Acorn Life Group Limited

Solvency and Financial Condition Report

For year ending 31 December 2021

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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 provides life, pensions and investment products to personal and small business customers in Ireland through its direct sales force. Its brand strength is based on local distribution, product innovation, flexibility and strong investment performance. Acorn Brokerage Limited ("ABL") is a regulated insurance intermediary primarily distributing home and motor insurance policies. The Group fulfils the minimum and solvency capital requirements as set down under the Solvency II regime as at the reporting date 31 December 2021 and in the financial year 2021.

This Solvency and Financial Condition Report (SFCR) published by the Group has been reviewed and approved by its Board of Directors. This report outlines 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, assisted by 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 maintains sufficient capital to pay its policyholders and all other creditors in full as liabilities fall due. This means that the Group must hold an appropriate amount and quality of capital to meet regulatory requirements. The Group holds additional capital relevant to its specific needs. A strong capital position enables the Group to continue to operate through periods of severe stress. The Group measures and calculates capital using the Solvency II Standard Formula. As at 31 December 2021, the Group has a solvency coverage ratio of 178% (2020: 174%).

Key Information from the Solvency II Balance Sheet	**2021**	**2020**
	€'m	**€'m**
Total Assets	1,091.2	905.6
Technical Provisions	993.6	829.7
Other liabilities	28.3	21.3
Eligible Own Funds	**69.3**	**54.6**
Capital Requirements		
Minimum Capital Requirement (MCR)	9.7	7.8
Solvency Capital Requirement (SCR)	38.9	31.4
Solvency Coverage		
Ratio of Eligible Own Funds to MCR	713%	697%
Ratio of Eligible Own Funds to SCR	178%	174%

Business and Performance Summary

Policyholders' assets under management grew to €1,027 million during 2021 from €857 million at the end of 2020. We reported a profit on ordinary activities before tax during the year of €4.3 million (2020: €2.6 million). Our profit for 2021 was driven by strong investment market performance, the persistency of our customer base and sound expense management. During 2021 we continued to progress our strategic cost optimisation initiatives. Our approach to capital preservation since the onset of the COVID-19 crisis has put us in a strong position to progress our business strategy during 2022. This strategy will enable us to increase our scale and to continue to deliver value to our customers in the future.

We continue to successfully use our Business Continuity Plans to protect our employees and enable them to support our customers as we begin to emerge from the COVID-19 crisis. Our business model continues to demonstrate resilience and an ability to adapt.

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 ensure that we 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, 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 relies on information provided by subsidiary companies through the group risk management framework.

The governance structure of ALD comprises its Board of Directors, the Chief Executive Officer, Board Risk Committee, Board Audit Committee, Board Remuneration Committee and various Management Committees. Risk Management, Compliance, Actuarial and Internal Audit are considered key functions within ALD with governance responsibilities to ensure the sound and prudent management of the business.

The Risk Management Function is responsible for managing the Group's risks. The 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 the expenses of the business. 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 operates a three lines of defence model. The first line represents the various departments performing their regular duties. The second line represents the work of the Risk and Compliance functions. The third line represents independent review carried out by internal and external auditors.

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 and monitored. They include underwriting risk, capital market risks, operational risks and counterparty default risks.

Underwriting risk is the risk of an increase in claims, expenses or lapses. Capital market risk is the risk of falls in the value of the Group's investments or falls in the value of policyholders' assets under management which could lead to a reduction in income. Counterparty default risk is the risk of default of our counterparties, such as banks or reinsurers. Operational risk is the risk of direct or indirect losses arising from inadequate or failed internal process, people and systems or from external events.

We describe the cause of these risks and how we deal with them in Section C.

Valuation for Solvency Purposes Summary

Our assets comprise unit-linked investments, cash equivalents and other assets. We value our assets in accordance with Solvency II valuation requirements. Our liabilities consist of technical provisions and other liabilities. Technical provisions represent the amount of money that we set aside to ensure we can cover our liabilities to policyholders.

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

Capital Management Summary

As at 31 December 2021, the Group has a solvency coverage ratio of 178% (2020: 174%). The solvency objective of the Group is to ensure that it maintains sufficient capital to pay its policyholders and all other creditors in full as liabilities fall due.

This means that we must hold an appropriate amount and quality of capital to meet regulatory requirements. We must also hold additional capital which is relevant to our specific needs. A strong capital position enables us to continue to operate through periods of severe stress. We measure and calculate our Solvency Capital Requirement (SCR) using the Solvency II Standard Formula. Own Funds in the Solvency II balance sheet comprise the excess of assets over liabilities. Our Solvency Coverage Ratio represents the extent to which our Own Funds exceed our SCR. This is continuously monitored and assessed.

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 provides life, pensions and investment products to personal and small business customers in Ireland through its direct sales force. Acorn Brokerage Limited (ABL) is a regulated insurance intermediary primarily distributing home and motor insurance policies.

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) 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 CBI 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 firm.
Acorn Brokerage Limited:	A regulated insurance intermediary.
Orcan Limited:	A non-regulated company which was created to facilitate the operation of a Revenue Approved Employee Share Ownership Scheme.

The registered address of the Group is:

Acorn Life Group Limited
St Augustine Street
Galway

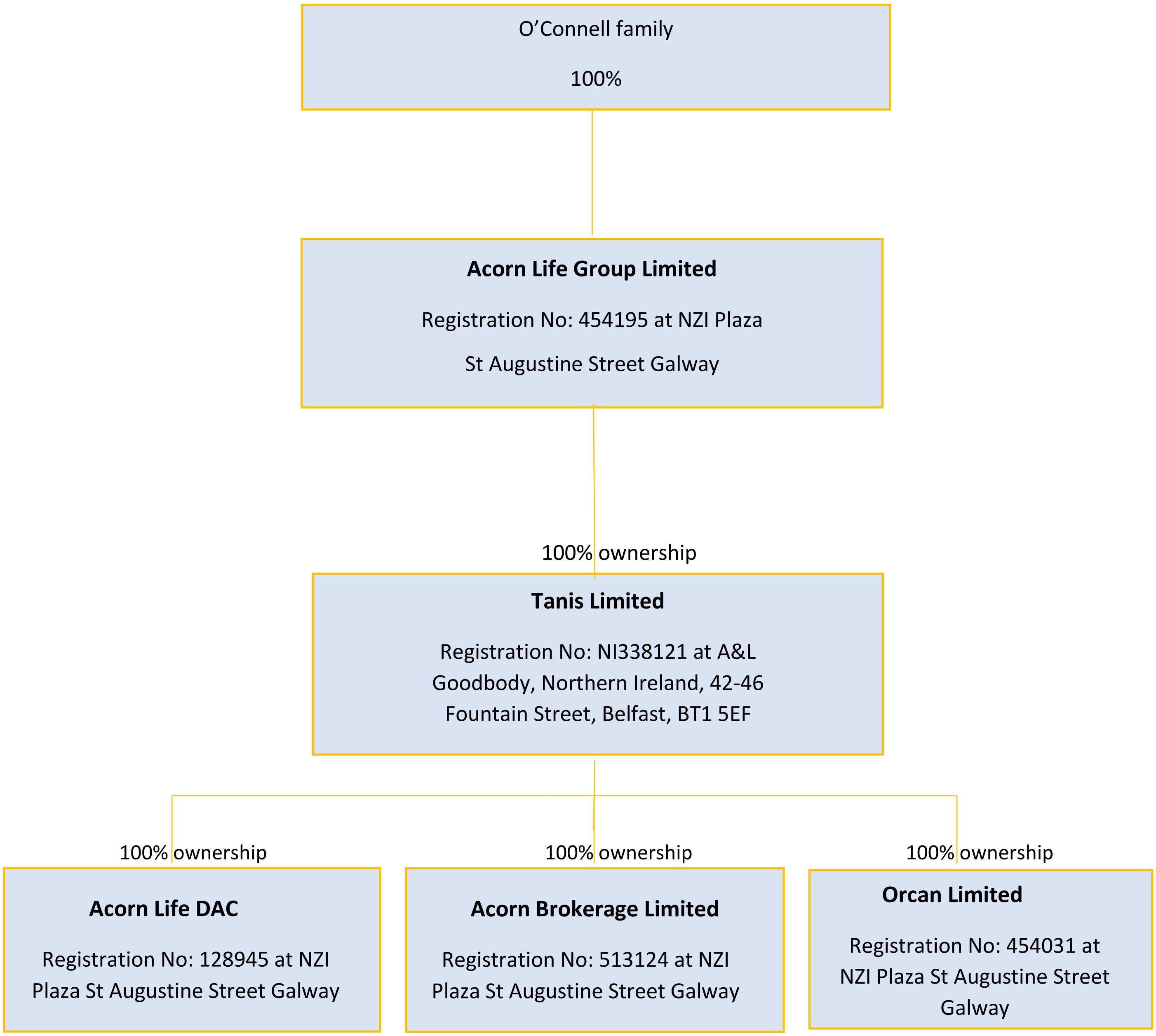
The CBI is responsible for the financial supervision of the Group:

Central Bank of Ireland
North Wall Quay
Dublin 1

The Group's independent auditor is:

PwC, Chartered Accountants and Statutory Audit Firm
1 Spencer Dock, North Wall Quay
Dublin 1

Acorn Life Group Limited Shareholders and Group Companies are:



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

A.2 Underwriting Performance

The underwriting performance outlined in this section is on an FRS 102 and 103 (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 standards.

We reported a profit on underwriting activities before tax during the year of €4.3 million (2020: €2.7 million). Our profit for 2021 was driven by strong investment market performance, the persistency of our customer base and sound expense management. During 2021 we continued to progress our strategic cost optimisation initiatives. Our approach to capital preservation since the onset of the COVID-19 crisis has put us in a strong position to progress our business strategy during 2022. This strategy will enable us to increase our scale and to continue to deliver value to our customers in the future.

The table below sets out our profit and loss account for the year ended 31 December 2021, as reported in our Consolidated Financial Statements.

Year-ended 31 December	**2021**	**2020**
	€'000	**€'000**
Net insurance premiums written and earned	29,240	27,611
Other technical income, net of reinsurance	10,441	10,992
Investment return	147,516	694
Total Income	**187,197**	**39,297**
Claims incurred, net of reinsurance	(17,511)	(16,833)
Changes in insurance liabilities	(21,632)	3,773
Investment return related to investment contract liabilities	(122,949)	(587)
Net operating expenses	(20,752)	(22,965)
Total Expenses	**(182,844)**	**(36,612)**
Ordinary profit before tax	**4,353**	**2,685**

The Consolidated Financial Statements record premiums and claims in respect of insurance business. The Solvency II QRT records premiums and claims in respect of insurance and investment business. This results in differences between the premiums, claims and expenses in our Consolidated Financial Statements compared to the information disclosed under Solvency II in QRT S.05.01.02.

The following table is a summary of our premiums, claims and expenses split by Solvency II lines of business during the year ended 31 December 2021 and disclosed in QRT S.05 in Appendix A. All business was written in the Republic of Ireland.

	2021			2020		
	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	**117,460**	**567**	**118,027**	99,754	512	100,266
Net claims incurred	**64,180**	**-**	**64,180**	64,411	-	64,411
Expenses incurred	**20,879**	**81**	**20,960**	20,890	84	20,973

A.3 Investment Performance

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

- Unit-linked funds
- Cash and cash equivalents
- Government and Corporate Bonds

The following table is based on information contained in the Group's QRTs. It summarises our investment performance by asset class.

Investment performance during 2021 was more favourable than 2020 due to market conditions in both years.

Investment performance by asset class	**2021**	**2020**
	€'000	**€'000**
Investment funds	148,010	1,070
Cash and Cash Equivalents	(437)	(333)
Bonds	(33)	51
Structured notes	(14)	(105)
Net interest on pension asset	(10)	11
Total	**147,516**	**694**

The Group has no investments in securitisation.

A.4 Performance of other activities

Other technical 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 other technical income 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 Consolidated Financial Statements table in section A.2 above as other technical income.

The Group does not have any material leasing arrangements.

A.5 Any other information

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

B. SYSTEM OF GOVERNANCE

B.1 General Information on the system of governance

B.1.1 Group Overview

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

As an insurance undertaking, ALD is subject to the Corporate Governance Requirements 2015 issued by the CBI and is classified as 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 segregation of duties. The Board has 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 relies on information provided by subsidiary companies 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

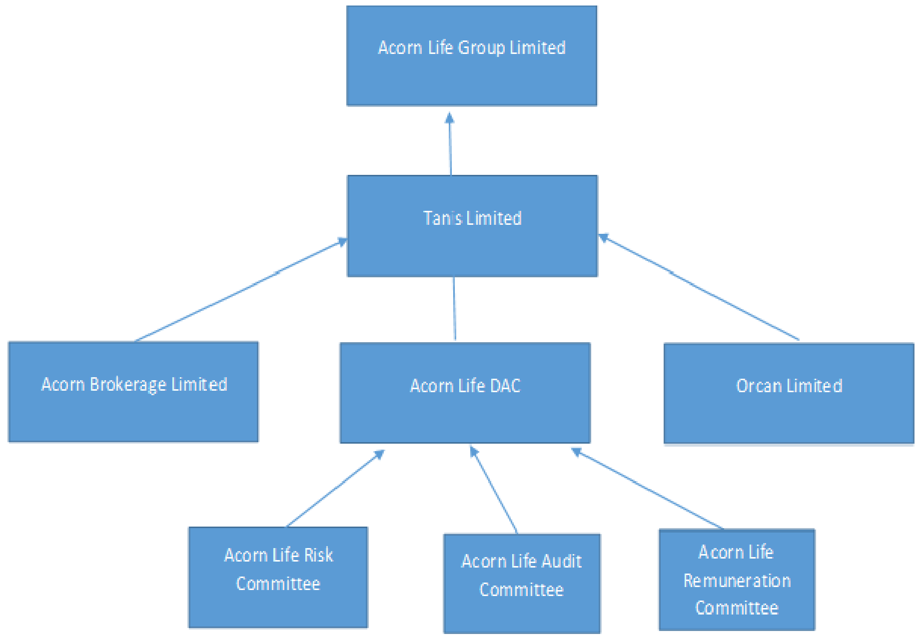
The governance structure in ALGL comprises the Board of Directors who are responsible for organizing and directing the affairs of the wider Group in a manner designed to further its best interests, having regard to the interests of its shareholders, customers, and employees, while complying with its 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 three times a year. 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 Keith Butler (Non-Executive)
4. Mr Brian Neilan, (Independent Non-Executive)
5. Mr John Lyons (Independent Non-Executive)
6. Mr Tony Johnstone (Independent Non-Executive, appointed 22 April 2021)

The company secretary is Ms Sarah Whelan.

The Company, Board and Board sub-committee structure for ALGL is shown below.



The governance structure in ALD comprises the Board of Directors, the Chief Executive Officer, the Executive Leadership Team and Board and Management sub-committees. There were no material changes in governance structures during 2021.

The board of directors of ALD is comprised of:

1. Mr John Lyons (Independent Non-Executive Chairman)
2. Mr Brian Neilan (Independent Non-Executive)
3. Mr Brian O'Malley (Independent Non-Executive)
4. Mr Gerry O'Connell (Non-Executive)
5. Mr Keith Butler, CEO

The Company Secretary is Ms Sarah Whelan

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 resources in place to meet those objectives.

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

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

The Chief Executive Officer has ultimate executive responsibility for ALD's operations, compliance and performance. The CEO serves as the main link between the Board and the Executive Leadership Team.

The Executive Leadership Team is an executive management committee established by the CEO for the purpose of providing advice and making recommendations to the CEO in respect of ALD's operations.

The ALD board has established a Board Risk Committee, a Board Audit Committee and a Board Remuneration Committee, each chaired by an Independent Non-Executive Director.

ALD Board Risk Committee (Chaired by Mr Brian O'Malley)

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 risk exposures, risk appetite, risk policies and risk strategy. The committee oversees the Risk Management Function.

ALD Board Audit Committee (Chaired by Mr Brian Neilan)

The purpose of the Committee is to ensure that the inherent risks within the business are subject to an appropriate level of independent review and to give comfort to the Board that assets are being safeguarded and that integrity of data is not being compromised.

Board Remuneration Committee (Chaired by Mr Brian Neilan)

The purpose of the Committee is to establish remuneration policies and procedures.

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 Ms Sarah Whelan.

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

B.1.3 Key Functions

Risk Management, Compliance, Actuarial and Internal Audit are 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 has the primary responsibility for designing the framework that is applied in identifying, assessing, measuring, mitigating and monitoring risks.

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

B.1.3.2 Compliance

ALD has a 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. 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 Actuarial

ALD has an Actuarial Function headed by the Head of Actuarial Function (HoAF) which is responsible for coordinating the calculation of Technical Provisions, Capital Requirements and Solvency Coverage. The HoAF is responsible for reporting to the Board and the CBI in line with requirements under Solvency II and the Domestic Actuarial Regime and Related Governance Requirements.

More information on the Actuarial function can be found in section B.6 below.

B.1.3.4 Internal Audit

Given the materiality of ALD within the Group, this function is largely employed by that entity and the main focus of the activities relate to that entity. All Group companies are included in the scope of the ALD Internal Audit Charter Policy. 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 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 functionally to the Board through the Audit Committee Chairman.

The Internal Audit Function is outsourced. More information on the Internal Audit Function is included in section B.5 below.

B.1.4 Remuneration Policy

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

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

- Corporate Governance Requirements for Insurance Undertakings

- Consumer Protection Code
- Insurance Distribution Regulations
- Solvency II Regulations
- CBI guidelines on variable remuneration
- The Sustainable Finance Disclosure Regulation

The Group seeks 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 incorporating measures to avoid conflicts of interest
- Designed not to promote excessive risk taking which is not aligned with the risk appetite statement.

Employees are encouraged to join a Defined Contribution Pension Scheme. 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 and ABL operate bonus schemes for designated categories of staff. The schemes aim to reward employees for achieving key success metrics. The terms of employee bonus schemes are approved by the Board.

Independent Non-Executive Directors remuneration consists entirely of a fixed fee. Executive Directors participate in employee bonus schemes.

No dividends were paid by the Group during 2021 and 2020. There are no plans to pay dividends in 2022. There were no material transactions between any Group companies and members of the Boards during 2021. On 3 February 2022, the Group acquired 383,400 of its own shares. The financial effect of this transaction on the consolidated balance sheet of the Group is a reduction in cash and cash equivalents and own funds of €4.3m.

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, capable, honest, ethical, financially sound and act with integrity.

The Group operates 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 outlined below.

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 at least annually. The risk management process is designed to manage risk within the appetite. Risk 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 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 our resources
- A basis to apply a holistic enterprise approach to risk management.

Risk Policies

Risk management processes and the 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.

Policies are ultimately owned at Board level and executively owned at Management level. 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. The application of the policies within the business is reviewed by the Internal Audit Function.

Risk Identification

The risks that the Group faces are identified 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.

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 annual ORSA process analyses the risks faced by the Group. The aggregate impact of these risks is assessed on an annual basis during the ORSA process that is facilitated by the Risk Management Function. The ORSA provides the Group with detailed information on the risks facing the business, the cost of assuming or mitigating the risks, the impact on the solvency position and confirmation about whether the risks align with risk appetite.

The risks captured on the Risk Register are reviewed as part of the Own Solvency Needs (OSN) assessment to determine whether the risks facing the business are adequately covered by the Standard Formula approach to calculating our capital requirement. 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.

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 form a key part of the Group's policies 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, and the assessment of the capital 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 team, within a fixed timeline. Risk management action may also be required if a material business change is anticipated.

Risk Control

The business implements a number of controls to manage its risks. 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.

Business change proposals require that a risk analysis be performed. The risk analysis will identify control improvements that are necessary to manage any changes in risk resulting from the business 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.

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. 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. The CRO has a direct line of responsibility to the Board Risk Committee and to the Board. The CRO also provides input into ongoing business decisions, ensuring consistency with risk policies and any Board escalation protocols.

The Risk Management Function is responsible for providing direction, guidance and support to the business with regard to risk management systems, and for ensuring that a consistent process is applied across the Group for managing risk. It has the primary responsibility for designing the framework that is applied by the Group in identifying, assessing, measuring, mitigating and monitoring risks. The Risk Management Function also undertakes independent monitoring of risk management systems and processes to assist the Group in assessing the robustness of risk management processes.

B.4 Internal control system

B.4.1 Internal Control Framework

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

B.4.1.1 Governance and Internal Control structures:

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

- 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
- 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 is the business functions which carry out day-to-day operations.
- 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 policies are approved by the Board and implemented 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. This training includes but is not limited to:

- The importance of an adequate system of internal control.
- The roles and responsibilities towards internal control.
- Reporting lines for any control deficiencies or failures.

B.4.1.5 General Accounting Controls

The Group has developed and maintains an appropriate internal accounting control system.

General Accounting Control activities include but are not limited to:

- Approvals, authorisations, reconciliations and other measures applicable to each business area.
- Development of accounting policies and procedures to ensure accounting records provide a true and fair view of the financial position.
- Physical controls to premises and assets.
- Access control to key financial data.
- Checks on agreed exposure limits; and
- Appropriate segregation of duties.

B.4.1.6 Communication

Formal lines of communication ensure that all staff report on:

- Control breaches
- Control deficiencies
- Fraudulent activities

The Group ensures quality, timely, accurate and complete reporting and encourages 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 in place in order to:

- Provide timely and relevant information relating to the internal control framework to assist management in decision-making processes.
- 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 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 relevant codes, policies and regulatory requirements. The results of these reviews are reported to the relevant areas.

B.4.1.8 Compliance Function

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

- Demonstrate compliance with all relevant legislation
- Demonstrate high standards of Business Quality
- Establish an Annual Compliance Plan
- Promote a Culture of Compliance
- Identify External Requirements and Trends
- Advise the Board and Management of new and upcoming regulations
- Issue Policies and provide Guidance on compliance related matters
- Determine the need for new or revised compliance policies and supporting documentation.
- Act as a business partner by providing strategic, transactional and day to day compliance advice and direction.
- Establish a Compliance Universe of applicable legislation, regulation, codes and guidance and identify areas within the business responsible for the operation of compliant processes and controls relevant to each requirement.
- Deliver appropriate compliance training and communications
- Undertake an annual programme of independent risk-based compliance monitoring and reporting

- Maintain a log of breaches and errors
- Organise the Compliance Committee and ensure it meets regularly and acts in accordance with its Terms of Reference
- Ensure that all directors, employees and tied agents are trained on their obligations under Ant-Money Laundering legislation
- Assess the adequacy of the measures adopted to prevent non-compliance.
- Ensure AML monitoring is reported to the Board and Compliance Committees.

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

B.5 Internal Audit Function

The Group's 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. This ensures the role is independent from other operational functions within the Group. Outsourcing allows the Group access to specialist technical areas of internal audit in a cost-effective manner.

The responsibilities of Internal Audit are defined by the ALD Board in its terms of reference. 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 to provide recommendations and suggestions for continuous improvement.

The Internal Audit Function reports on the relevant audit items to the ALD Audit Committee. A standing item at ALD Board meetings is an update from the Chairman of 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). The responsibilities of the Actuarial Function include:

- Coordinating the calculation of Technical Provisions and Solvency Capital Requirement on a quarterly basis.
- Adhering to the Reserving Policy.
- Reporting to the Board and the CBI in line with requirements under Solvency II and the Domestic Actuarial Regime and Related Governance Requirements.
- Ensuring that the calculation of Technical Provisions is appropriately controlled.

- Reporting any deficiencies in the control environment to the Board.
- Providing an annual opinion on the ORSA and Underwriting and Reinsurance arrangements
- 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 and Appraisal Value calculations.
- Experience analyses.
- Product pricing.
- 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 Group retains responsibility for discharging its obligations.

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

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, assessing the risks, 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 outsourcing arrangements where the outsourced function or activity is essential to the operation of the Group, the Group would be unable to deliver its services to policyholders without the function or activity and responsibility for the performance of a business function is discharged fully to the outsourced company.

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 and Ireland	Head of Investment
Asset Management	United Kingdom and Ireland	Head of Investment
Unit Trust administration services and Pensioner Trustee services for Self-Directed Pension contracts	Ireland	Head of Finance
Tele Interviewing	United Kingdom	Head of Underwriting
Internal Audit	Ireland	Head of Finance
Printing, packing and posting of correspondence	Ireland	Chief Operating Officer
Cloud hosting of the electronic point of sale system	Ireland	Chief Information 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 provides for sound and prudent management which is 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 %**
	2021		2020	
Underwriting Risk	**€30.4m**	**53.0%**	€26.3m	57.1%
Market Risk	**€22.3m**	**38.9%**	€14.8m	32.2%
Counterparty Risk	**€3.3m**	**5.8%**	€3.6m	7.8%
Operational Risk	**€1.3m**	**2.3%**	€1.3m	2.9%
Solvency Capital Requirement (before tax relief & diversification)	**€57.3m**	**100%**	€46.0m	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. 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	• 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 • 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 experiences 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 some 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 of high lapses over the longer term will subsequently have an adverse impact on solvency.

Expense Risk

Expense risk is very relevant to the Group. The charges deducted from policies aim to cover expenses incurred in running the business. Much of our cost base is relatively fixed so covering our cost base is dependent on having a sufficient number of policies in force.

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 which influence the profitability of business to be written in the future. The HoAF maintains appropriate processes to monitor these factors on a regular basis.

The HoAF's assessment of the risk factors, their likely impact on future profitability and any need to re-price products is included in an annual opinion on underwriting which is part of the Actuarial Function Report. Profitability is monitored regularly through monthly experience investigations.

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, 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.

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 the underwriting philosophy of our principle reinsurers when underwriting new policies and ancillary benefits that are covered by our reinsurance agreements.
- 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 mitigates the risk of anti-selection through appropriate medical and financial underwriting.
- All Underwriters must be members of an appropriate professional body and must engage in continuing professional development activities.

C.1.3.2 The Claims Process

- ALD maintains a Claims Management manual 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 by transferring risk to a third party and reduces SCR. The primary objectives of the Group's reinsurance strategy are as follows:

- Reduce the volatility of cash flows, Own Funds and SCR
- Cap exposure to individual lives
- Increase capacity to write new business
- Support the pricing of new business
- Support the underwriting and claims management processes
- Support the product design process

The Group 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 our Risk Appetite. Credit risk associated with both reinsurers is low.

C.1.4 RISK SENSITIVITY

As part of the ORSA process in 2021, 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, were analysed. These stresses involved the recalculation of the projected Solvency Coverage to determine if the Group would have sufficient Own Funds to cover the SCR in the future. Our projected Solvency Coverage is most sensitive to changes in future claims experience, but it remained resilient in the stressed scenarios considered.

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 Standard 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.

Market Risk SCR is made up of Equity, Spread, Interest Rate and Property Risk SCRs.

The Group pursues a policy of fully matching policyholder liabilities and has no appetite for mismatching of policyholder unit liabilities. Shareholder funds are predominantly invested in highly liquid assets. The Group holds its Head Office building as its only direct property investment and has no additional appetite for direct property investment of shareholder funds.

Equity Risk 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.

Spread Risk SCR: This is calculated in respect of future management charges generated from Policyholder Funds and Corporate Bonds.

Interest rate risk exposure is not material for the Group. The Group is exposed to an element of interest rate risk through shareholder assets and indirectly through policyholder assets.

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

Investments are made in accordance with the Prudent Person Principle giving due regard to the security, quality, liquidity sustainability 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 potentially exposed to Concentration Risk via fixed term bank deposits. The exposure to any single bank is limited. Deposits are well diversified which reduces the Concentration Risk exposure.

C.2.3 RISK MITIGATION

ALD has board approved policies for:

- Investment and Market Risk Management
- Asset and Liability Management; and
- Liquidity Risk Management

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 in respect of Government Bonds, Corporate Bonds 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 has a policy in respect of exposure to equity risk through unit fund mismatches. 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 in respect of Government Bonds, Corporate Bonds 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 Group has a policy in respect of exposure to currency risk through unit fund mismatches. 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.

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 2021, 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. Our projected Solvency Coverage remained resilient in the stressed scenarios considered.

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 has reinsurance in place with 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 is more than sufficient to absorb an immediate default of 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

The Group reinsures most of its mortality and critical illness sums insured with SCOR. This exposure to one reinsurer represents a concentration risk. The Group is confident that alternative reinsurance arrangements would be available if SCOR were to withdraw from the market or increase prices. The Group also has the option to cease or reduce the level of reinsurance.

The investment policy and risk appetite statement set out clear limits with respect to concentrations of investments and deposits 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. The Group limits its exposure to single banks by investing in short duration bond funds.

ALD is permitted to invest in Government and Corporate bonds within its appetite for credit ratings, duration and the amount of the investment.

C.3.4 RISK SENSITIVITY

As part of the ORSA process in 2021, a number of counterparty stresses were tested. In addition, several scenarios looked at a combination of stresses, including counterparty stresses. Our projected Solvency Coverage remained resilient in the stressed scenarios considered.

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 the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. At 31 December 2021, ALD held assets of €1,084m (2020: €899m) on its Solvency II Balance Sheet in order to meet the its liabilities and Solvency Capital Requirement (SCR). Most of these assets were held in liquid investments. At 31 December 2021, ALD held Own Funds of €24.4m (2020: €17.4m) over and above the Solvency Capital Requirement. All of this was held in highly liquid investments.

ALD is exposed to liquidity risk as a result of its business operations. This includes 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 to ensure that sufficient financial resources are available to meet obligations as they fall due.
- active management of reinsurance arrangements to recover claims paid; and
- access to bank borrowing facilities.

ALD is exposed to a general Liquidity Risk due to the administrative delay between payment of claims and recovery of reinsurance. Tracking balances due from reinsurers allows us to identify any unreasonable delays in the recovery of reinsurance. ALD is satisfied that reinsurance balances are settled in a timely fashion and that balances outstanding are in line with the Risk Appetite Statement. The delay between the payment of large claims and recovery of the reinsured portion poses a Liquidity Risk. Large claims are flagged through the Risk Management Framework and cash is set aside in advance of payment such that the Liquidity Risk is minimised.

In line 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 as they fall due, under both normal and stressed conditions, without incurring 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.

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.
- Funds the redemption of client investment contracts by the redemption of the linked assets supporting the contract liability.
- Notifies the relevant reinsurer of large claims when received in order to minimise the timeframe within which cash on reinsurance recoveries is received.

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 composition of the Group's liquid asset portfolio is subject to ongoing monitoring and reporting. 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 is not liquid because it relates to future premiums. The EPIFP at 31 December 2021 was €1.8 million (2020: €1.8 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 a 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, consequences of natural or man-made disasters such as terrorist attacks, fire, flood, earthquake and pandemics. The Group considers Cyber Security Risk, Outsourcing Risk and Business Continuity Risk as other key operational risks.

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 by our internal control framework. The Group holds additional Own Solvency Needs (OSN) capital for Operational Risks.

C.5.4 RISK SENSITIVITY

Operational risks exposures are considered as part of the ORSA resulting in OSN capital being set aside.

C.5.5 Dependencies between risk modules

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

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 in the 2021 ORSA, the Group also examined a number of scenarios in which several different stresses were combined. The 2021 ORSA results demonstrate satisfactory forward-looking solvency, liquidity and operational resilience positions under all scenarios. This provides us with a high level of certainty around the strength of our medium-term financial position.

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:

- The transposition of the IORPS II Pensions Directive brought additional governance requirements for occupational pension schemes. Ongoing pension reform means the future of pensions landscape remains uncertain.
- The Senior Executive Accountability Regime (SEAR): The general scheme of the Individual Accountability Framework Bill, which will introduce SEAR into Irish law, was published on 27th July 2021. The bill sets out requirements in relation to conduct standards and enhancements to the fitness and probity regime.
- Consumer Protection Code Review: The CBI is continuing a substantial review of the Consumer Protection Code to evolve and strengthen protections for consumers and investors.
- Sustainable Finance Disclosure Regulation (SFDR).
- CBI Cross Industry Guidance on Operational Resilience.
- CP138 on Cross Industry Guidance on Outsourcing.

- EIOPA Consultation on framework to address value for money risk in the European unit-linked market.
- EIOPA Consultation on application guidance on running climate change materiality assessments and using climate change scenarios in ORSA.

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 introduced business and trading uncertainty for all indigenous Irish businesses which includes the Group's customers. The financial impact of Brexit is mitigated by our exclusive focus on doing business in the Republic of Ireland and our limited exposure to Sterling assets.

Coronavirus (COVID-19)

Having operated in a COVID-19 environment for almost two years, we have more certainty in terms of future business performance than we did just twelve months ago. We recognise that an element of uncertainty remains in respect of Long-COVID and the withdrawal of COVID-support measures from the economy. Although the outlook for economic growth is generally positive, our business plans are cautious in terms of the assumptions used for future sales and lapse rates. This reflects an element of uncertainty about the outcome of the withdrawal of Government economic supports with the easing of restrictions.

Russia / Ukraine Crisis

The Russia/Ukraine crisis is a situation of concern which we continue to monitor. Adverse impacts on global financial markets as a result of this crisis may impact future income through management charge margins generated by policyholder assets.

Environmental and Social Risks

We recognise that environmental degradation, social risk issues and climate change, may impact the long-term sustainability of the business. We also recognise an expectation of customers and other stakeholders that we will act in a responsible and sustainable manner. We aim to align our business strategy with our environmental, social and governance objectives.

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 some 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.

	2021			2020		
Assets	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000
Deferred Acquisition Costs	24,611	0	(24,611)	24,693	0	(24,693)
Pension benefit surplus	0	0	0	1	1	0
Property, plant and equipment held for own use	1,808	1,808	0	2,011	2,011	0
Financial Assets - Government bonds	2,308	2,387	79	2,442	2,521	79
Financial Assets - Corporate bonds	135	139	4	141	144	3
Financial Assets - Structured notes	0	0	0	192	192	0
Assets held for index-linked and unit-linked contracts	1,026,569	1,026,569	0	857,343	857,343	0
Loans and mortgages	2,081	2,081	0	2,327	2,327	0
Reinsurance recoverables	10,851	(3,771)	(14,623)	8,419	(3,854)	(12,273)
Insurance and intermediaries receivables	430	430	0	460	460	0
Reinsurance receivables	530	6,982	6,453	0	2,951	2,951
Receivables (trade, not insurance)	810	810	0	944	944	0
Cash and cash equivalents	53,759	53,759	(0)	40,603	40,582	(21)
Any other assets, not elsewhere shown	83	0	(83)	61	0	(61)
Total assets	**1,123,974**	**1,091,193**	**(32,782)**	**939,637**	**905,622**	**(34,015)**

The consolidated financial statements have been prepared in line with FRS 102 and 103 on a going concern basis. This basis assumes that the Group will continue in operational existence for the foreseeable future. The annual Own Risk and Solvency Assessment (ORSA) process provides oversight and governance over the assessment of the Group's ability to continue as a going concern. The ORSA is the primary risk assessment process which identifies the business risks relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern, assesses the significance of those risks, including the likelihood of their occurrence and their potential impact and describes how risks can be addressed or mitigated. The key message from the 2021 ORSA process was that the balance sheet remains resilient to future stressed scenarios and there is no material threat to solvency or liquidity over the medium term. Based on the Directors assessment of the Group's financial position, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

The differences between the Consolidated 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 valuations.
- **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 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 2021 and 31 December 2020 by material line of business:

2021

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	(45,665)	12,533	1,028,901	3,047	998,817
Non unit-linked life	(2,510)	341	0	724	(1,445)
Total	**(48,175)**	**12,875**	**1,028,901**	**3,771**	**997,371**

2020

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	(34,937)	11,146	855,652	3,102	834,963
Non unit-linked life	(2,519)	362	0	751	(1,406)
Total	**(37,456)**	**11,508**	**855,652**	**3,853**	**833,557**

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 approved by the Board.

Main assumptions

Claims assumptions

Claims rate assumptions take account of relevant reinsurance information and internal experience over a relevant five-year period. Judgement is applied 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 2021.

Expenses and Inflation

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

The assumption for expense inflation is based on the Group's current best estimate of future inflation.

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 change to assumptions over the 2021 financial year related to per policy renewal expense inflation.

B. Risk Margin

The Risk Margin ensures that the technical provisions are equal to the amounts required to meet 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.

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 2021.

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 Group did not hold any investments in special purpose vehicles at 31 December 2021.

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. An element of uncertainty remains around the impact which COVID-19 will have on future experience. We have taken this uncertainty into account when setting our best estimate assumptions.

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 2021.

	2021			2020		
	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 provisions	137,041	995,769	(858,729)	118,067	831,862	(713,795)
Non-unit linked technical provisions	17,000	(2,169)	19,169	14,310	(2,158)	16,468
Investment contract liabilities	889,592	0	889,592	736,923	0	736,923
Total technical provisions	**1,043,633**	**993,600**	**50,033**	**869,300**	**829,704**	**39,596**

The main differences between the Solvency II and Consolidated Financial Statement 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. Consolidated Financial Statements 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 in the Consolidated Financial Statements.
- Solvency II uses best estimate assumptions while the Consolidated Financial Statements assumptions include margins for adverse deviation.
- The Solvency II technical provision policyholder fund unit-growth rate is specified by the relevant risk-free interest rate provided by EIOPA. In the Consolidated Financial Statements, 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 the relevant risk-free interest rate provided by EIOPA. In the Consolidated Financial Statements, 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 2021, the Group recorded the following classes of liabilities for solvency purposes:

	2021			2020		
Other Liabilities	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000
Deferred tax liabilities	917	5,620	(4,703)	1,640	4,809	(3,169)
Insurance and intermediaries payables	16,113	16,113	(0)	11,872	11,872	0
Reinsurance payables	0	0	0	1,101	0	1,101
Payables (trade, not insurance)	6,565	6,565	0	4,615	4,615	0
Any other liabilities, not elsewhere shown	20,390	16	20,374	18,668	0	18,668
Total other liabilities	**43,986**	**28,315**	**15,671**	**37,896**	**21,296**	**16,600**

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

A deferred income liability of €20.4 million (2020: €18.7 million) is recognised in the Consolidated Financial Statements but not recognised under the Solvency II framework.

Insurance and intermediaries' payables include claims outstanding. The full value of the amount being paid out is included. There is no difference between the Solvency II valuation and the consolidated financial statements.

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 requirements. 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 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 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:

	2021	**2020**
	€'000	**€'000**
Ordinary share capital	6,835	6,835
Share premium account related to ordinary share capital	48,576	48,576
Reconciliation reserve	13,868	(789)
Total basic own funds	**69,279**	**54,622**

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 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 decreasing term assurance business.

There were no material changes to how capital was managed during 2021. A detailed exercise to define and document the capital management plan over the medium term 2021-2025 was carried out during 2021. A Strategic Solvency Target ("SST") for the Group that is 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 capital 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 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 and fully available to absorb losses. There are no material terms and conditions that need to be disclosed.

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 D. The Solvency II technical provisions are lower than in the Consolidated 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. No dividends were paid within the Group during 2021 and 2020. There are no dividend plans for 2022. On 3 February 2022, the Group acquired 383,400 of its own shares. The financial effect of this transaction on the consolidated balance sheet of the Group is a reduction in cash and cash equivalents and own funds of €4.3m.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The table below sets out the total SCR and MCR at 31 December 2021:

	2021	**2020**
	€'000	**€'000**
SCR	38,850	31,351
MCR	9,713	7,838

The required capital has been calculated based on the standard formula for Solvency II. The solvency and minimum capital requirements were complied with at all times during the reporting period under consideration. The table below sets out the risk modules that make up the Group's SCR at 31 December 2021:

	2021	**2020**
	€'000	**€'000**
Operational risk	1,272	1,298
Market risk	22,330	14,757
Underwriting risk	30,389	26,270
Counterparty risk	3,324	3,621
Diversification benefit	(12,915)	(10,116)
SCR gross of tax relief	**44,400**	**35,830**
Tax relief on SCR stresses	(5,550)	(4,479)
SCR net of tax relief	**38,850**	**31,351**

The table below describes the calculation of the Group's Minimum Capital Requirement (MCR) at 31 December 2021:

	2021	2020
	€'000	€'000
Absolute Floor	3,700	3,700
Linear MCR	8,762	7,613
SCR	38,850	31,351
Combined MCR	8,762	7,838
MCR	**9,713**	**7,838**

Approximations

In order to perform the SCR calculation as efficiently as possible at 31 December 2021, some approximations were necessary in the calculation of the Market Risk and Underwriting Risk SCR. The Group is satisfied that the use of approximations at 31 December 2021 did not materially impact the SCR calculation.

Loss Absorbing Capacity of Deferred Tax (LACDT)

LACDT under the Solvency II standard formula allows the Group to reflect the fact that a future loss in profits may also result in a reduction in associated tax liabilities. A reduction in tax liabilities would also reduce the impact that a future loss would have on future Own Funds. In practice this means that for the purposes of calculating its Solvency Capital Requirement (SCR), the Group can reduce its Gross SCR by deferred tax relief on SCR stresses. The Group's policy is to provide for a deferred tax liability in respect of its Solvency II Technical Provisions as well as timing differences related to the taxation of past profits when calculating its eligible Own Funds at each balance sheet date. The Group's policy is to recognise Deferred Tax Assets as a result of unused tax losses only to the extent that is it probable that they will be recovered against future taxable profits. The Group does not have a Deferred Tax Asset. The Group's policy in relation to LACDT is to restrict the tax related reduction to Gross SCR under the standard formula to the amount of the net deferred tax liability on the balance sheet on the basis that it cannot justify loss absorbing capacity from other sources.

Material movements in MCR and SCR

The SCR and MCR both increased over the period. The primary reason for these movements is because we set aside additional capital for underwriting and market risks.

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 2021.

E.6 Any other information

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

Appendix A: Public QRTs

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipement held for own use	**R0060**	1,808
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	2,525
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**	2,525
Government Bonds	**R0140**	2,387
Corporate Bonds	**R0150**	139
Structured notes	**R0160**	0
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**	1,026,569
Loans and mortgages	**R0230**	2,081
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	2,081
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	-3,771
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**	-724
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	-724
Life index-linked and unit-linked	**R0340**	-3,047
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	430
Reinsurance receivables	**R0370**	6,982
Receivables (trade, not insurance)	**R0380**	810
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**	53,759
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	1,091,193

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	-2,169
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	-2,169
TP calculated as a whole	R0660	0
Best Estimate	R0670	-2,510
Risk margin	R0680	341
Technical provisions – index-linked and unit-linked	R0690	995,769
TP calculated as a whole	R0700	1,028,901
Best Estimate	R0710	-45,665
Risk margin	R0720	12,533
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	16
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	5,620
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	16,113
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	6,565
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	1,021,914
Excess of assets over liabilities	R1000	69,279

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	132,981	1,047	0	0	0	0	134,028
Reinsurers' share	**R1420**	0	0	15,521	479	0	0	0	0	16,000
Net	**R1500**	0	0	117,460	567	0	0	0	0	118,027
Premiums earned										
Gross	**R1510**	0	0	132,981	1,047	0	0	0	0	134,028
Reinsurers' share	**R1520**	0	0	15,521	479	0	0	0	0	16,000
Net	**R1600**	0	0	117,460	567	0	0	0	0	118,027
Claims incurred										
Gross	**R1610**	0	0	76,240	0	0	0	0	0	76,240
Reinsurers' share	**R1620**	0	0	12,060	0	0	0	0	0	12,060
Net	**R1700**	0	0	64,180	0	0	0	0	0	64,180
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	20,879	81	0	0	0	0	20,960
Other expenses	**R2500**									0
Total expenses	**R2600**									20,960

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	134,028	0	0	0	0	0	134,028
Reinsurers' share	R1420	16,000	0	0	0	0	0	16,000
Net	R1500	118,027	0	0	0	0	0	118,027
Premiums earned								
Gross	R1510	134,028	0	0	0	0	0	134,028
Reinsurers' share	R1520	16,000	0	0	0	0	0	16,000
Net	R1600	118,027	0	0	0	0	0	118,027
Claims incurred								
Gross	R1610	76,240	0	0	0	0	0	76,240
Reinsurers' share	R1620	12,060	0	0	0	0	0	12,060
Net	R1700	64,180	0	0	0	0	0	64,180
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	20,960	0	0	0	0	0	20,960
Other expenses	R2500							0
Total expenses	R2600							20,960

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	13,868	13,868			
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	69,279	69,279	0	0	0

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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**	69,279	69,279	0	0	0
Total available own funds to meet the minimum consolidated group SCR	**R0530**	69,279	69,279	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**	69,279	69,279	0	0	0
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	69,279	69,279	0	0	
Minimum consolidated Group SCR (Article 230)	**R0610**	9,713				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	713%				
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**	69,279	69,279	0	0	0
Group SCR	**R0680**	38,850				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	178%				

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	**R0700**	69,279				
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**	13,868				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	1,786	1,786			
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0	0			
Total EPIFP	**R0790**	1,786	1,786			

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
Market risk	R0010	22,330		0
Counterparty default risk	R0020	3,324		
Life underwriting risk	R0030	30,389	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	0	0	0
Diversification	R0060	-12,914		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	43,128		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,272
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-5,550
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	38,850
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	38,850
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	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
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	9,713
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	38,850

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