

Acorn Life Group Limited



Solvency and Financial Condition Report

For the year ending 31 December 2022

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Introduction

The EU-wide Solvency II Directive came into force with effect from 1 January 2016. This document is the seventh Solvency and Financial Condition Report (SFCR) published under this directive for Acorn Life Group Limited. The SFCR provides narrative information in quantitative and qualitative form including quantitative reporting templates (QRTs). The report covers the Business and Performance of the Group, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

Business and Performance 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. Acorn Brokerage Limited (“ABL”) is a regulated insurance intermediary primarily distributing home and motor insurance policies. The Group’s brand strength is based on local distribution, product innovation, flexibility and strong investment performance.

2022 presented a challenging year but the business demonstrated resilience and an ability to adapt to the challenges that were presented. Despite facing challenges such as unfavourable investment performance, caused by macroeconomic conditions including the war in Ukraine, inflation concerns and increasing interest rates, we delivered a profit before tax of €5.1 million (2021: €4.3 million). The profit for the year was driven by strong risk profits, the persistency of our customer base and sound expense management. As at 31 December 2022 the Group was well capitalised at 198% (2021: 178%) of its Solvency Capital Requirement (SCR). The Group had policyholders’ assets under management of €936 million at 31 December 2022 (2021: €1,027 million). Our staff began to return to the office in the first quarter of 2022 and we successfully adapted to a hybrid working model during the year while ensuring that effective controls and oversight were not compromised and that our customers could interact with us as normal. The Group is in a strong position to continue to progress its business strategy during 2023.

Key Information from the Solvency II Balance Sheet	2022	2021
	€’m	€’m
Eligible Own Funds	67.5	69.3
Minimum Capital Requirement (MCR)	8.5	9.7
Solvency Capital Requirement (SCR)	34.1	38.9
Ratio of Eligible Own Funds to MCR	791%	713%
Ratio of Eligible Own Funds to SCR	198%	178%

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. The Group Board ensures 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. ALD, as the largest company and the only insurance undertaking within the Group, is the entity mainly responsible for carrying out the activities to support ALGL to comply with group supervision requirements. ALGL relies on information provided by subsidiary companies through the group risk management framework.

The governance structure of ALD comprises of its Board of Directors, 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 with governance responsibilities to ensure the sound and prudent management of the business.

The governance structure of ABL comprises its Board of Directors and a system of controls and procedures which are appropriate for the nature, scale and complexity 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 supports the Board and Management in discharging their responsibilities for the operation of internal controls and corporate governance 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 sets control policies and undertakes monitoring and surveillance of business operations. The third line represents independent review.

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, counterparty default and operational 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 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.

For each of the risks, the Group has undertaken stress testing as part of its Own Risk and Solvency Assessment (ORSA). The outcome of the stress and scenario tests was that in each case we would have sufficient available capital to continue to meet the Solvency Capital Requirement (SCR)

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 2022, the Group has a solvency coverage ratio of 198% (2021: 178%).

The solvency objective of the Group is to ensure that it maintains sufficient capital to pay its policyholders and all other creditors 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

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. ABL is a regulated insurance intermediary primarily distributing home and motor insurance policies.

ALD is a private company limited by shares, authorised by the Central Bank of Ireland (CBI) to conduct business in the Republic of Ireland. It's material lines of business are unit linked life, savings and investment products. ABL is a private company limited by shares, 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. The CBI is the Group Supervisor of the Acorn Group. The Group consists of the following companies:

Acorn Life Group Limited:	An investment holding company.
Tanis Limited:	An investment holding company.
Acorn Life DAC:	A regulated insurance firm.
Acorn Brokerage Limited:	A regulated insurance intermediary.
Orcan Limited:	An investment holding company.
Acorn Master Trustee DAC:	A company which carries out retirement benefit trustee activities.

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:

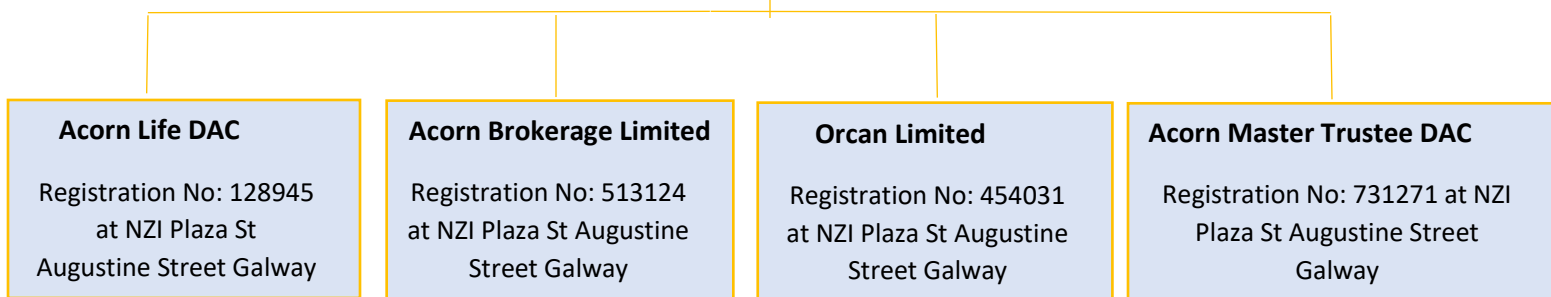
PwC, Chartered Accountants and Statutory Audit Firm
1 Spencer Dock, North Wall Quay
Dublin 1

Shareholders and group companies are:

O'Connell family
100% ownership

Acorn Life Group Limited
Registration No: 454195 at NZI Plaza
St Augustine Street Galway
100% ownership

Tanis Limited
Registration No: NI338121 at A&L
Goodbody, Northern Ireland, 42-46
Fountain Street, Belfast, BT1 5EF
100% ownership



There are no 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.

Significant events during the reporting period

IORP II imposed additional requirements on trustees for pension schemes across the market. This has had a particular impact on One Member Arrangements (OMAs). ALD and other market peers ceased selling these products in July 2022. We plan to resume our presence in this market by offering a Master Trust solution for new business in 2023. We have also recently launched a PRSA solution.

A.2 Underwriting Performance

We reported a profit on ordinary activities before tax during the year of €5.1 million (2021: €4.3 million). Our profit for 2022 was driven by strong risk profits, the persistency of our customer base and sound expense management.

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 Financial Statements in accordance with these accounting standards.

The table below sets out our profit and loss account for underwriting activity for the year ended 31 December 2022, as reported in our Financial Statements.

Year-ended 31 December	2022	2021
	€'000	€'000
Net insurance premiums written and earned	28,538	29,240
Other technical income, net of reinsurance	11,264	10,441
Investment return	(115,963)	147,516
Claims incurred, net of reinsurance	(22,716)	(17,511)
Changes in insurance liabilities	20,993	(21,632)
Investment return related to investment contract liabilities	102,321	(122,949)
Net operating expenses	(19,016)	(20,752)
Balance on the technical account - life assurance business	5,421	4,353

The Consolidated Financial Statements record premiums and claims in respect of insurance business. The Solvency II QRTs record 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 2022 and disclosed in QRT S.05.01.02. All business was written in the Republic of Ireland.

	2022			2021		
	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	120,885	517	121,401	117,460	567	118,027
Net claims incurred	74,088	-	74,088	64,180	-	64,180
Expenses incurred	21,626	60	21,686	20,879	81	20,960

A.3 Investment Performance

Our investments fall into the following main asset classes:

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

The following table summarises our investment performance by asset class.

Investment performance during 2022 and 2021 was primarily due to market conditions in both years.

Investment performance by asset class	2022	2021
	€'000	€'000
Investment funds	(116,211)	148,010
Other	248	(494)
Total	(115,963)	147,516

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 Financial Statements, depending on the nature of the contract. The 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 Financial Statements.

Fee income relates to fees charged to investment contracts for contract administration services, investment management services, payment of benefits and other services related to the administration of investment-linked contracts. Fees are recognised as revenue for the services provided. The fees charged for the current and previous years are shown in the Financial Statements table in section A.2 above 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, 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 for Insurance Undertakings 2015 issued by the CBI. We are 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 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 includes 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. 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 ALGL and all other relevant legal and regulatory requirements, ALGL'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)

The company secretary is Ms Sarah Whelan.

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 2022.

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

The role of the ALD Board is to organise and direct the affairs of ALD in a manner designed to its best interests, having regard to the interests of its shareholders, customers, and employees, while complying with its fiduciary duties and all other relevant legal and regulatory requirements, ALD's constitution, and relevant corporate governance standards. Board meetings are held at least quarterly in Ireland and these meetings must cover all standing agenda items. The ALD Board is also responsible for approving the overall strategic objectives of ALD and ensuring that it has the appropriate resources in place to meet those objectives. This approach ensures that the skills, expertise and experience of the Directors of ALD are harnessed to best effect and that any major opportunities or challenges for ALD come before the Board for consideration and decision.

The Board of ALD has overseen the development of a policy on ESG which acknowledges that we have an important role to play in the transition to a more resource efficient and sustainable economy. The policy also acknowledges that we have a responsibility to manage social and governance issues appropriately. It sets out how we manage sustainability risks throughout the business, and it promotes a culture that will support a transition to a carbon neutral future.

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

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

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

The Board of ALD 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 ALD Board Risk Committee is the forum for risk governance within ALD. It is responsible for providing oversight and advice in relation to current and potential future risk exposures of ALD and future risk strategy. This advice includes recommending a risk management framework incorporating strategies, policies, risk appetites and risk indicators to the Board of ALD for approval. The committee oversees the risk management function, which is managed on a daily basis by the Chief Risk Officer.

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 of ALD that its assets are being safeguarded and that integrity of data is not being compromised.

ALD Board Remuneration Committee (Chaired by Mr Brian Neilan)

The purpose of the committee is to establish remuneration policies and procedures within the business.

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, Tanis Limited and Acorn Master Trustee DAC 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 Function has the primary responsibility for designing the framework that is applied in identifying, assessing, measuring, mitigating and monitoring risks. The Risk Function has independent oversight of risk management activities and acts as a second line of defence in the Risk Management Framework.

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 has an advisory, oversight and assurance role to ensure that the necessary systems and controls are in place to ensure adherence to legal and regulatory requirements and that consumers' best interests are protected. The Compliance Function acts as a second line of defence in the Risk Management Framework.

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. The Actuarial Function prepares annual opinions on the technical provisions, underwriting policy, reinsurance arrangements and the ORSA. The Actuarial Function acts as a second line of defence in the Risk Management Framework.

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

B.1.3.4 Internal Audit

The Internal Audit Function's role is to support the Board and Management in achieving strategic and operational objectives and in discharging its control and corporate governance responsibilities. It satisfies this purpose by providing independent assurance as to whether adequate and effective risk management, governance and internal control procedures are in place and are functioning effectively. Internal Audit acts as the third line of defence in the Risk Management Framework.

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. Base salary is the principal component of employee remuneration. Base salaries are normally reviewed annually. The duties and responsibilities of each role determines the remuneration 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 undertaking's business and risk management strategy.
- Consistent with its risk profile, objectives, risk management practices.
- Reflective of the long-term interests and performance of the business.
- Designed not to promote excessive risk taking which is not aligned with our risk appetite statement.

The Group operates 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.

Employees are encouraged to join the Defined Contribution Pension Scheme where both the Group and employee contribute to the retirement fund. The Group's contributions are based on base salaries and subject to relevant upper limits. Death in service entitlements also apply.

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

During the year, the Group acquired 383,400 of its own shares. There were no dividends paid during 2022 or 2021. There are no plans to pay dividends during 2023. There were no other material transactions between the Group, members of the Board and persons exercising significant influence during 2022.

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 is subject to these fitness and probity standards. The Group operates Fitness and Probity Policies which set out the due diligence structures, processes and procedures in place to ensure the initial and ongoing assessment of those operating in PCF and CF roles including directors, senior management and employees whose activities have a material impact on the business.

The Group operates robust recruitment and selection controls which ensure that it selects candidates that meet the F&P Standards (i.e. competent and capable, honest ethical and act with integrity and financial soundness). These controls include screening of candidates and the assessment of completed fitness and probity questionnaires prior to their engagement. Candidates are screened for educational qualifications, work experience, conflicts, bankruptcy, debt judgements and regulatory sanctions.

Our employment contract terms require continuing adherence to all regulatory standards. The Group requires that individuals in PCF and CF roles confirm annually in writing whether there have been any material changes to their circumstances which would impact their fitness or probity and that they agree to continue to abide by the standards. Individuals in PCF and certain CF roles are screened annually. Where material changes have been confirmed, the individual is asked to provide additional information and explain if they are still in a position to carry out the relevant role. Compliance, the Executive Leadership Team and the Board, if appropriate, will review the case and either confirm that the individual is still fit and proper to carry out the role or require the individual to cease carrying out the role.

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

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 the Group's risk objectives and influences its culture and operating style. The Group's appetite is determined by its business strategy, risk management competencies and core values.

The Group's risk appetite is proposed by the Risk Management Function and is reviewed, challenged, and approved by the ALD Board Risk Committee and the Boards of Directors at least annually. The risk management process is designed to manage risk within the 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 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:

- A firm basis for risk input to strategic decisions
- Clear guidance to Management

- Strengthened confidence of external stakeholders
- More efficient use of 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 policies 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. 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 ORSA is a continuous process which analyses the risks faced by the Group and ensures that the business is managed soundly and prudently by identifying, assessing and monitoring current and future solvency needs in light of all the risks it faces. 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 the risk appetite. The ORSA process is an integral part of the business strategy.

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 important 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 area 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 its Risk Management Policy.

Risk Management Function

The Risk Management Function has independent oversight of risk management activities and acts as a second line of defence in the Risk Management Framework. 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 of ALD and to the Board. The CRO also provides input, via the Executive Leadership Team 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 the risk management systems, and for ensuring that a consistent process is applied across the Group for managing risk. It has the primary responsibility for designing the framework that is applied in identifying, assessing, measuring, mitigating and monitoring risks. The Risk Management Function also undertakes independent monitoring of risk management systems and processes to assist in assessing the robustness of risk management processes.

The Risk Management Function:

- Assists the Boards and the ALD Risk Committee, in the effective operation of the risk management system.
- Develops and implements an annual Risk Plan.
- Carries out the annual ORSA process, and any ad hoc ORSA processes required.
- Facilitates, and provides inputs into the process of setting the risk strategy and appetite.
- Facilitates the process by which the business identifies and assesses the risks it faces.
- Maintains a central repository of all risks facing the business along with the corresponding controls and mitigation measures in place.
- Supports the business in developing and implementing risk policies, risk identification, monitoring and reporting.
- Ensures that risk policies and procedures are communicated throughout the business in order to foster the risk culture set out by the Board.
- Ensures that the risk policies, procedures and the risk governance framework are up to date and fit for purpose.
- Monitors the effectiveness of the risk management system by utilising Key Risk Indicators and Key Risk Controls.
- Monitors the overall risk profile of the Group and reports on risk exposures against risk appetite, key risk events and any emerging risks facing the business.
- Advises the Boards and ALD's Board Risk Committee on risk management matters.

- Fulfils a stewardship role with respect to embedding risk culture within the business.

B.4 Internal control system

B.4.1 Internal Control Framework

The internal control framework consists of a combination of elements which are described below. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable and not absolute assurance against material misstatement or loss.

The key risk management and internal control procedures which cover all material controls include:

- skilled and experienced management and staff in line with fit and proper requirements.
- roles and responsibilities including reporting lines clearly defined with performance linked to business objectives.
- an organisation structure with clearly defined lines of responsibility and authority.
- the maintenance of proper accounting records.
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis.
- a Risk Committee of the ALD Board and a risk management framework comprising a risk function headed by a Chief Risk Officer, a clearly stated risk appetite and risk strategy supported by approved risk management policies and processes.
- a Management Risk Committee whose main role includes reviewing and challenging key risk information and to assist the ALD Board Risk Committee in the discharge of its duties.
- the risk strategy, framework and appetite are articulated in a suite of policies covering all risk types and supported by detailed procedural documents.
- an ORSA linking to risk management, strategy and capital management.
- an Internal Audit function.
- a Compliance function.
- a Data Protection Officer.
- an Audit Committee whose formal terms of reference include responsibility for assessing the controls in place to mitigate risks.
- a disaster recovery framework is in place and is regularly tested.
- a business continuity framework is in place and is regularly tested.
- policies in place such as a Corporate Governance Framework, Fitness and Probity Policy and Code of Conduct.

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.

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.
- Roles and responsibilities towards internal control.
- Reporting lines for any control deficiencies or failures.

B.4.1.5 Controls over Financial Reporting

The Group has developed and maintains a comprehensive set of accounting policies and internal accounting controls.

General Accounting Control activities include:

- A comprehensive set of accounting policies relating to the preparation of financial statements.
- Audit Committee challenge and approval of key judgements and assumptions which are material to the annual financial statements.
- Regular financial reporting to the Executive Leadership Team, Audit Committee and Board including variance analysis to key financial performance indicators.
- An appropriately qualified and skilled finance team operating under the supervision of experienced management who are compliant with fit and proper requirements.
- Appropriate financial and accounting software.
- Approvals, authorisations, reconciliations and other measures applicable to each business area.
- 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 audits reviews, second line of defence testing is performed by the Compliance and Risk Management Functions 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 Function operates in the second line of defence and through the Head of Compliance develops and implements the Compliance Framework which sets out how regulatory risk is managed. An Annual Compliance Plan is developed by the Head of Compliance and approved by the Board. The Compliance Functions of ALD and ABL undertake the following key roles and responsibilities:

- Ensures compliance with all relevant legislation.
- Ensures high standards of Business Quality.
- Promotes a culture of Compliance.
- Identifies External Requirements and Trends.
- Advises the Board and Management of new and upcoming regulations.
- Issues policies and provides guidance on compliance related matters.
- Determines the need for new or revised compliance policies and supporting documentation.
- Acts as a business partner by providing strategic, transactional and day to day compliance advice and direction.
- Establishes 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.

- Delivers appropriate compliance training and communications.
- Undertakes an annual programme of independent risk-based compliance monitoring and reporting.
- Maintains a log of breaches and errors.
- Organises 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 Anti-Money Laundering (AML) 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 is not 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 Internal Audit Function is the third line of defence in the risk governance structure. Internal Audit provides independent assurance to the Boards on risk taking activities. The Internal Audit Function is formally established through its Charter, which is reviewed and approved by the ALD Audit Committee annually. The Internal Audit Charter notes that Internal Audit is specifically prohibited from performing management activities. 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.

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.

B.6 Actuarial Function

ALD has an Actuarial Function which is part of the second line of defence and headed by the Head of Actuarial Function (HoAF). The responsibilities of the Actuarial Function include:

- Calculation of Best Estimate Technical Provisions and Solvency Capital Requirement.
- 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.
- Providing an annual opinion on the ORSA as well as Underwriting and Reinsurance arrangements.
- Completing cash-flow and capital modelling.
- Stress and scenario modelling for input to the ORSA process.

- Embedded value and Appraisal Value calculations.
- Consideration of Policyholder Reasonable Expectations.
- Monitoring compliance relating to disclosure of information to policyholders.

B.7 Outsourcing

The Group outsources a number of processes, services and activities to service providers to assist in achieving its strategic objectives and delivering a high level of service to its customers. The Group has an Outsourcing Policy in place, the purpose of which is to provide guidance governing the definition of outsourcing and criticality of outsourcers. 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 to the Group based on an agreed contract. The Group retains responsibility for discharging its obligations.

The policy specifies the contractual controls the Group must have in place with 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.

The outsourcing arrangements in place are reviewed annually in line with the policy and the Board approves all critical or important outsourcing arrangements. The Central Bank is notified of proposals to outsource critical or important functions or activities.

The Group has put in place the following critical and important outsourcing arrangements:

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

The Group is satisfied of its compliance with Corporate Governance Requirements for Insurance Undertakings and has concluded that it provides for sound and prudent management proportionate to the nature, scale and complexity of the operations of the Group.

The Board is ultimately responsible for the oversight of climate related risks as they pertain to the Group. The Board has responsibility for oversight of climate related risk and for monitoring and mitigating this risk. A newly established Environmental, Social and Governance (ESG) Committee reports to the Board of ALD through the Executive Leadership Team. The ESG Committee meets regularly and is tasked with driving the ESG agenda across the Group. The Committee is comprised of key personnel from across the business. Relevant departments will be required to implement strategy for climate risk management supported by reliable metrics. The Risk and Compliance functions are represented on the ESG Committee and are the second line functions which monitor and oversee the implementation and integration of sustainability initiatives in the Group.

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:

	SCR Amount	SCR %	SCR Amount	SCR %
	2022		2021	
Underwriting Risk	€28.3m	56.5%	€30.4m	53.0%
Market Risk	€17.2m	34.3%	€22.3m	38.9%
Counterparty Risk	€3.2m	6.4%	€3.3m	5.8%
Operational Risk	€1.4m	2.8%	€1.3m	2.3%
Solvency Capital Requirement (before tax relief & diversification)	€50.1m	100%	€57.3m	100%

C.1 Underwriting risk

C.1.1 RISK EXPOSURE

Underwriting Risk relates to uncertainty regarding the occurrence, amount or timing of insurance claims, income, payments or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of insurance risk drivers. The Group is in the business of accepting mortality and morbidity risk. The Group takes a cautious approach to managing underwriting risk through its approach to product design and the use of reinsurance to minimise solvency risk and profit volatility. 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: <ul style="list-style-type: none"> • Life cover benefit • Critical illness benefit • Hospital cash benefit • Surgical cash benefit • Accidental Injury benefit • Accidental death benefit • Personal accident benefit • Premium protection benefit 	<ul style="list-style-type: none"> • Mortality risk • Morbidity risk • Expense risk • Lapse risk • Market risk
Mortgage Protection	<ul style="list-style-type: none"> • Mortality risk • Lapse risk • Expense risk

<p>Pensions including:</p> <ul style="list-style-type: none"> • Single premium personal pension plan • Personal pension plan • Executive pension plan • Personal retirement bond • Approved retirement funds • Self-Directed pension plan 	<ul style="list-style-type: none"> • Expense risk • Lapse risk • Market risk
<p>Savings and investments including:</p> <ul style="list-style-type: none"> • Savings plan • Investment bond 	<ul style="list-style-type: none"> • 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 relatively stable.

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

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.

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, concentrations of risk are continuously monitored, and the Group is satisfied that it is not exposed to excessive concentrations of risk.

C.1.3 RISK MITIGATION

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.

C.1.3.1. The Underwriting Process

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

- It is our policy to follow the underwriting philosophy of our reinsurers when underwriting new policies and ancillary benefits that are covered by our reinsurance agreements.
- The Head of Underwriting ensures that sufficient training takes place for underwriters on the use of the reinsurer's underwriting manual.
- The Head of Underwriting ensures 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

- The Group maintains a Claims Management manual which sets out the claims management process in detail.
- The Head of Claims ensures that all claim handlers have received sufficient training to use the claims manual.
- Changes to the claims management manual are approved by the Head of Claims.
- Changes to the claims philosophy are 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 reinsurance strategy are as follows:

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

The Group reinsures sums at risk with two reinsurers. 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 2022, a number of underwriting stresses were tested. These included expenses, claims and lapse stresses. Other scenarios which assessed a combination of these stresses were also analysed. This involved the recalculation of the projected Solvency Coverage under a stressed scenario to determine if the Group would have sufficient Own Funds to cover its SCR in the future. Our projected Solvency Coverage 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

The Group is satisfied that 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 matching policyholder liabilities and has no appetite for mismatching of policyholder unit liabilities. Shareholder funds are predominantly invested in liquid assets. The Head Office building is its only direct property investment, and there is 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. 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 and Currency Risk SCR: is calculated in respect of future management charges generated from policyholder funds and debt securities.

Interest Rate Risk: The Group is directly exposed to interest rate risk through its investments in debt securities with an indirect exposure through policyholder assets. The Group reviews its exposure to interest rate and spread risk regularly by conducting an asset liability matching analysis.

Property Risk: is 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

The Group has Board approved policies for Investment and Market Risk Management, Asset and Liability Management and Liquidity Risk Management and it monitors its exposure to Market risk in line with these policies.

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

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 debt securities 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: the Group 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.

Interest rate risk: the shareholder's appetite for interest rate risk is defined in respect of debt securities 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.

Valuation Policy

Shareholder assets are generally 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. As part of the ORSA process in 2022, a number of market stresses were tested including scenarios which had a combination of 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 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

The Group is satisfied that 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 a counterparty which 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's exposure to credit risk is predominantly related to its reinsurance protection and financial assets.

Reinsurance: The Group purchases reinsurance protection to limit its exposure to claims. The Group only places reinsurance with companies that it believes are strong financially and operationally. Credit exposures to these companies are closely monitored. Both of the Group's reinsurers have a Moody's credit-rating of greater than A. The Group has assessed these credit ratings and security as being satisfactory in diminishing its exposure to the associated credit risk.

Financial Assets: The extent of the exposure to credit risk from Financial Assets is managed by the formulation of, and adherence to, an Investment Policy incorporating clearly defined investment limits and rules. The Group employs appropriately qualified, experienced personnel and external investment management specialists to manage the investment portfolio. The overriding philosophy of the Investment Policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk.

C.3.2 RISK CONCENTRATION

The Group reinsures most of its mortality and critical illness sums insured with one reinsurer. This exposure to one reinsurer represents a concentration risk. The Group is confident that alternative reinsurance arrangements would be available if the reinsurer withdrew from the market or increased its 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.

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 the Group will deal with. The Group limits its exposure to single banks by investing in short duration bond funds. The Group invests in debt securities 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 2022, 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

The Group is satisfied that 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 2022, most of the Group's assets held in order to meet its liabilities and Solvency Capital Requirement (SCR) were held in liquid investments. At 31 December 2022, the Group held Own Funds of €33.4m (2021: €30.4m) over and above the Solvency Capital Requirement.

The Group is exposed to liquidity risk as a result of its business operations. This includes timing mismatches between policyholder obligations and claims and reinsurance recoveries as well as cash-flow obligations arising on operating expenses, taxation, dividends and other liabilities. The Group's exposure to liquidity risk did not materially change during 2022.

The Group 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.

The Group 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 address delays in the recovery of reinsurance. The Group 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 in order to minimise the liquidity risk.

In line with the Solvency II Prudent Person Principle, the Group's approach to managing liquidity is to ensure, as far as possible, that it 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

Liquidity risk concentration can occur in a number of different ways. 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) is backed entirely by Qualifying Liquid Assets as defined in the Liquidity Risk Management Policy.

In managing and/or mitigating liquidity risk the Group:

- 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 ALD's technical provisions. The EPIFP is not liquid because it relates to future premiums. The EPIFP was €1.7 million at 31 December 2022 (2021: €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 of the Group's free capital is 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. The Group accepts that some operational risk loss events will happen and has set a yearly tolerance for operational risk losses. The Group manages operational risk to an acceptable level, through a combination of sound corporate and risk governance, strong systems and controls, strong resource management and where appropriate limit and tolerance structures.

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 has a robust system in place which includes written procedures, risk limits and the controls required to implement, measure, monitor, maintain and report on all material operations.

The Group holds additional Own Solvency Needs (OSN) capital for operational risks. The below table summarises some key operational risk areas and methods of mitigation.

Operational risk area	Mitigation measure
Claims and underwriting	Regular audits and experience investigations Individual underwriter acceptance limits
Systems	Robust business and continuity and disaster recovery plans Business sign off and peer reviews
Unit pricing	Daily valuations Strict processes, controls, peer reviews and checks
Mis-selling	Sales agents are regulated by the Central Bank of Ireland and they are required to be QFA qualified

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 above individually in the 2022 ORSA, the Group also examined a number of scenarios in which several different stresses were combined. The 2022 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.

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. Russia's invasion of Ukraine in early 2022 significantly increased the cyber threat landscape. We continue to monitor for new threats or unusual events that may increase cyber risk. The Group is well placed to withstand such risks in the ever-changing world of technology. A Cyber Security Policy is in place and Cyber Risk is a standing agenda at Management and Board Risk Committee meetings.

Geopolitical Risks

Geopolitical risks can have adverse effects on global financial markets, which could in turn affect the income generated by management charge margins on policyholder assets in the future. The Russia/Ukraine crisis is a situation of concern which we continue to monitor.

Environmental and Social Risks

This is the risk that Group fails to adequately address ESG, Sustainability and Climate change 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 the firm will act in a responsible and sustainable manner. We aim to align our business strategy with our environmental, social and governance objectives. During 2022, we began the process of integrating sustainability factors within the Risk Management Framework, a Climate Change Risk Materiality Assessment was performed as part of the ORSA process and a dedicated ALD ESG Committee at executive level was established.

New and Emerging Risks

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. An Emerging Risk is a risk which may or may not develop, is difficult to quantify, may have a high loss potential and is marked by a degree of uncertainty.

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

- **Product Design and Development Risk:** This is the top risk facing the Group at present with IORP II presenting a significant challenge. Like other insurers in the Irish market, the Group suspended sales of its Executive Pension Plan product in July 2022 and since then it has been actively working on the development of alternative products. The ongoing pensions reform agenda means the future of the pensions landscape remains uncertain.

- **Long-term sustainability:** Notwithstanding our very healthy solvency position at present, it is recognised that there is a need to continue to increase our scale to ensure that we can continue to deliver value for our customers in the future.
- **Upstream Regulatory Change:** As in prior years, the Group continues to acknowledge that regulatory change is ongoing, and we monitor upstream regulatory developments through our risk management framework and compliance function to ensure that we are prepared for all legislative developments and that they are assessed and implemented as required within our business. Some key areas of focus at present are:
 - Central Bank (Individual Accountability Framework) Bill 2022.
 - Sustainable Finance Disclosure Regulation (SFDR).
 - Consumer Protection Code Review.
 - CP 151 Guidance for (Re)Insurance Undertakings on Climate Change Risks.
 - The Digital Operational Resilience Act (DORA).

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 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.

Assets	2022			2021		
	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000
Deferred Acquisition Costs	27,172	0	(27,172)	24,611	0	(24,611)
Pension benefit surplus	228	228	0	0	0	0
Property, plant and equipment held for own use	2,505	2,505	0	1,808	1,808	0
Financial Assets - Government bonds	2,052	2,126	74	2,308	2,387	79
Financial Assets - Corporate bonds	221	224	4	135	139	4
Financial Assets - Structured notes	0	0	0	0	0	0
Assets held for index-linked and unit-linked contracts	935,686	935,686	0	1,026,569	1,026,569	0
Loans and mortgages	2,141	2,141	0	2,081	2,081	0
Reinsurance recoverables	11,555	(881)	(12,436)	10,851	(3,771)	(14,622)
Insurance and intermediaries receivables	340	340	0	430	430	0
Reinsurance receivables	0	2,827	2,827	530	6,982	6,452
Receivables (trade, not insurance)	1,168	1,168	0	810	810	0
Cash and cash equivalents	52,284	52,284	0	53,759	53,759	0
Any other assets, not elsewhere shown	78	0	(78)	83	0	(83)
Total assets	1,035,429	998,648	(36,781)	1,123,975	1,091,194	(32,781)

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 2022 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 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 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 in the Financial Statements valuation.
- **Reinsurance receivable** - part of the reinsurance recoverable in the Financial Statements relating to reinsurance which will be recovered in respect of claims that have been notified to us 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 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 2022 and 31 December 2021 by material line of business:

2022

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	(39,818)	9,958	935,072	288	905,500
Non unit-linked life	(2,279)	259	0	593	(1,427)
Total	(42,097)	10,216	935,072	881	904,073

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

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 our own 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 2022.

Expenses and Inflation

The expenses incurred in servicing the Group’s insurance obligations consist of administration, claims management/handling and overhead expenses. The Group performs a regular expense analysis in order to allocate the expenses between 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 the Group's actual experience over a relevant five-year period. Expert judgement is applied where necessary to make sure there is enough allowance for relevant trends or factors which we expect to change.

Changes in Assumptions

The main change to assumptions over the 2022 financial year related to future renewal expenses, inflation and expected morbidity experience.

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 2022.

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 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 2022.

Uncertainty associated with the value of technical provisions

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

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

The table below compares the Solvency II valuation of gross technical provisions with the Irish GAAP valuation of Technical Provisions, split by line of business, at 31 December 2022.

	2022			2021		
	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	119,004	905,212	(786,208)	137,041	995,769	(858,728)
Non-unit linked technical provisions	16,680	(2,020)	18,700	17,000	(2,169)	19,169
Investment contract liabilities	815,895	0	815,895	889,592	0	889,592
Total technical provisions	951,580	903,192	48,388	1,043,633	993,600	50,033

The main differences between the Solvency II and Financial Statement Technical Provisions are as follows:

- Solvency II Technical Provisions include Unit-Linked liabilities in respect of both insurance and investment contracts. 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 Financial Statements.
- Solvency II uses best estimate assumptions while the 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 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 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 2022, the Group recorded the following classes of liabilities for solvency purposes:

Other Liabilities	2022			2021		
	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000
Deferred tax liabilities	1,281	5,691	(4,410)	917	5,620	(4,703)
Insurance and intermediaries payables	14,889	14,889	0	16,113	16,113	0
Reinsurance payables	1,693	0	1,693	0	0	0
Payables (trade, not insurance)	7,382	7,382	0	6,565	6,565	0
Any other liabilities, not elsewhere shown	21,979	0	21,979	20,390	16	20,374
Total other liabilities	47,224	27,961	19,262	43,985	28,314	15,671

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

A deferred income liability of €21.9 million (2021: €20.4m million) is recognised in the 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 financial statements.

The Group previously operated a contributory defined benefit pension scheme. The assets of the defined benefit scheme are held in separate trustee-administered funds. Actuarial valuations are carried out every 3 years. The value of the accrued liability is calculated using the projected unit method by firstly projecting the accrued benefits payable in the future, making assumptions in relation to financial matters such as salary and pension increase rates and demographic matters such as mortality rates. The resultant projected benefit cash-flows are then discounted to the valuation date to arrive at a single capitalised value. During the year, the Group gave notice to terminate its liability to pay contributions to the Scheme. This is likely to trigger a windup of the Scheme in 2023.

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 Board 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:

	2022	2021
	€'000	€'000
Ordinary share capital	6,835	6,835
Share premium account related to ordinary share capital	48,576	48,576
Reconciliation reserve	12,085	13,868
Total basic own funds	67,496	69,279

The Group's ordinary share capital, share premium arising on ordinary share capital, reconciliation reserve and capital contributions received are all available as unrestricted Tier 1 items. The ordinary share capital, share premium arising, and capital contributions 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 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 2022. A detailed exercise to define and document the capital management plan for the Group over the medium term 2023-2027 was carried out during 2022. A Strategic Solvency Target ("SST") for the Group that is appropriate to its 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 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. Solvency II technical provisions are lower than in the Financial Statements due to the use of best estimate rather than prudent assumptions.

The Group does not make use of ancillary own funds or transitional arrangements. The Group paid no dividends during 2022 or 2021. The Group has no dividend plans for 2023. During the year, the Group acquired 383,400 of its own shares. The financial effect of this transaction on the consolidated balance sheet of the Group was a reduction in 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 2022:

	2022	2021
	€'000	€'000
SCR	34,147	38,850
MCR	8,537	9,713

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 year. The table below shows the inputs into SCR calculation as at 31 December 2022:

	2022	2021
	€'000	€'000
Operational risk	1,355	1,272
Market risk	17,253	22,330
Underwriting risk	28,257	30,389
Counterparty risk	3,214	3,324
Diversification benefit	(11,053)	(12,915)
SCR gross of tax relief	39,026	44,400
Tax relief on SCR stresses	(4,879)	(5,550)
SCR net of tax relief	34,147	38,850

The table below shows the inputs into the MCR calculation as at 31 December 2022.

	2022	2021
	€'000	€'000
Absolute Floor	4,000	3,700
Linear MCR	8,121	8,762
SCR	34,147	38,850
Combined MCR	8,121	8,762
MCR	8,537	9,713

Approximations

In order to perform the SCR calculation as efficiently as possible at 31 December 2022, 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 2022 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 it is 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 decreased over the period. The primary reason for these movements is a fall in investment markets during the year and an increase in the EIOPA yield curve.

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 2022.

E.6 Any other information

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

Appendix A: Public QRTs

S.02.01.02
Balance sheet

	Solvency II value
	C0010
Assets	
Intangible assets	R0030 0
Deferred tax assets	R0040 0
Pension benefit surplus	R0050 228
Property, plant & equipment held for own use	R0060 2,505
Investments (other than assets held for index-linked and unit-linked contracts)	R0070 2,351
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 2,351
Government Bonds	R0140 2,126
Corporate Bonds	R0150 224
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 935,686
Loans and mortgages	R0230 2,141
Loans on policies	R0240 0
Loans and mortgages to individuals	R0250 2,141
Other loans and mortgages	R0260 0
Reinsurance recoverables from:	R0270 -881
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 -593
Health similar to life	R0320 0
Life excluding health and index-linked and unit-linked	R0330 -593
Life index-linked and unit-linked	R0340 -288
Deposits to cedants	R0350 0
Insurance and intermediaries receivables	R0360 340
Reinsurance receivables	R0370 2,827
Receivables (trade, not insurance)	R0380 1,168
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 52,284
Any other assets, not elsewhere shown	R0420 0
Total assets	R0500 998,648

Liabilities

Technical provisions – non-life
Technical provisions – non-life (excluding health)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions - health (similar to non-life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions - life (excluding index-linked and unit-linked)
Technical provisions - health (similar to life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – life (excluding health and index-linked and unit-linked)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – index-linked and unit-linked
TP calculated as a whole
Best Estimate
Risk margin
Contingent liabilities
Provisions other than technical provisions
Pension benefit obligations
Deposits from reinsurers
Deferred tax liabilities
Derivatives
Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions
Insurance & intermediaries payables
Reinsurance payables
Payables (trade, not insurance)
Subordinated liabilities
Subordinated liabilities not in BOF
Subordinated liabilities in BOF
Any other liabilities, not elsewhere shown
Total liabilities
Excess of assets over liabilities

	Solvency II value
	C0010
R0510	0
R0520	0
R0530	0
R0540	0
R0550	0
R0560	0
R0570	0
R0580	0
R0590	0
R0600	-2,020
R0610	0
R0620	0
R0630	0
R0640	0
R0650	-2,020
R0660	0
R0670	-2,279
R0680	259
R0690	905,212
R0700	935,072
R0710	-39,818
R0720	9,958
R0740	0
R0750	0
R0760	0
R0770	0
R0780	5,691
R0790	0
R0800	0
R0810	0
R0820	14,889
R0830	0
R0840	7,381
R0850	0
R0860	0
R0870	0
R0880	0
R0900	931,152
R1000	67,496



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	
Premiums written										
Gross	R1410	0	0	137,056	1,066	0	0	0	0	138,122
Reinsurers' share	R1420	0	0	16,171	549	0	0	0	0	16,720
Net	R1500	0	0	120,885	517	0	0	0	0	121,402
Premiums earned										
Gross	R1510	0	0	137,056	1,066	0	0	0	0	138,122
Reinsurers' share	R1520	0	0	16,171	549	0	0	0	0	16,720
Net	R1600	0	0	120,885	517	0	0	0	0	121,402
Claims incurred										
Gross	R1610	0	0	83,128	0	0	0	0	0	83,128
Reinsurers' share	R1620	0	0	9,041	0	0	0	0	0	9,041
Net	R1700	0	0	74,088	0	0	0	0	0	74,088
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	21,627	60	0	0	0	0	21,686
Other expenses	R2500									0
Total expenses	R2600									21,686



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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	138,122	0	0	0	0	0	138,122
Reinsurers' share	R1420	16,720	0	0	0	0	0	16,720
Net	R1500	121,402	0	0	0	0	0	121,402
Premiums earned								
Gross	R1510	138,122	0	0	0	0	0	138,122
Reinsurers' share	R1520	16,720	0	0	0	0	0	16,720
Net	R1600	121,402	0	0	0	0	0	121,402
Claims incurred								
Gross	R1610	83,128	0	0	0	0	0	83,128
Reinsurers' share	R1620	9,041	0	0	0	0	0	9,041
Net	R1700	74,088	0	0	0	0	0	74,088
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	21,686	0	0	0	0	0	21,686
Other expenses	R2500							0
Total expenses	R2600							21,686

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Own funds

Basic own funds before deduction for participations in other financial sector

Ordinary share capital (gross of own shares)
 Non-available called but not paid in ordinary share capital at group level
 Share premium account related to ordinary share capital
 Initial funds, members' contributions or the equivalent basic own - fund item for mutual a
 Subordinated mutual member accounts
 Non-available subordinated mutual member accounts at group level
 Surplus funds
 Non-available surplus funds at group level
 Preference shares
 Non-available preference shares at group level
 Share premium account related to preference shares
 Non-available share premium account related to preference shares at group level
 Reconciliation reserve
 Subordinated liabilities
 Non-available subordinated liabilities at group level
 An amount equal to the value of net deferred tax assets
 The amount equal to the value of net deferred tax assets not available at the group level
 Other items approved by supervisory authority as basic own funds not specified above
 Non available own funds related to other own funds items approved by supervisory authority
 Minority interests (if not reported as part of a specific own fund item)
 Non-available minority interests at group level

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

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

Deductions

Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities whereof deducted according to art 228 of the Directive 2009/138/EC
 Deductions for participations where there is non-availability of information (Article 229)
 Deduction for participations included by using D&A when a combination of methods is used
 Total of non-available own fund items

Total deductions

Total basic own funds after deductions

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	6,835	6,835		0	
R0020	0	0		0	
R0030	48,576	48,576		0	
R0040	0	0		0	
R0050	0		0	0	0
R0060	0		0	0	0
R0070	0	0			
R0080	0	0			
R0090	0		0	0	0
R0100	0		0	0	0
R0110	0		0	0	0
R0120	0		0	0	0
R0130	12,085	12,085			
R0140	0		0	0	0
R0150	0		0	0	0
R0160	0				0
R0170	0				0
R0180	0	0	0	0	0
R0190	0	0	0	0	0
R0200	0	0	0	0	0
R0210	0	0	0	0	0
R0220	0	0			
R0230	0	0	0	0	
R0240	0	0	0	0	0
R0250	0	0	0	0	0
R0260	0	0	0	0	0
R0270	0	0	0	0	0
R0280	0	0	0	0	0
R0290	67,496	67,496	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			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

Institutions for occupational retirement provision	R0410					
Non regulated entities carrying out financial activities	R0420	0	0	0	0	0
Total own funds of other financial sectors	R0430	0	0	0	0	
	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	67,496	67,496	0	0	0
Total available own funds to meet the minimum consolidated group SCR	R0530	67,496	67,496	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	67,496	67,496	0	0	0
Total eligible own funds to meet the minimum consolidated group SCR	R0570	67,496	67,496	0	0	

Minimum consolidated Group SCR (Article 230)

	R0610	8,537				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	791%				

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	67,496	67,496	0	0	0
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Group SCR	R0680	34,147				
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Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	198%				
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Reconciliation reserve

Excess of assets over liabilities	R0700	67,496				
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	12,085				
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Expected profits

Expected profits included in future premiums (EPIFP) - Life business	R0770	1,686	1,686			
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Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0	0			
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Total EPIFP	R0790	1,686	1,686			
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Solvency Capital Requirement - for groups on Standard Formula

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

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0080	C0090
R0010	17,253		0
R0020	3,214		
R0030	28,257	0	0
R0040	0	0	0
R0050	0	0	0
R0060	-11,053		
R0070	0		
R0100	37,671		

Calculation of Solvency Capital Requirement

Operational risk
 Loss-absorbing capacity of technical provisions
 Loss-absorbing capacity of deferred taxes
 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module
 Total amount of Notional Solvency Capital Requirements for remaining part
 Total amount of Notional Solvency Capital Requirements for ring fenced funds
 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
 Diversification effects due to RFF nSCR aggregation for article 304
 Minimum consolidated group solvency capital requirement

Information on other entities

Capital requirement for other financial sectors (Non-insurance capital requirements)
 Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies
 Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions
 Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities
 Capital requirement for non-controlled participation requirements
 Capital requirement for residual undertakings

Overall SCR

SCR for undertakings included via D and A

Solvency capital requirement

	C0100
R0130	1,355
R0140	0
R0150	-4,878
R0160	0
R0200	34,147
R0210	0
R0220	34,147
R0400	0
R0410	0
R0420	0
R0430	0
R0440	0
R0470	8,537
R0500	0
R0510	0
R0520	0
R0530	0
R0540	0
R0550	0
R0560	0
R0570	34,147



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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
IE	Acorn Master Trustee DAC	2 - Specific code	Acorn Master Trustee DAC	99 - Other	SA	2 - Non-mutual	NONE

Legal name of the undertaking	Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
	% 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
Acorn Master Trustee DAC	100%	100%	100%	AAA	1 - Dominant	100%	1 – Included in the scope		1 - Method 1: Full consolidation