through periods of severe stress. The Group measures and calculates capital using the Standard Formula. The ratio of Own Funds to SCR is reviewed by the ALD Audit Committee, Management and the Finance Committee on a quarterly basis. Responsibility for own funds management ultimately rests with the Board. As part of own funds management, the Group 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:

	2019	**2018**
	€'000	**€'000**
Ordinary share capital	6,835	8,099
Share premium account related to ordinary share capital	48,576	57,745
Reconciliation reserve	(9,469)	(21,540)
Total basic own funds	**45,942**	**44,304**

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 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, 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 2019. A detailed exercise to define and document the capital management plan over the medium term 2019-2023 was carried out during 2019. A Strategic Solvency Target ("SST") for the Group that was appropriate to the nature, scale, ownership structure and risk profile 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 Board to have solvency coverage above SCR plus 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 now the reference point for strategy setting and is reviewed annually as part of the ORSA process.

The Group's own funds are Tier 1 unrestricted and available to cover the SCR and MCR. All own funds available to cover the SCR are unrestricted in terms of their being undated and being fully available to absorb losses. There are no material terms and conditions that need to be disclosed in this document.

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 Financial Statements due to the use of best estimate rather than prudent assumptions.

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

€13.2m in dividends were paid within the Group during 2019 (2018: Nil). There are no dividend plans for 2020.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The table below sets out the total SCR and MCR at 31 December 2019:

	2019	**2018**
	€'000	**€'000**
SCR	26,843	26,888
MCR	7,591	7,486

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 2019:

	2019	**2018**
	€'000	**€'000**
Operational risk	1,360	1,300
Market risk	13,823	12,470
Underwriting risk	20,980	21,323
Counterparty risk	3,652	3,696
Diversification benefit	(9,138)	(8,649)
SCR gross of tax relief	**30,677**	**30,140**
Tax relief on SCR stresses	(3,834)	(3,252)
SCR net of tax relief	**26,843**	**26,888**

The table below describes the calculation of the Group's Minimum Capital Requirement (MCR) at 31 December 2019:

	2019	2018
	€'000	€'000
Absolute Floor	3,700	3,700
Linear MCR	7,591	7,486
SCR	26,843	26,888
Combined MCR	7,591	7,486
MCR	**7,591**	**7,486**

Approximations

In order to perform the SCR calculation as efficiently as possible at 31 December 2019, some approximations were necessary in the calculation of the Market Risk and Underwriting Risk SCR. The Group is satisfied that the use approximations at 31 December 2019 did not materially impact the SCR calculation.

Material movements in MCR and SCR

The SCR (gross of tax relief) and MCR both increased over the period. The SCR increased mainly as a result of increased market risk following strong market performance. The MCR also increased over the period as a result of increased funds under management driven by strong market performance.

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 2019.

E.6 Any other information

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

E.7 Additional voluntary information

Coronavirus (COVID-19) is likely to have an impact on the Group through increased claims costs, business interruption and a potential reduction in investment policy charges driven by adverse movements in the financial markets. The rapid development and fluidity of this situation precludes a reasonable prediction of the ultimate impact it may have on the Group; however, the Group expects this effect to be within the ranges of the extreme stress scenarios which it tests regularly and holds sufficient capital in order to be able to withstand. The Group does not believe that there is a material impact on the published information as a result of this event. The Group continues to monitor its Own Funds and SCR positions on a daily basis. As the Group is ultimately owned by one main shareholder, it does not have immediate access to additional capital from within its Group. The Strategic Solvency Target of 143% is set with this in mind and the Group has sufficient capital to withstand the shocks set out in its ORSA. Where the Strategic Solvency Target is threatened, the Group has contingency and recovery plans to ensure that it can regain its Strategic Solvency Target.

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**	58
Property, plant & equipement held for own use	**R0060**	2,438
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	3,220
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**	3,220
Government Bonds	**R0140**	2,574
Corporate Bonds	**R0150**	147
Structured notes	**R0160**	500
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**	845,712
Loans and mortgages	**R0230**	2,218
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	2,218
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	-3,695
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**	-658
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	-658
Life index-linked and unit-linked	**R0340**	-3,037
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	529
Reinsurance receivables	**R0370**	2,225
Receivables (trade, not insurance)	**R0380**	973
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**	35,828
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	889,506

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	-1,985
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	-1,985
TP calculated as a whole	R0660	0
Best Estimate	R0670	-2,288
Risk margin	R0680	303
Technical provisions – index-linked and unit-linked	R0690	826,998
TP calculated as a whole	R0700	846,259
Best Estimate	R0710	-28,164
Risk margin	R0720	8,903
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	3,851
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	10,628
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	4,071
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	843,564
Excess of assets over liabilities	R1000	45,942

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

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	0	114,548	984	0	0	0	0	115,531
Reinsurers' share	**R1420**	0	0	14,950	475	0	0	0	0	15,424
Net	**R1500**	0	0	99,598	509	0	0	0	0	100,107
Premiums earned										
Gross	**R1510**	0	0	114,548	984	0	0	0	0	115,531
Reinsurers' share	**R1520**	0	0	14,950	475	0	0	0	0	15,424
Net	**R1600**	0	0	99,598	509	0	0	0	0	100,107
Claims incurred										
Gross	**R1610**	0	0	71,248	0	0	0	0	0	71,248
Reinsurers' share	**R1620**	0	0	9,250	0	0	0	0	0	9,250
Net	**R1700**	0	0	61,999	0	0	0	0	0	61,999
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	23,050	96	0	0	0	0	23,146
Other expenses	**R2500**									0
Total expenses	**R2600**									23,146

S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	115,531	0	0	0	0	0	115,531
Reinsurers' share	R1420	15,424	0	0	0	0	0	15,424
Net	R1500	100,107	0	0	0	0	0	100,107
Premiums earned								
Gross	R1510	115,531	0	0	0	0	0	115,531
Reinsurers' share	R1520	15,424	0	0	0	0	0	15,424
Net	R1600	100,107	0	0	0	0	0	100,107
Claims incurred								
Gross	R1610	71,248	0	0	0	0	0	71,248
Reinsurers' share	R1620	9,250	0	0	0	0	0	9,250
Net	R1700	61,999	0	0	0	0	0	61,999
Changes in other technical provisions								
Gross	R1710	0	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	0	0
Expenses incurred	R1900	23,146	0	0	0	0	0	23,146
Other expenses	R2500							0
Total expenses	R2600							23,146

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**	6,835	6,835		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**	48,576	48,576		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**	-9,469	-9,469			
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**	45,942	45,942	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	45,942	45,942	0	0	0
Total available own funds to meet the minimum consolidated group SCR	R0530	45,942	45,942	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	45,942	45,942	0	0	0
Total eligible own funds to meet the minimum consolidated group SCR	R0570	45,942	45,942	0	0	
Minimum consolidated Group SCR (Article 230)	R0610	7,591				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	605%				
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	45,942	45,942	0	0	0
Group SCR	R0680	26,843				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	171%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	45,942	
Own shares (included as assets on the balance sheet)	R0710	0	
Forseeable dividends, distributions and charges	R0720	0	
Other basic own fund items	R0730	55,411	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0	
Other non available own funds	R0750	0	
Reconciliation reserve before deduction for participations in other financial sector	R0760	-9,469	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	1,629	1,629
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0	0
Total EPIFP	R0790	1,629	1,629

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
Market risk	R0010	13,823		0
Counterparty default risk	R0020	3,652		
Life underwriting risk	R0030	20,980	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	0	0	0
Diversification	R0060	-9,138		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	29,317		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,360
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-3,835
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	26,843
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	26,843
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	26,544
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	299
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	7,591
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	26,843

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