Acorn Life Designated Activity Company

Solvency and Financial Condition Report

For year ending 31 December 2021

Table of Contents

Executive Summary 4
Business and Performance Summary 4
System of Governance Summary 5
Risk Profile Summary 5
Valuation for Solvency Purposes Summary 5
Capital Management Summary 6
A. BUSINESS AND PERFORMANCE 7
A.1 Business 7
A.2 Underwriting Performance 8
A.3 Investment Performance 10
A.4 Performance of other activities 11
A.5 Any other information 11
B. SYSTEM OF GOVERNANCE 12
B.1 General Information on the system of governance 12
B.2 Fit and proper requirements 15
B.3 Risk management system including the own risk and solvency assessment 16
B.4 Internal control system 20
B.5 Internal Audit Function 22
B.6 Actuarial Function 22
B.7 Outsourcing 23
B.8 Assessment of governance and any other disclosures 24
C. RISK PROFILE 25
C.1 Underwriting risk 25
C.2 Market risk 29
C.3 Credit risk 31

C.4 Liquidity risk ... 33

C.5 Operational risk ... 34

C.6 Other material risks ... 35

C.7 Any Other Disclosure ... 36

D. VALUATION FOR SOLVENCY PURPOSES ... 37

D.1 Assets ... 37

D.2 Technical Provisions ... 37

D.3 Other liabilities ... 42

D.4 Alternative methods for valuation ... 42

D.5 Any other information ... 42

E. CAPITAL MANAGEMENT ... 43

E.1 Own funds ... 43

E.2 Solvency Capital Requirement and Minimum Capital Requirement ... 44

E.3 Use of the duration-based equity risk submodule in the calculation of the SCR ... 46

E.4 Difference between the standard formula and any internal model used ... 46

E.5 Non-compliance with the MCR and non-compliance with the SCR ... 46

E.6 Any other information ... 46

Appendix A: Public QRTs ... 47

Executive Summary

Acorn Life Designated Activity Company ("the Company") is a regulated life assurance company which provides life, pensions and investment products to personal and small business customers in Ireland through its direct sales force. Its brand strength is based on local distribution, product innovation, flexibility and strong investment performance. The Company fulfils the minimum and solvency capital requirements as set down under the Solvency II regime as at the reporting date 31 December 2021 and during the 2021 financial year.

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

The solvency objective of the Company is to ensure that it maintains sufficient capital to pay its policyholders and all other creditors in full as liabilities fall due. This means that the Company must hold an appropriate amount and quality of capital to meet regulatory requirements. The Company holds additional capital which is relevant to its specific needs. A strong capital position enables the Company to continue to operate through periods of severe stress. The Company measures and calculates capital using the Solvency II Standard Formula. On 31 December 2021, the Company has a solvency coverage ratio of 164% (2020: 157%).

Key Information from the Solvency II Balance Sheet	**2021**	**2020**
	€'m	**€'m**
Total Assets	1,084.1	898.5
Technical Provisions	993.6	829.7
Other liabilities	27.9	20.9
Eligible Own Funds	**62.6**	**47.9**
Capital Requirements		
Minimum Capital Requirement (MCR)	9.5	7.6
Solvency Capital Requirement (SCR)	38.2	30.5
Solvency Coverage		
Ratio of Eligible Own Funds to MCR	656%	627%
Ratio of Eligible Own Funds to SCR	164%	157%

Business and Performance Summary

Policyholders' assets under management grew to €1,027 million during 2021 from €857 million at the end of 2020. We reported a profit on ordinary activities before tax during the year of €4.4 million (2020: €2.7 million). Our profit for 2021 was driven by strong investment market performance, the persistency of our customer base and sound expense management. During 2021 we continued to progress our strategic cost optimisation initiatives. Our approach to capital preservation since the onset of the COVID-19 crisis has put us in a strong position to progress our business strategy during 2022. This strategy will enable us to increase our scale and to continue to deliver value to our customers in the future.

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

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

System of Governance Summary

The Company has an effective system of governance, which provides for sound and prudent management. The Board continues to ensure that we maintain a strong corporate governance framework and risk management function.

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

The Risk Management Function is responsible for managing the Company's risks. The Compliance Function is responsible for ensuring that the Company complies with all relevant regulatory requirements. The Actuarial Function is responsible for ensuring that the Company sets aside enough funds to cover policyholders' claims and the expenses of the business. The Internal Audit Function's role is to support the Board and Management in discharging the operation of internal controls and corporate governance responsibilities by reviewing the work undertaken by various departments and recommending possible improvements.

The Company operates a three lines of defence model. The first line represents the various departments performing their regular duties. The second line represents the work of the Risk and Compliance functions. The third line represents independent review carried out by Internal and External Auditors.

More information on the system of governance can be found in section B below.

Risk Profile Summary

In the context of its business operations the Company 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 the Company's investments or falls in the value of policyholders' assets under management which could lead to a reduction in income. Counterparty default risk is the risk of default of our counterparties, such as banks or reinsurers. Operational risk is the risk of direct or indirect losses arising from inadequate or failed internal process, people and systems or from external events.

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

Valuation for Solvency Purposes Summary

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

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

Capital Management Summary

As at 31 December 2021, the Company has a solvency coverage ratio of 164% (2020: 157%). The solvency objective of the Company is to ensure that it maintains sufficient capital to pay its policyholders and all other creditors in full as liabilities fall due.

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

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

A. BUSINESS AND PERFORMANCE

A.1 Business

The Company is a regulated life assurance company. It provides life, pensions and investment products to personal and small business customers in Ireland through its direct sales force. The Company is a private company limited by shares, based in Ireland and authorised by the Central Bank of Ireland (CBI) to conduct business in the Republic of Ireland. The ultimate parent undertaking of the group to which the Company belongs is Acorn Life Group Limited, a private company limited by shares. The group headed up by Acorn Life Group Limited is also supervised by the CBI. The Group consists of the following companies:

Acorn Life Group Limited:	A holding company which is the parent to the Group companies.
Tanis Limited:	A holding company of Acorn Life DAC, Acorn Brokerage Limited and Orcan Limited.
Acorn Life DAC:	A regulated insurance firm.
Acorn Brokerage Limited:	A regulated insurance intermediary.
Orcan Limited:	A non-regulated company which was created to facilitate the operation of a Revenue Approved Employee Share Ownership Scheme.

The focus of this report is on Acorn Life DAC as this is the only insurance company within the group.

The Company's registered and operating address is:

Acorn Life DAC
St Augustine Street
Galway

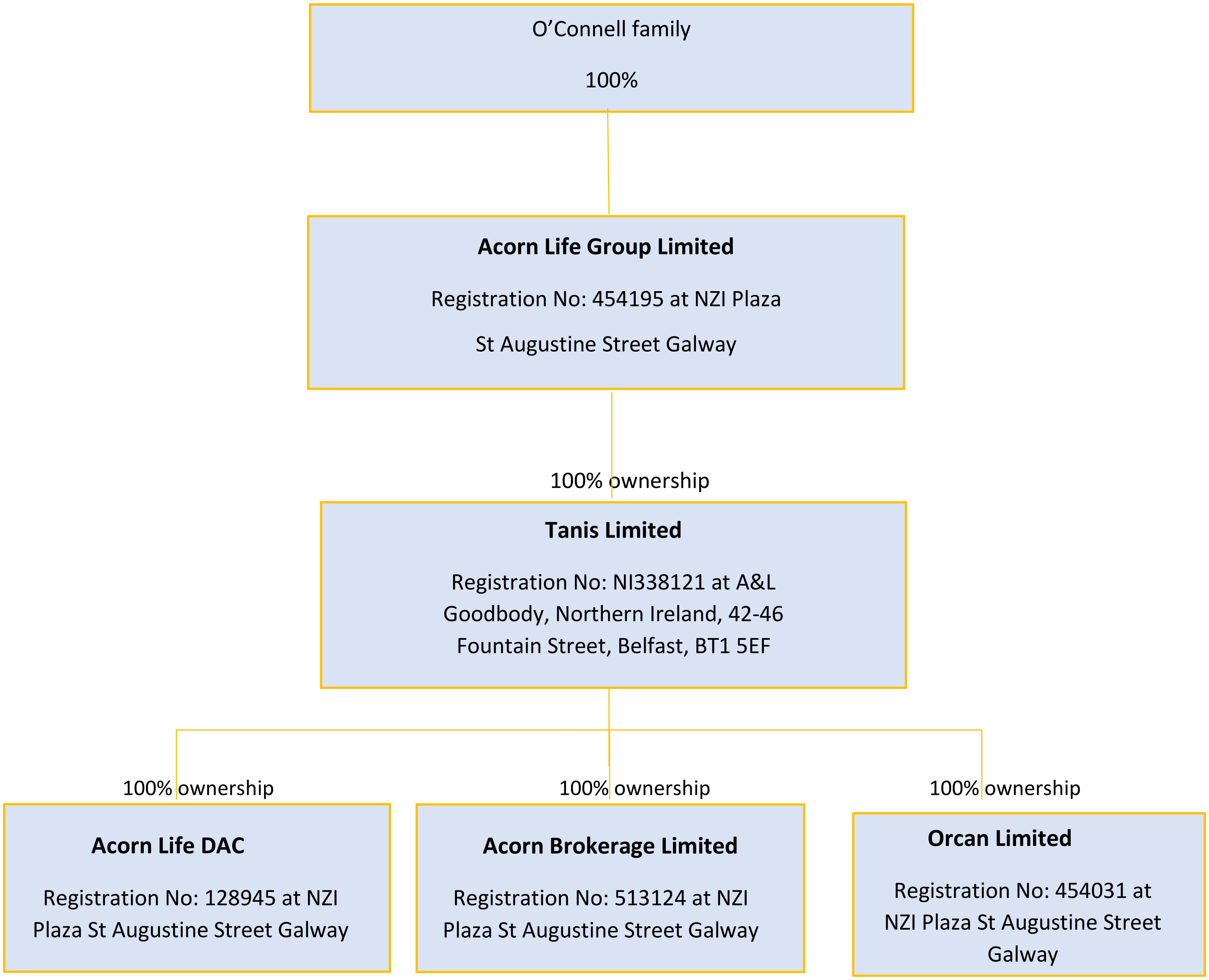
The CBI is responsible for the financial supervision of the Company:

Central Bank of Ireland
North Wall Quay
Dublin 1

The Company's independent auditor is:

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

Acorn Life Shareholders and Group Companies are:



A.2 Underwriting Performance

The underwriting performance outlined in this section is on an FRS 102 and 103 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) basis as the Company prepares its Financial Statements in accordance with these accounting standards.

We reported a profit on ordinary activities before tax during the year of €4.4 million (2020: €2.7 million). Our profit for 2021 was driven by strong investment market performance, the persistency of our customer base and sound expense management. During 2021 we continued to progress our strategic cost optimisation initiatives.

Our approach to capital preservation since the onset of the COVID-19 crisis has put us in a strong position to progress our business strategy during 2022. This strategy will enable us to increase our scale and to continue to deliver value to our customers in the future.

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

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

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

The following table is a summary of our premiums, claims and expenses split by Solvency II lines of business during the year ended 31 December 2021 and disclosed in QRT S.05.01.02. All business was written in the Republic of Ireland.

	2021			2020		
	Index-linked and unit linked insurance	Other life insurance	Total	Index-linked and unit linked insurance	Other life insurance	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Net Premiums earned	**117,460**	**567**	**118,027**	99,754	512	100,266
Net claims incurred	**64,180**	**-**	**64,180**	64,411	-	64,411
Expenses incurred	**20,879**	**81**	**20,960**	20,890	84	20,973

A.3 Investment Performance

Our investments fall into the following main asset classes:

- Unit-linked funds
- Cash and Cash Equivalents
- Government and Corporate Bonds

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

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

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

The Company has no investments in securitisation.

A.4 Performance of other activities

Other technical income

The Company'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 Company does not have any material leasing arrangements.

A.5 Any other information

The Company 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 Company Overview

As an insurance undertaking, we are 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).

The governance structure in place in the Company includes clear allocation and segregation of duties. The Board has primary responsibility for corporate governance within the Company. The Management team is responsible for ensuring that we operate in line with our policies. The Company is governed through a structure of Committees. The responsibilities of our Board, Board Sub Committees, the Chief Executive Officer and Management Committees are outlined below.

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 comprises the Board of Directors, the Chief Executive Officer, the Executive Leadership Team and Board and Management Sub-Committees. There were no material changes in governance structures during 2021.

The Board of Directors as at 31 December 2021 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.

Board meetings are held at least quarterly in Ireland. The Board is collectively responsible for determining the overall strategic objectives of the Company in line with the Company's Constitution and ensuring that it has the appropriate resources in place to meet those objectives.

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

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

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

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

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

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

The purpose of the Committee is to ensure that all potential business risks are identified, evaluated, mitigated and controlled. The Committee provides oversight and advice to the Board on risk exposures, risk appetite, risk policies and risk strategy of the company. The committee oversees the Risk Management Function of the Company.

Board Audit Committee (Chaired by Mr Brian Neilan)

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

Board Remuneration Committee (Chaired by Mr Brian Neilan)

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

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

The Company has a Risk Function, responsible for the oversight and management of risk within the organisation. The Chief Risk Officer (CRO) leads the Risk Management Function. The CRO reports to the CEO and has a direct line of responsibility to the Board Risk Committee and to the Board. The Risk Management Function has the primary responsibility for designing the framework that is applied by the Company in identifying, assessing, measuring, mitigating and monitoring risks.

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

B.1.3.2 Compliance

The Company has a Compliance Function with responsibility for the oversight of compliance within the business. The Compliance Function reports to the Board Risk Committee. The Compliance function also maintains oversight of consumer protection risks and the Company has developed a consumer protection risk management framework and conduct risk policy to help ensure that consumers' best interests are protected.

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

B.1.3.3 Actuarial

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

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

B.1.3.4 Internal Audit

The Internal Audit Function's role is to support the Board and Management of the Acorn Life in achieving its strategic and operational objectives and in discharging its control and corporate governance responsibilities. It satisfies this purpose by providing the Audit Committee and the Chief Executive Officer with independent assurance as to whether adequate and effective risk management, governance and internal control procedures are in place and are functioning effectively. The Head of Internal Audit reports functionally to the Board through the Audit Committee Chairman.

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

B.1.4 Remuneration Policy

Principles

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

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

The Company's remuneration policy is:

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

- Reflective of the long-term interests and performance of the undertaking as a whole incorporating measures to avoid conflicts of interest
- Designed not to promote excessive risk taking which is not aligned with our risk appetite statement.

Employees are encouraged to join the Defined Contribution Pension Scheme. The Company also contributes to the scheme. The Company's contributions are based on basic salaries and subject to relevant upper limits. Death in service entitlements also apply.

The Company operates bonus schemes for designated categories of staff. The schemes aim to reward employees for achieving key company-wide success metrics. The terms of employee bonus schemes are approved by the Board.

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

No dividends were paid in 2021 or 2020. There are no plans to pay dividends during 2022. There were no material transactions between the Company and members of the Board during 2021.

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 Company operates a Fitness and Probity Policy which documents the due diligence checks that must be performed for those operating in key roles. Key roles are referred to within the policy as PCFs and approval from the CBI is required to be received prior to the appointment of any person to any such role. For PCF roles, the Company carries out an assessment of competency that includes the following, where relevant to the role in question:

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

The Compliance Function is responsible for carrying out the assessment in line with the policy, which is then considered by the Board prior to approval.

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

B.3.1 Risk Management Framework

The Company's risk management system includes the interaction of a number of key components, which operate together as an integrated whole. The key components of the risk management system are outlined below.

Risk Universe

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

Risk Appetite

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

The Company's risk appetite is proposed by the Risk Management Function and is reviewed, challenged and approved by the Board Risk Committee and the Board 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 Company's strategic decision-making process, its day-to-day business and risk management.

The Company's Risk Appetite consists of a focused number of key measures which are used by the Board and Management to steer the business from a risk perspective. The Company uses trigger levels to anticipate breaches of appetite and to initiate management action in advance of the breach occurring. These actions may include avoiding, controlling, transferring or accepting the risk.

A well-articulated Risk Appetite provides the Company with:

- 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 Risk Management Policy and other polices which govern the material risks facing the business. Each material risk in the Risk Universe is covered by one of the Company's risk policies. These have been written to provide clear guidance to all levels of staff in the Company on the way it 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 Company manages its business and the impact its actions may have on the business. The policies also link directly to the governance requirements of the Company. The application of the policies within the business is reviewed by the Internal Audit Function.

Risk Identification

The risks that the Company faces are identified and logged on the Risk Register. The risk identification process is carried out by individual risk owners within 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 Company appreciates that planned changes to products and business processes may affect the risk profile of the Company. Consequently, the business is required to analyse the risk of all proposed changes to products and business processes to ensure that any new risks are identified.

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

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

The Annual ORSA process

The annual ORSA process analyses the risks faced by the Company. 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 Company 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 Company’s risk appetite.

The risks captured on the Risk Register are reviewed as part of the Own Solvency Needs (OSN) assessment to determine whether the risks facing the business are adequately covered by the Standard Formula approach to calculating our capital requirement. Stress testing and scenario analysis, used as part of the ORSA process, are also used as risk management tools. The Board reviews and approves the ORSA report annually.

Risk Assessment and Measurement

Robust risk assessment and measurement is necessary to generate appropriate management information that enables informed decision-making. The Company's risk assessment and measurement methodologies form a key part of the Company'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 Company 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 Company's 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 a risk analysis to be performed. The risk analysis will identify control changes that are necessary to manage changes in risk resulting from the business change.

Risk Monitoring and Reporting

Each business unit has responsibility for operating the risk management system and reporting information on adherence to the prescribed system to the Risk Management Function. The Risk Management Function reviews and challenges the information provided and reports to the Board via the 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 Company has developed a suite of risk metrics and management information to facilitate and support effective risk management and decision-making at all levels of the Company. 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 Company monitors and reports a comprehensive range of KRIs and KRCs which are outlined in its Risk Management Policy.

Risk Management Function

The Chief Risk Officer (CRO) leads the Risk Management Function which maintains and monitors the effectiveness of the risk management policy and framework in the Company. The CRO has a direct line of responsibility to the Board Risk Committee and to the Board. The CRO also provides input, via the 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 Company's risk management systems, and for ensuring that a consistent process is applied across the Company for managing risk. It has the primary responsibility for designing the framework that is applied by the Company in identifying, assessing, measuring, mitigating and monitoring risks. The Risk Management Function also undertakes independent monitoring of risk management systems and processes to assist the Company in assessing the robustness of the Company's risk management processes.

The Risk Management Function:

- Assists the Board and its Risk Committee, in the effective operation of the Company's risk management system.
- Develops and implements an annual Risk Plan.
- Carries out the annual ORSA process, and any ad hoc ORSA processes required.
- Facilitates, and provides inputs into the process of setting the risk strategy and appetite of the Company.
- 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.
- Monitors that the risk policies, procedures and the risk governance framework are up to date and fit for purpose.
- Monitors the effectiveness of the risk management system by utilising Key Risk Indicators and Key Risk Controls.
- Monitors the overall risk profile of the Company and reports to the Board Risk Committee on the Company's risk exposures against its risk appetite, key risk events and any emerging risks facing the Company.
- Advises the Board and Board Risk Committee on risk management matters.
- Fulfils a stewardship role with respect to embedding the Company's risk culture within the business.

B.4 Internal control system

B.4.1 Internal Control Framework

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

B.4.1.1 Governance and Internal Control structures:

- The Board is ultimately responsible for setting and overseeing the Internal Control Framework
- The Board has delegated the responsibility for the establishment, review and maintenance of the system of internal control to its Risk, Audit and Remuneration Committees
- The key control functions within the Company provide guidance, set relevant policies and provide assurance on the internal control environment.

B.4.1.2 Three Lines of defence:

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

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

B.4.1.3 Policies

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

B.4.1.4 Training:

The Company provides relevant internal control training to all staff. This training includes but is not limited to:

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

B.4.1.5 General Accounting Controls

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

General Accounting Control activities include but are not limited to:

- Approvals, authorisations, reconciliations and other measures applicable to each business area.
- Development of accounting policies and procedures to ensure accounting records provide a true and fair view of the financial position of the Company.
- 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 staff report on:

- Control breaches
- Control deficiencies
- Fraudulent activities

The Company 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 the Company's 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, further reviews are performed by the Compliance Function to ensure compliance with relevant codes, policies and regulatory requirements. The results of these reviews are reported to the relevant areas.

B.4.1.8 Compliance Function

The Compliance Function undertakes the following key roles and responsibilities:

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

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

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

B.5 Internal Audit Function

The Company's third line of defence against risk is comprised of the Internal Audit Function and the Audit Committee. The role of Head of Internal Audit is outsourced. This ensures the role is independent from other operational functions within the Company. Outsourcing allows the Company access to specialist technical areas of internal audit in a cost-effective manner.

The responsibilities of Internal Audit are defined by the Board in its terms of reference. Internal Audit examines and evaluates the functioning of the Company's internal controls and other elements of the Company's 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 the Company with 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 Audit Committee. A standing item at Board meetings is an update from the Chairman of the Audit Committee.

B.6 Actuarial Function

The Company has an Actuarial Function headed by the Head of Actuarial Function (HoAF). The responsibilities of the Actuarial Function include:

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

- Reporting any deficiencies in the control environment to the Board.
- Providing an annual opinion on the ORSA as well as Underwriting and Reinsurance arrangements.
- Completing cash-flow and capital modelling.
- Stress and scenario modelling for input to the ORSA process.
- Assisting with production of SFCR and RSR reports annually.
- Embedded value and Appraisal Value calculations.
- Experience analyses.
- Product pricing.
- Consideration of Policyholder Reasonable Expectations.
- Monitoring compliance relating to disclosure of information to policyholders.

B.7 Outsourcing

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

The policy specifies the contractual controls the Company 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.

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

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

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

C. RISK PROFILE

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

	SCR Amount	SCR %	SCR Amount	SCR %
	2021		2020	
Underwriting Risk	**€30.4m**	**54.9%**	€26.3m	60.5%
Market Risk	**€22.3m**	**40.3%**	€14.8m	34.0%
Counterparty Risk	**€1.3m**	**2.4%**	€1.1m	2.5%
Operational Risk	**€1.3m**	**2.4%**	€1.3m	3.0%
Solvency Capital Requirement (before tax relief & diversification)	**€55.3m**	**100%**	€43.5m	100%

C.1 Underwriting risk

C.1.1 RISK EXPOSURE

Underwriting Risk relates to the uncertainty regarding the occurrence, amount or timing of insurance claims, income, payments or liabilities. The Company is in the business of accepting mortality and morbidity risk. The Company takes a generally prudent approach to managing underwriting risk and has a framework for underwriting new business and managing claims in a manner that is consistent with the pricing basis and reinsurance agreements currently in place. The material product lines, and the risks associated with them which the Company is willing to accept are summarised in the table below:

Product	Risk Exposure
Protection Life Plan including: • Life cover benefit • Critical illness benefit • Hospital cash benefit • Surgical cash benefit • Accidental Injury benefit • Accidental death benefit • Personal accident benefit • Premium protection benefit	• Mortality risk • Morbidity risk • Expense risk • Lapse risk • Market risk • Children’s mortality risk • Children’s critical illness risk • Children’s hospital cash benefit
Mortgage Protection	• Mortality risk • Lapse risk • Expense risk

Pensions including: • Single premium personal pension plan • Personal pension plan • Executive pension plan • Personal retirement bond • Approved retirement funds • Self-Directed pension plan	• Expense risk • Lapse risk • Market risk
Savings and investments including: • Savings plan • Investment bond	• Expense risk • Lapse risk • Market risk

Mortality Risk

The Company 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 Company'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 Company 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 Company's experience in recent years has seen some volatility in morbidity claims. However, the long-term trend has remained relatively steady.

Lapse Risk

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

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

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

Risk Monitoring
It is the responsibility of the HoAF, with support from other areas of the business such as Sales, Underwriting and Finance to monitor the principal risk factors which influence the profitability of business to be written in the future. The HoAF maintains appropriate processes to monitor these factors on a regular basis.

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

The Company 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, the Company accepts that its preferred strategy incorporates some element of concentration risk. However, the HoAF monitors concentrations of risk on a regular basis and is satisfied that the Company is not exposed to excessive concentrations of risk.

C.1.3 RISK MITIGATION

C.1.3.1. The Underwriting Process
The Underwriting process is the primary method by which mortality and morbidity risks are mitigated.

- It is the Company's 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 is responsible for ensuring that sufficient training is in place for underwriters on the use of the reinsurer's underwriting manual.
- The Head of Underwriting is responsible for ensuring that the underwriting manual mitigates the risk of anti-selection through appropriate medical and financial underwriting.
- All Underwriters must be members of an appropriate professional body and must engage in continuing professional development activities.

C.1.3.2 The Claims Process
- The Company maintains a Claims Management manual which sets out the claims management process in detail.

- It is the responsibility of the Head of Claims to ensure that all claims handlers have sufficient training around using the claims manual.
- Any changes in the Claims Management manual must be approved by the Head of Claims.
- Any changes to the claims philosophy must be agreed with our reinsurers.

C.1.3.3. Reinsurance

Reinsurance arrangements are in place to cover a proportion of sums assured on death, critical illness and accidental death benefits. Reinsurance is a key risk management tool which reduces the volatility of cash flows by transferring risk to a third party and reduces SCR. The primary objectives of the Company's reinsurance strategy are as follows:

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

The Company reinsures sums at risk with two reinsurers, Munich Re and SCOR. Both reinsurers have at least an A rating (with Moody's) in line with our Risk Appetite. Credit risk associated with both reinsurers is low.

C.1.4 RISK SENSITIVITY

As part of the ORSA process in 2021, a number of underwriting stresses were tested. These included expenses, claims and lapse stresses. In addition, several scenarios which looked at a combination of stresses, were analysed. These stresses involved the recalculation of the projected Solvency Coverage to determine if the Company would have sufficient Own Funds to cover the SCR in the future. Our projected Solvency Coverage is most sensitive to changes in future claims experience but it remained resilient in the stressed scenarios considered.

C.1.5 Dependencies between risk modules

The Company uses the correlations specified for the Solvency II Standard formula to determine dependencies across underwriting risks and between these and other risks. The Company'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 Company 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 Company pursues a policy of fully matching policyholder liabilities and has no appetite for mismatching of policyholder unit liabilities. Shareholder funds are predominantly invested in highly liquid assets. The Company holds its Head Office building as its only direct property investment and has no additional appetite for direct property investment of shareholder funds.

Equity Risk SCR: The income generated through unit related charges on policyholder funds makes this SCR significant for the Company. However, the net impact of the Equity SCR on free capital is not material due to the presence of a corresponding asset (a negative Technical Provision representing the present value of future profits including charges levied on policyholders' equity exposures) permissible for solvency purposes.

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

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

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

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

C.2.2 RISK CONCENTRATION

The Company 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 Company has Board approved policies for:

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

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

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

Equity risk – the Company has no appetite to invest Shareholders' assets directly in equities. The Company has a policy in respect of exposure to equity risk through unit fund mismatches. It is accepted that the shareholder is exposed to equity risk indirectly through management charge margins generated on policyholder assets.

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

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

Valuation Policy

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

C.2.4 RISK SENSITIVITY

Market Risk stresses and sensitivity tests are carried out annually through the ORSA process and Actuarial Function Report. As part of the ORSA process in 2021, a number of market stresses were tested. These included an equity shock leading to a reduction in unit-linked fund values and changes in interest rates and fund growth rates. In addition, several scenarios looked at a combination of stresses, including market stresses. Our projected Solvency Coverage remained resilient in the stressed scenarios considered.

C.2.5 Dependencies between risk modules

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

C.2.6 Any other information regarding the market risk profile

The Company 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 an obligator, borrower, issuer, surety, guarantor or counterparty who fails to meet its obligations in accordance with agreed terms. Exposure to this risk occurs any time funds are extended, committed or invested though actual or implied contractual agreements. The Company has a very low appetite for credit risk. The Company manages this risk carefully by applying a strict set of criteria to investments, confining its dealings to institutions of high creditworthiness and monitoring relevant exposures to counterparties.

The Company has some credit risk exposures to banks via its overnight cash deposits although there is a limit in terms of exposure to a single bank.

The Company has reinsurance in place with two reinsurers, Munich Re and SCOR. In line with the Company's Risk Appetite Statement, both reinsurers have a Moody's credit-rating of greater than A. The credit risk associated with both reinsurers is very low. The Company's current free capital position is more than sufficient to absorb an immediate default of both reinsurers.

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

C.3.2 RISK CONCENTRATION

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

The investment policy and risk appetite statement set out clear limits with respect to concentrations of investments and deposits with individual institutions.

C.3.3 RISK MITIGATION

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

There are limits on the amount that can be deposited with a single bank and on the ratings of banks that the Company will deal with. The Company limits its exposure to single banks by investing in short duration bond funds.

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

C.3.4 RISK SENSITIVITY

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

C.3.5 Dependencies between risk modules

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

The Company 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 Company 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 Company 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 Company 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 Company'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 Company's reputation.

C.4.2 RISK CONCENTRATION

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

C.4.3 RISK MITIGATION

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

In managing and/or mitigating liquidity risk the Company:

- 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 Company. The purpose of this exercise is to determine its cash-flow needs. The composition of the Company's liquid asset portfolio is subject to ongoing monitoring and reporting. The projected liquidity position of the Company's assets in excess of liabilities under each scenario examined in the ORSA is highlighted within the annual ORSA report.

Expected Profits in Future Premiums ("EPIFP")

EPIFP is the amount of profit arising from including future premiums in the calculation of the Company's technical provisions. The EPIFP is not liquid because it relates to future premiums. The EPIFP was €1.8 million at 31 December 2021 (2020: €1.8 million).

C.4.4 RISK SENSITIVITY

A meaningful liquidity stress is difficult to apply to a balance sheet with very healthy liquidity. All of the Company's free capital is held in liquid assets. Because of this, when the Company 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 Company does not model dependencies between liquidity risks and other risks.

C.4.6 Any other information regarding the liquidity risk profile

The Company is satisfied that 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 Company considers Cyber Security Risk, Outsourcing Risk and Business Continuity Risk as other key operational risks.

C.5.2 RISK CONCENTRATION

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

C.5.3 RISK MITIGATION

Operational risks are mitigated by our internal control framework. The Company holds additional Own Solvency Needs (OSN) capital for Operational Risks.

C.5.4 RISK SENSITIVITY

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

C.5.5 Dependencies between risk modules

The Company 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

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

Special Purpose Vehicles

The Company does not use Special Purpose Vehicles.

Upstream Regulatory Change

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

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

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

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

Cybersecurity

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

Brexit

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

Coronavirus (COVID-19)

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

Russia / Ukraine Crisis

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

Environmental and Social Risks

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

C.7 Any Other Disclosure

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

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

With some exceptions as described below, the Company 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	2021 Irish GAAP Value €'000	2021 Solvency II Value €'000	2021 Variance €'000	2020 Irish GAAP Value €'000	2020 Solvency II Value €'000	2020 Variance €'000
Deferred Acquisition Costs	24,611	0	(24,611)	24,693	0	(24,693)
Pension benefit surplus	0	0	0	1	1	0
Property, plant and equipment held for own use	1,718	1,718	0	1,989	1,989	0
Financial Assets - Government bonds	2,308	2,387	79	2,442	2,521	79
Financial Assets - Corporate bonds	116	120	4	122	125	3
Financial Assets - Structured notes	0	0	0	192	192	0
Assets held for index-linked and unit-linked contracts	1,026,569	1,026,569	0	857,343	857,343	0
Loans and mortgages	234	234	0	231	231	0
Reinsurance recoverables	10,851	(3,771)	(14,623)	8,419	(3,854)	(12,273)
Insurance and intermediaries receivables	266	266	0	280	280	0
Reinsurance receivables	530	6,982	6,453	0	2,951	2,951
Receivables (trade, not insurance)	606	606	0	727	727	0
Cash and cash equivalents	49,027	49,027	(0)	36,039	36,018	(21)
Any other assets, not elsewhere shown	83	0	(83)	61	0	(61)
Total assets	**1,116,919**	**1,084,137**	**(32,782)**	**932,539**	**898,524**	**(34,015)**

The financial statements have been prepared in line with FRS 102 and 103 on a going concern basis. This basis assumes that the Company 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 Company'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 Company's ability to continue as a going concern, assesses the significance of those risks, including the likelihood of their occurrence and their potential impact and describes how risks can be addressed or mitigated. The key message from the 2021 ORSA process was that the balance sheet remains resilient to future stressed scenarios and there is no material threat to solvency or liquidity over the medium term. Based on the Directors assessment of the Company's financial position, the Directors have a reasonable expectation that the Company 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 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 the Company 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 Company does not have a deferred tax asset on its Solvency II balance sheet, nor has it provided any guarantees. The Company does not have any material leasing arrangements.

D.2 Technical Provisions

Technical Provisions by material line of business

The technical provisions comprise the Best Estimate of the Liabilities ("BEL"), the Risk Margin, Gross Technical Provisions (calculated as a whole) and other technical provisions relating to policyholders. Technical Provisions are valued for solvency purposes in accordance with the Solvency II valuation rules which require liabilities to be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction. The tables below show the technical provisions at 31 December 2021 and 31 December 2020 by material line of business:

2021

Line of business	Gross best estimate liability	Risk Margin	Gross technical provisions (calculated as a whole)	Recoverables from reinsurance contracts and SPVs	Total technical provisions net of recoverables
€'000					
Unit-linked life	(45,665)	12,533	1,028,901	3,047	998,817
Non unit-linked life	(2,510)	341	0	724	(1,445)
Total	**(48,175)**	**12,875**	**1,028,901**	**3,771**	**997,371**

2020

Line of business	Gross best estimate liability	Risk Margin	Gross technical provisions (calculated as a whole)	Recoverables from reinsurance contracts and SPVs	Total technical provisions net of recoverables
€'000					
Unit-linked life	(34,937)	11,146	855,652	3,102	834,963
Non unit-linked life	(2,519)	362	0	751	(1,406)
Total	**(37,456)**	**11,508**	**855,652**	**3,853**	**833,557**

A. Gross Best Estimate Liability

The Company's 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 Company 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 Company used the rates as provided by EIOPA. The Company did not use the matching adjustment or the volatility adjustment at 31 December 2021.

Expenses and Inflation

The expenses incurred in servicing the Company's insurance obligations consist of administration, claims management/handling and overhead expenses. The Company 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 Company's current best estimate of future inflation.

Lapse assumptions

Lapse assumptions are set with reference to the Company'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 2021 financial year related to per policy renewal expense inflation.

B. Risk Margin

The Risk Margin ensures that the technical provisions are equal to the amounts required to meet insurance obligations. The risk margin is calculated as the amount of capital needed to support the Solvency Capital Requirement over the lifetime of the business at a prescribed cost of capital rate.

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

C. Gross Technical Provisions (calculated as a whole)

Gross Technical Provisions (calculated as a whole) consist of the Unit-Linked liability and other reserves relating to policyholders. The Unit-Linked liability is equal to the value of policyholder units plus the value of loyalty bonus units multiplied by the relevant fund valuation price at the valuation date. All of the Unit-Linked liability was matched by unit-linked assets at 31 December 2021.

D. Recoverable from reinsurance contracts and special purpose vehicles

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

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

Uncertainty associated with the value of technical provisions

The key sources of uncertainty for the Company are future lapse rates, mortality rates, morbidity rates, interest rates and expense rates. A robust assumption setting process is followed in order to ensure the uncertainty is well understood. An element of uncertainty remains around the impact which COVID-19 will have on future experience. We have taken this uncertainty into account when setting our best estimate assumptions.

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

The table below compares the Solvency II valuation of gross technical provisions with the Irish GAAP valuation of Technical Provisions, split by line of business, at 31 December 2021.

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

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

D.3 Other liabilities

As at 31 December 2021, the Company recorded the following classes of liabilities for solvency purposes:

Other Liabilities	2021 Irish GAAP Value €'000	2021 Solvency II Value €'000	2021 Variance €'000	2020 Irish GAAP Value €'000	2020 Solvency II Value €'000	2020 Variance €'000
Deferred tax liabilities	917	5,620	(4,703)	1,640	4,809	(3,169)
Insurance and intermediaries payables	16,113	16,113	(0)	11,872	11,872	0
Reinsurance payables	0	0	0	1,101	0	1,101
Payables (trade, not insurance)	6,163	6,163	0	4,269	4,269	0
Any other liabilities, not elsewhere shown	20,390	16	20,374	18,668	0	18,668
Total other liabilities	**43,584**	**27,913**	**15,671**	**37,550**	**20,950**	**16,600**

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 Company can take credit for future profits under Solvency II which are not allowed in the Financial Statements.

A deferred income liability of €20.4 million (2020: €18.7m 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.

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 Company does not use any alternative valuation methods.

D.5 Any other information

The Company does not believe that there is any other 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 Company 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 Company 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 Company to continue to operate through periods of severe stress. The Company measures and calculates capital using the Standard Formula. The ratio of Own Funds to SCR is reviewed by the Board Audit Committee, Management and the Finance Committee on a quarterly basis. Responsibility for own funds management ultimately rests with the Company's Board. As part of Own Funds management, the Company prepares ongoing solvency projections and reviews the structure of Own Funds and future requirements. The annual ORSA contains a five-year projection of funding requirements under a range of scenarios.

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

	2021	**2020**
	€'000	**€'000**
Ordinary share capital	3,912	3,912
Share premium account related to ordinary share capital	507	507
Reconciliation reserve	57,502	42,749
Capital Contributions	703	703
Total basic own funds	**62,624**	**47,871**

The Company'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 Company's Solvency II liabilities include negative technical provisions meaning that the own funds include an amount representing the expected future profits generated from current fund values on unit-linked business and future premiums on decreasing term assurance business.

There were no material changes to how capital was managed during 2021. A detailed exercise to define and document the capital management plan for the Company over the medium term 2021-2025 was carried out during 2021. A Strategic Solvency Target ("SST") for the Company that is appropriate to the nature, scale, ownership structure and risk profile of the firm was also established, using the ORSA model, as a key part of process of developing the capital management plan.

The SST was set in line with the stated appetite of the 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 Company'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 Company does not make use of ancillary own funds or transitional arrangements.

The Company paid no dividends during 2021 or 2020. The Company has no dividend plans for 2022.

E.2 Solvency Capital Requirement and Minimum Capital requirement

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

	2021	**2020**
	€'000	**€'000**
SCR	38,174	30,543
MCR	9,543	7,636

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 sets out the risk modules that make up the Company's SCR at 31 December 2021:

	2021	2020
	€'000	€'000
Operational risk	1,272	1,298
Market risk	22,261	14,750
Underwriting risk	30,389	26,270
Counterparty risk	1,328	1,145
Diversification benefit	(11,623)	(8,557)
SCR gross of tax relief	**43,627**	**34,906**
Tax relief on SCR stresses	(5,453)	(4,363)
SCR net of tax relief	**38,174**	**30,543**

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

	2021	2020
	€'000	€'000
Absolute Floor	3,700	3,700
Linear MCR	8,762	7,613
SCR	38,174	30,543
Combined MCR	8,762	7,636
MCR	**9,543**	**7,636**

Approximations

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

Loss Absorbing Capacity of Deferred Tax (LACDT)

LACDT under the Solvency II standard formula allows the Company 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 Company can reduce its Gross SCR by deferred tax relief on SCR stresses. The Company'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 Company's policy is to recognise Deferred Tax Assets as a result of unused tax losses only to the extent that is it probable that they will be recovered against future taxable profits. The Company does not have a Deferred Tax Asset. The Company's policy in relation to LACDT is to restrict the tax related reduction to Gross SCR under the standard formula to the amount of the net deferred tax liability on the balance sheet on the basis that it cannot justify loss absorbing capacity from other sources.

Material movements in MCR and SCR

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

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

The Company 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 Company 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 Company was compliant with the MCR and SCR requirements at all times during 2021.

E.6 Any other information

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

Appendix A: Public QRTs

Annex I

S.02.01.02

Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipement held for own use	**R0060**	1,718
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	2,506
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**	2,506
Government Bonds	**R0140**	2,387
Corporate Bonds	**R0150**	120
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	0
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	1,026,569
Loans and mortgages	**R0230**	234
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	234
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	-3,771
Non-life and health similar to non-life	**R0280**	0
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-724
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	-724
Life index-linked and unit-linked	**R0340**	-3,047
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	266
Reinsurance receivables	**R0370**	6,982
Receivables (trade, not insurance)	**R0380**	606
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**	49,027
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	1,084,137

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
TP calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
TP calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-2,169
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-2,169
TP calculated as a whole	R0660	0
Best Estimate	R0670	-2,510
Risk margin	R0680	341
Technical provisions – index-linked and unit-linked	R0690	995,769
TP calculated as a whole	R0700	1,028,901
Best Estimate	R0710	-45,665
Risk margin	R0720	12,533
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	16
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	5,620
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	16,113
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	6,163
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	1,021,513
Excess of assets over liabilities	R1000	62,624

S.05.01.02 **Premiums, claims and expenses by line of business**		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	0	132,981	1,047	0	0	0	0	134,028
Reinsurers' share	**R1420**	0	0	15,521	479	0	0	0	0	16,000
Net	**R1500**	0	0	117,460	567	0	0	0	0	118,027
Premiums earned										
Gross	**R1510**	0	0	132,981	1,047	0	0	0	0	134,028
Reinsurers' share	**R1520**	0	0	15,521	479	0	0	0	0	16,000
Net	**R1600**	0	0	117,460	567	0	0	0	0	118,027
Claims incurred										
Gross	**R1610**	0	0	76,240	0	0	0	0	0	76,240
Reinsurers' share	**R1620**	0	0	12,060	0	0	0	0	0	12,060
Net	**R1700**	0	0	64,180	0	0	0	0	0	64,180
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	0	0	20,879	81	0	0	0	0	20,960
Other expenses	**R2500**									0
Total expenses	**R2600**									20,960

S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	134,028	0	0	0	0	0	134,028
Reinsurers' share	R1420	16,000	0	0	0	0	0	16,000
Net	R1500	118,027	0	0	0	0	0	118,027
Premiums earned								
Gross	R1510	134,028	0	0	0	0	0	134,028
Reinsurers' share	R1520	16,000	0	0	0	0	0	16,000
Net	R1600	118,027	0	0	0	0	0	118,027
Claims incurred								
Gross	R1610	76,240	0	0	0	0	0	76,240
Reinsurers' share	R1620	12,060	0	0	0	0	0	12,060
Net	R1700	64,180	0	0	0	0	0	64,180
Changes in other technical provisions								
Gross	R1710	0	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	0	0
Expenses incurred	R1900	20,960	0	0	0	0	0	20,960
Other expenses	R2500							0
Total expenses	R2600							20,960

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**	0	1,028,901			0			0	0	1,028,901
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**	0	0			0			0	0	0
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**	0		-45,665	0		-2,510	0	0	0	-48,175
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	0		-3,047	0		-724	0	0	0	-3,771
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	0		-42,617	0		-1,786	0	0	0	-44,404
Risk Margin	**R0100**	0	12,533			341			0	0	12,875
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**	0	0			0			0	0	0
Best estimate	**R0120**	0		0	0		0	0	0	0	0
Risk margin	**R0130**	0	0			0			0	0	0
Technical provisions - total	**R0200**	0	995,769			-2,169			0	0	993,600

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	3,912	3,912		0	
Share premium account related to ordinary share capital	R0030	507	507		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	703	703		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0				
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	57,502	57,502			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	62,624	62,624	0	0	0
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
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			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
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	62,624	62,624	0	0	0
Total available own funds to meet the MCR	R0510	62,624	62,624	0	0	
Total eligible own funds to meet the SCR	R0540	62,624	62,624	0	0	0
Total eligible own funds to meet the MCR	R0550	62,624	62,624	0	0	
SCR	R0580	38,174				
MCR	R0600	9,543				
Ratio of Eligible own funds to SCR	R0620	164%				
Ratio of Eligible own funds to MCR	R0640	656%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	62,624	
Own shares (held directly and indirectly)	R0710	0	
Foreseeable dividends, distributions and charges	R0720	0	
Other basic own fund items	R0730	5,122	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0	
Reconciliation reserve	R0760	57,502	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	1,786	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0	
Total Expected profits included in future premiums (EPIFP)	R0790	1,786	

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	22,261		
Counterparty default risk	R0020	1,328		
Life underwriting risk	R0030	30,389		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	0		
Diversification	R0060	-11,622		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	42,355		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,272
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-5,453
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	38,174
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	38,174
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	38,174
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

S.28.01.01

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

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	8,762

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**	0	
Obligations with profit participation - future discretionary benefits	**R0220**	0	
Index-linked and unit-linked insurance obligations	**R0230**	986,283	
Other life (re)insurance and health (re)insurance obligations	**R0240**	0	
Total capital at risk for all life (re)insurance obligations	**R0250**		2,654,706

Overall MCR calculation

		C0070
Linear MCR	**R0300**	8,762
SCR	**R0310**	38,174
MCR cap	**R0320**	17,178
MCR floor	**R0330**	9,543
Combined MCR	**R0340**	8,762
Absolute floor of the MCR	**R0350**	3,700
		C0070
Minimum Capital Requirement	**R0400**	9,543