

Acorn Life Group Limited



Solvency and Financial Condition Report

For the year ending 31 December 2023

Table of Contents

Introduction.....	4
Business and Performance Summary	4
System of Governance Summary.....	5
Risk Profile Summary	5
Valuation for Solvency Purposes Summary	6
Capital Management Summary	6
A. BUSINESS AND PERFORMANCE	7
A.1 Business.....	7
A.2 Underwriting Performance.....	9
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	16
B.3 Risk management system including the own risk and solvency assessment	17
B.4 Internal control system	20
B.5 Internal Audit Function.....	24
B.6 Actuarial Function.....	24
B.7 Outsourcing	24
B8. Assessment of governance and any other disclosures.....	25
C. RISK PROFILE.....	26
C.1 Underwriting risk	26
C.2 Market risk.....	29
C.3 Credit risk.....	31

C.4 Liquidity risk.....	32
C.5 Operational risk	33
C.6 Other material risks	34
C.7 Any Other Disclosure	36
D. VALUATION FOR SOLVENCY PURPOSES	37
D.1 Assets	37
D.2 Technical Provisions	38
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

Introduction

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

Business and Performance Summary

Acorn Life Group Limited (“ALGL”) is the ultimate parent entity of the Group to which Acorn Life DAC belongs (collectively referred to as “the Group”). Acorn Life DAC (“ALD”) is the only regulated insurance undertaking in the Group. It provides life, pension, and investment products to personal and small business customers in Ireland through its direct sales force. Acorn Brokerage Limited (“ABL”) is a regulated insurance intermediary primarily distributing home and motor insurance policies. The Group’s brand strength is based on local distribution, product innovation, flexibility, and strong investment performance. The solvency objective of the Group is to ensure that it maintains sufficient capital to meet its obligations to its policyholders and other stakeholders as liabilities fall due.

During 2023, the Group made good progress on its strategic plans in respect of product enhancement and sales growth, and it continued its investment in technology platforms which will support increased business volumes without significantly increasing costs in the future. The Group launched a new PRSA product, a new Master Trust structure for Executive Pension customers and made good progress in respect of reviewing its protection proposition for customers during 2023. The legacy employee Defined Benefit Pension Scheme was formally wound up during the year. New business sales were strong in 2023, and the Group delivered a profit before tax of €5.1 million (2022: €5.1 million). The profit for the year was broadly in line with our business plan projections other than for adverse mortality claims experience, potentially due to delayed diagnosis during the COVID period. As at 31 December 2023 the Group was adequately capitalised at 182% (2022: 198%) of its Solvency Capital Requirement (SCR). The Group had policyholders’ assets under management of €1,066 million at 31 December 2023 (2022: €936 million). The Group is in a strong position to continue to progress its business strategy during 2024.

Key Information from the Solvency II Balance Sheet	2023	2022
	€'m	€'m
Eligible Own Funds	75.8	67.5
Minimum Capital Requirement (MCR)	10.4	8.5
Solvency Capital Requirement (SCR)	41.7	34.1
Ratio of Eligible Own Funds to MCR	727%	791%
Ratio of Eligible Own Funds to SCR	182%	198%

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

System of Governance Summary

The Group has an effective system of governance, which provides for sound and prudent management. Its Board ensures that we maintain a strong corporate governance framework and risk management function.

The governance structure comprises the Board of Directors who are responsible for organising and directing the affairs of the Group. ALD, as the largest company and the only insurance undertaking within the Group, is the entity mainly responsible for carrying out the activities to support ALGL to comply with group supervision requirements. ALGL relies on information provided by subsidiary companies through the group risk management framework.

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

The governance structure of ABL comprises its Board of Directors and a system of controls and procedures which are appropriate for the nature, scale and complexity of the business.

The Risk Management Function is responsible for managing the Group's risks. The Compliance Function is responsible for ensuring that the Group complies with all relevant regulatory requirements. The Actuarial Function is responsible for ensuring that the Group sets aside enough funds to cover policyholders' claims and the expenses of the business. The Internal Audit Function supports the Board and Management in discharging their responsibilities for the operation of internal controls and corporate governance.

The Group operates a three lines of defence model. The first line represents the various departments performing their regular duties. The second line sets control policies and undertakes monitoring and surveillance of business operations. The third line represents independent review.

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

Risk Profile Summary

In the context of its business operations the Group enters into a broad variety of risks. These risks are deliberately accepted and monitored. They include underwriting risk, market risks, counterparty default risks and operational risks.

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

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

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

Valuation for Solvency Purposes Summary

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

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

Capital Management Summary

As at 31 December 2023, the Group has a solvency coverage ratio of 182% (2022: 198%).

The solvency objective of the Group is to ensure that it maintains sufficient capital to meet its obligations to its policyholders and other stakeholders as liabilities fall due. This means that we must hold an appropriate amount and quality of capital to meet regulatory requirements. We also hold additional capital relevant to our business activities. A strong capital position enables us to continue to operate through periods of severe stress. We measure and calculate our Solvency Capital Requirement (SCR) using the Solvency II Standard Formula. Own Funds in the Solvency II balance sheet comprise the excess of assets over liabilities. Our Solvency Coverage Ratio represents the extent to which our Own Funds exceed our SCR. This is continuously monitored and assessed.

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

A. BUSINESS AND PERFORMANCE

A.1 Business

ALD is the only regulated insurance undertaking in the Group. It provides protection, pension, and investment products to personal and small business customers in Ireland through its direct sales force. ABL is a regulated insurance intermediary primarily distributing home and motor insurance policies.

ALD is a private company limited by shares, authorised by the Central Bank of Ireland (CBI) to conduct business in the Republic of Ireland. It's material lines of business are unit linked protection, pension, savings and investment products. ABL is a private company limited by shares, authorised by the CBI to conduct business in the Republic of Ireland. The ultimate parent undertaking of the group to which ALD and ABL belongs is Acorn Life Group Limited (ALGL). ALGL is a private company limited by shares. The CBI is the Group Supervisor of the Acorn Group. The Group consists of the following companies:

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

The registered address of the Group is:

Acorn Life Group Limited
St Augustine Street
Galway

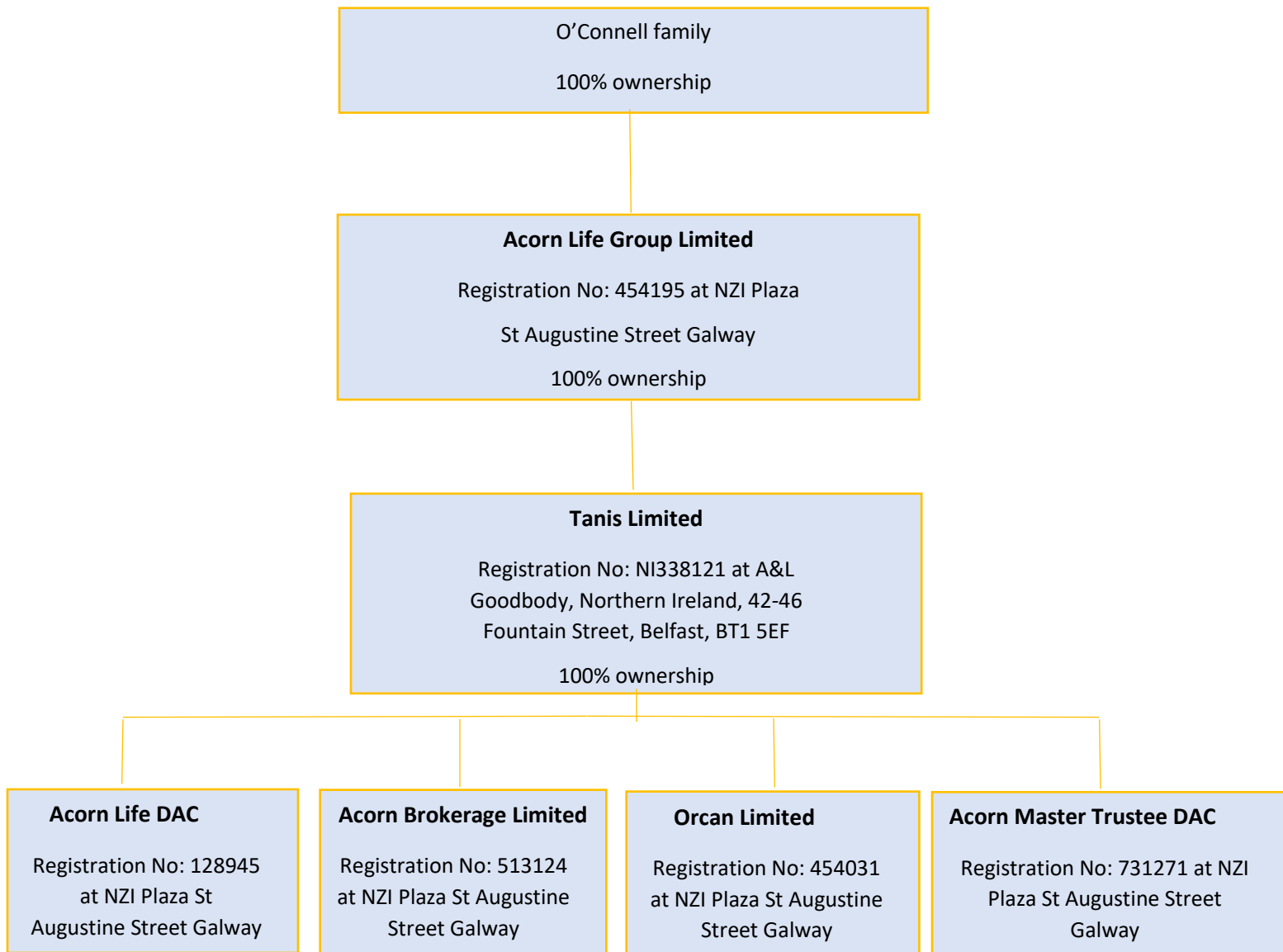
The CBI is responsible for the financial supervision of the Group:

Central Bank of Ireland
North Wall Quay
Dublin 1

The Group's independent auditor is:

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

Shareholders and group companies are:



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

Significant events during the reporting period

The Group submitted a change of business plan to the CBI during the year. The focus of our business plan is to invest in increasing our scale and continually improve how we deliver value to our customers. The CBI has confirmed that it has no objection to the Group proceeding with its business plans. We launched a new PRSA product and a new Master Trust structure for Executive Pension customers. We also made good progress in respect of reviewing our protection proposition and we continued to invest in technology platforms which will support increased business volumes without significantly increasing costs in the future.

A.2 Underwriting Performance

We reported a profit on ordinary activities before tax during the year of €5.1 million (2022: €5.1 million). The profit for the year was broadly in line with our business plan projections other than for adverse mortality claims experience, potentially due to delayed diagnosis during the COVID period.

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

The table below sets out our profit and loss account for underwriting activity for the year ended 31 December 2023, as reported in our Financial Statements.

Year-ended 31 December	2023	2022
	€'000	€'000
Net insurance premiums written and earned	31,709	28,538
Other technical income, net of reinsurance	12,488	11,264
Investment return	107,843	(115,963)
Claims incurred, net of reinsurance	(22,458)	(22,716)
Changes in insurance liabilities	(11,830)	20,993
Investment return related to investment contract liabilities	(90,131)	102,321
Net operating expenses	(22,036)	(19,016)
Balance on the technical account - life assurance business	5,585	5,421

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

The following table is a summary of our premiums, claims and expenses split by Solvency II lines of business during the year. All business was written in the Republic of Ireland.

	2023			2022		
	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	137,220	553	137,773	120,885	517	121,401
Net claims incurred	83,912	-	83,912	74,088	-	74,088
Expenses incurred	24,580	60	24,640	21,626	60	21,686

A.3 Investment Performance

Our investments fall into the following main asset classes:

- Unit-linked funds
- Cash and cash equivalents

The following table summarises our investment performance by asset class.

Investment performance during 2023 and 2022 was primarily due to market conditions in both years.

Investment performance by asset class	2023	2022
	€'000	€'000
Investment funds	107,797	(116,211)
Other	46	248
Total	107,843	(115,963)

The Group has no investments in securitisation.

A.4 Performance of other activities

Other technical income

The Group's unit-linked business is classified as either investment business or insurance business in its Consolidated Financial Statements, depending on the nature of the underlying contract. The Consolidated Financial Statements record premiums and claims in respect of insurance business only. Fee income generated on investment contracts is recorded as other technical income in the 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 contracts. Fees are recognised as revenue when the services are provided. The fees charged for the current and previous years are shown in the Consolidated Financial Statements table in section A.2 above as other technical income.

The Group does not have any material leasing arrangements.

A.5 Any other information

We are satisfied that there is no other material information that needs to be disclosed.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the system of governance

B.1.1 Group Overview

As an insurance holding company, ALGL is focussed on compliance with relevant Group related requirements under Solvency II. As an insurance undertaking, ALD is subject to the Corporate Governance Requirements for Insurance Undertakings 2015 issued by the CBI. We are classified as low impact under the CBI's risk-based framework of supervision (PRISM). ABL is classified as low impact under PRISM. A system of controls and procedures are in place within ABL which are appropriate for the nature, scale, and complexity of the business.

The governance structure in place in the Group includes clear allocation and segregation of duties. The Board has primary responsibility for corporate governance within ALGL. The Boards and Management teams of the subsidiary companies are responsible for operating effective oversight within subsidiary companies that is consistent with and supports the Group's policies. The board of each group entity retains primary responsibility for corporate governance within the Group. ALGL relies on information provided by subsidiary companies through the Group risk management framework.

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

B.1.2 Governance Structure

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

The Board of Directors of ALGL is comprised of:

1. Mr Gerry O'Connell, (Non-Executive)
2. Mr Patrick Byrne, (Non-Executive)
3. Mr Keith Butler, (Non-Executive)
4. Mr Brian Neilan, (Independent Non-Executive)
5. Mr John Lyons (Independent Non-Executive)
6. Mr Tony Johnstone (Independent Non-Executive)
7. Ms Brid Quigley (Independent Non-Executive)

The company secretary is Ms Sarah Whelan.

The governance structure in ALD comprises the Board of Directors, the Chief Executive Officer, the Executive Leadership Team and Board and Management sub-committees. There were no material changes in governance structures during 2023.

The board of directors of ALD is comprised of:

1. Mr John Lyons (Independent Non-Executive, Chair)
2. Mr Brian Neilan (Independent Non-Executive)
3. Ms Anna Fitzgerald (Independent Non-Executive)
4. Ms Brid Quigley (Independent Non-Executive)
5. Mr Gerry O'Connell (Non-Executive)
6. Mr Keith Butler (Chief Executive Officer)

The company secretary is Ms Sarah Whelan

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

The Board of ALD has overseen the development of an ESG policy which acknowledges that we have an important role to play in climate transition to a low carbon, more resource efficient and sustainable economy and a responsibility to manage environmental, social and governance issues appropriately. The ESG policy sets out our ESG objectives and our approach to considering sustainability risks in our decision making throughout the business.

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

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

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

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

ALD Board Risk Committee (Chaired by Ms. Anna Fitzgerald)

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

ALD Board Audit Committee (Chaired by Mr. Brian Neilan)

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

ALD Board Remuneration Committee (Chaired by Mr. Brian Neilan)

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

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

The Board of Directors of ABL is comprised of:

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

The company secretary is Ms Sarah Whelan.

The governance structures in Orcan Limited, Tanis Limited and Acorn Master Trustee DAC comprise their boards of directors.

B.1.3 Key Functions

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

B.1.3.1 Risk Management

ALD has a Risk Function, responsible for the oversight and management of risk. The Chief Risk Officer (CRO) leads the Risk Management Function. The CRO reports to the CEO and has a direct line of responsibility to the Board through its Risk Committee. The Risk Function has the primary responsibility for designing the framework that is applied in identifying, assessing, measuring, mitigating, and monitoring risks. The Risk Function has independent oversight of risk management activities and acts as a second line of defence in the Risk Management Framework.

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

B.1.3.2 Compliance

ALD has a Compliance Function with responsibility for the oversight of compliance within the business. ABL, as the other regulated entity within the Group has a Compliance Function. The Head of Compliance leads the Compliance Function in each entity. The Compliance Function reports to the Board in each entity. The Compliance Function has an advisory, oversight and assurance role to ensure that the necessary systems and

controls are in place to ensure adherence to legal and regulatory requirements and that consumers' best interests are protected. The Compliance Function acts as a second line of defence in the Risk Management Framework.

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

B.1.3.3 Actuarial

ALD has an Actuarial Function headed by the Head of Actuarial Function (HoAF) which is responsible for coordinating the calculation of Technical Provisions, Capital Requirements and Solvency Coverage. The HoAF is responsible for reporting to the Board and the CBI in line with requirements under Solvency II and the Domestic Actuarial Regime and Related Governance Requirements. The Actuarial Function prepares annual opinions on the technical provisions, underwriting policy, reinsurance and the Own Risk and Solvency Assessment (ORSA). The Actuarial Function acts as a second line of defence in the Risk Management Framework.

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

B.1.3.4 Internal Audit

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

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

B.1.4 Remuneration Policy

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

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

- Corporate Governance Requirements for Insurance Undertakings
- Consumer Protection Code
- Insurance Distribution Regulations
- Solvency II Regulations
- CBI guidelines on variable remuneration
- The Sustainable Finance Disclosure Regulation

The Group seeks to provide competitive salaries and to reward employees fairly. Base salary is the principal component of employee remuneration, and they are reviewed annually. The duties and responsibilities of each

role determines the remuneration for the position along with the skills and experience of the person appointed to the position.

The Group's remuneration policy is:

- Established, implemented, and maintained in line with the business and risk management strategy.
- Consistent with its risk profile, objectives, risk management practices.
- Reflective of the long-term interests and performance of the business.
- Designed not to promote risk taking which is not aligned with our risk appetite statement.

The Group operates bonus schemes for designated categories of employees. The schemes aim to reward employees for achieving personal and business success metrics. The terms of employee bonus schemes are approved by the Board.

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

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

There were no dividends paid during 2023 or 2022. There are no plans to pay dividends during 2024. During 2022, the Group acquired 383,400 of its own shares. There were no other material transactions between the Group, members of the Board and persons exercising significant influence during 2023 or 2022.

B.2 Fit and proper requirements

B.2.1 Fitness & Probity Policy

Any person performing a pre-approval-controlled function (a "PCF") or a controlled function (a "CF") must have a level of fitness and probity appropriate to the performance of that particular function. These fitness and probity standards require that such individuals must be competent, capable, honest, ethical, financially sound and act with integrity.

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

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

Our employment contract terms require continuing adherence to all regulatory standards. The Group requires that individuals in PCF and CF roles confirm annually in writing whether there have been any material changes

to their circumstances which would impact their fitness or probity and that they agree to continue to abide by the F&P standards. Individuals in PCF and certain CF roles are screened annually.

Where material changes are confirmed, the individual is asked to provide additional information and confirm if they are still able to carry out their role. Compliance, Senior Management, and the Board, if appropriate, will review the case and confirm if the individual remains fit and proper. If this cannot be confirmed, the individual will cease carrying out their role.

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

B.3.1 Risk Management Framework

The Group has a Risk Management Function employed by ALD which is responsible for the oversight and management of risk within the Group. The 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 our categorisation and definition of the risks facing the business. It provides a common risk language, which is used across the Group. The material risk categories are outlined within the Risk Management Policy.

Risk Appetite

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

The risk appetite is proposed by the Risk Management Function and is reviewed, challenged, and approved by the ALD Board Risk Committee and the Boards of Directors at least annually. The risk management process is designed to manage risk within the risk appetite. Risk appetite limits and trigger levels are integral to the strategic decision-making process, day-to-day business operations and risk management.

The risk appetite consists of a focused number of key measures which are used to steer the business from a risk perspective. We use 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 risks. A well-articulated risk appetite provides:

- A firm basis for risk input to strategic decisions.
- Clear guidance to Management.
- Confidence for 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 policies which govern the material risks facing the business. Each material risk in the Risk Universe is covered by one of the risk policies. These have been written to provide clear guidance to all levels of staff on how material risks are managed.

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 risk within acceptable limits. They establish monitoring and reporting requirements and describe consequences and escalation requirements of breaches. They drive risk management actions and address how we manage the business. The policies also link directly to the governance requirements of the Group. The application of the policies within the business is reviewed by the Internal Audit Function.

Risk Identification

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

We appreciate that planned changes to products and business processes may affect the risk profile. Consequently, the business is required to analyse the risk of all proposed changes to products and business processes to ensure that any new risks are identified.

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

- Regular risk appetite review and risk identification exercises.
- Regular risk reporting.
- Clear risk reporting lines.
- The ORSA process; and
- Risk event reporting.

The Annual ORSA process

The ORSA is a continuous process which analyses the risks faced by the business and ensures that it is managed soundly and prudently. It identifies, assesses, and monitors current and future solvency needs in light of the risks faced by the business. The aggregate impact of these risks is assessed during the ORSA process which is facilitated by the Risk Management Function. The ORSA provides us with detailed information on the risks facing the business, the cost of assuming or mitigating the risks, the potential impact on the solvency position and whether the risks align with the Group's risk appetite. The ORSA process is an integral part of the business strategy.

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

Risk Assessment and Measurement

Robust risk assessment and measurement is necessary to generate appropriate management information that enables informed decision-making. Our risk assessment and measurement methodologies form a key part of our 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 should be set aside to mitigate the risk.

Key Risk Indicators (KRIs) and Key Risk Controls (KRCs) are monitored on a regular basis by the Risk Management Function. If there are significant movements in the values of the parameters used for measuring risk, the Risk Management Function instigates appropriate action by the business 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 has controls to manage its risks. Risk mitigants may reduce the likelihood and/or the impact of risks. Control effectiveness is taken into consideration while assessing and aggregating risks. Regular review and measurement of risk profiles contributes to the assessment of the amount of own solvency capital the business needs and/or if there is a 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 any control changes necessary to manage changes in risk resulting from business changes.

Risk Monitoring and Reporting

Each business area is responsible for operating the risk management system and reporting information on its adherence to the Risk Management Function. The Risk Management Function reviews and challenges the information provided and reports it to the Board via the ALD Board Risk Committee together with the status of the control framework and the effectiveness of the risk management system. The Internal Audit Function tests key controls and provides assurance over the control environment within the business including its risk management processes.

The Group has developed a suite of risk metrics and management information to facilitate and support effective risk management and decision-making at all levels of the business. 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. The Group monitors and reports on a comprehensive range of KRIs and KRCs which are outlined in the Risk Management Policy.

Risk Management Function

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

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

The Risk Management Function:

- Assists the Board in the effective operation of the risk management system.
- Develops and implements an annual Risk Plan.
- Carries out the annual ORSA process, and any other ORSA processes required.
- Facilitates the process of setting the risk strategy and appetite.
- Facilitates the process by which the business identifies and assesses the risks it faces.
- Maintains a central repository of all risks facing the business along with corresponding controls and mitigation measures.
- 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 to foster the risk culture set out by the Board.
- Ensures that the risk policies, procedures, and the risk governance framework are up to date and fit for purpose.
- Monitors the effectiveness of the risk management system by utilising Key Risk Indicators and Key Risk Controls.
- Monitors overall risk profile and reports to the Board on risk exposures against risk appetite, key risk events and any emerging risks.
- Advises the Board on risk management matters.
- Fulfils a stewardship role with respect to embedding risk culture within the business.

B.4 Internal control system

B.4.1 Internal Control Framework

The internal control framework consists of a combination of elements which are described below. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. The system is

designed to manage the risk of failure to achieve business objectives and provides reasonable assurance against material misstatement or loss. The key risk management and internal control system include:

- skilled and experienced management and staff in line with fit and proper requirements.
- clear roles, responsibilities and reporting lines with performance linked to business objectives.
- an organisation structure with clearly defined lines of responsibility and authority.
- the maintenance of proper accounting records.
- a comprehensive system of financial control including forecasting and periodic financial reporting versus business plans.
- the Board Risk Committee of ALD and the risk management framework comprising a risk function, a clearly stated risk appetite and a risk strategy supported by approved risk management policies and processes.
- the Management Risk Committee whose main role includes reviewing and challenging key risk information and assisting the Board Risk Committee of ALD in the discharge of its duties.
- the risk strategy, framework and appetite are articulated in a suite of policies covering all risk types and supported by detailed procedural documents.
- an ORSA linking to risk management, strategy, and capital management.
- an Internal Audit function.
- a Compliance function.
- a Data Protection Officer.
- an Audit Committee whose formal terms of reference include responsibility for assessing the controls in place to mitigate risks.
- A Remuneration Committee which ensures that the approach to remuneration is consistent with our risk profile, objectives, risk management practices.
- a disaster recovery framework.
- a business continuity framework.
- policies such as a Corporate Governance Policy, Fitness and Probity Policy and Code of Ethics.

B.4.1.1 Governance and Internal Control structures:

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

B.4.1.2 Three Lines of defence:

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

- The first line of defence is the business functions which carry out day-to-day operations.
- The second line of defence sets control policies and undertakes monitoring and surveillance of business operations.
- The third line of defence undertakes independent monitoring and assurance activities.

B.4.1.3 Policies

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

B.4.1.4 Training:

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

- Understanding the importance of an adequate system of internal control.
- Roles and responsibilities in respect of internal controls.
- Reporting lines for any control deficiencies or failures.

B.4.1.5 Controls over Financial Reporting

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

General accounting control activities include:

- A comprehensive set of accounting policies relating to the preparation of financial statements.
- Audit Committee challenge and approval of key judgements and assumptions which are material to the annual financial statements.
- Regular financial reporting.
- An appropriately qualified and skilled finance team operating under the supervision of experienced management who are compliant with fit and proper requirements.
- Appropriate financial and accounting software.
- Approvals, authorisations, reconciliations, and other measures applicable to each business area.
- Physical controls to premises and assets.
- Access control to key financial data.
- Checks on agreed exposure limits.
- Appropriate segregation of duties.

B.4.1.6 Communication

Formal lines of communication ensure that all staff report on:

- Control breaches
- Control deficiencies
- Fraudulent activities

The Group endeavours to ensure 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 on the overall state of internal controls; and
- Identify deficiencies in the system of internal control and rectify them in a timely manner.

Regular internal audits are conducted over the process of internal control by the Internal Audit function. In addition to the internal audits reviews, second line of defence testing is performed by the Compliance and Risk Management Functions to ensure compliance with relevant codes, policies, and regulatory requirements. The results of these reviews are reported to the relevant areas.

B.4.1.8 Compliance Function

The Compliance Function operates in the second line of defence and through the Head of Compliance develops and implements the Compliance Framework which sets out how regulatory risk is managed. An Annual Compliance Plan is developed by the Head of Compliance and approved by the Board. The Compliance Functions of ALD and ABL undertake the following key roles and responsibilities:

- Ensures compliance with all relevant legislation.
- Ensures high standards of Business Quality.
- Promotes a culture of Compliance.
- Identifies External Requirements and Trends.
- Advises the Board and Management of new and upcoming regulations.
- Issues policies and provides guidance on compliance related matters.
- Determines the need for new or revised compliance policies and supporting documentation.
- Acts as a business partner by providing strategic, transactional and day to day compliance advice and direction.
- Establishes a Compliance Universe of applicable legislation, regulation, codes and guidance and identifies areas within the business responsible for the operation of compliant processes and controls relevant to each requirement.
- Delivers appropriate compliance training and communications.
- Undertakes an annual programme of independent risk-based compliance monitoring and reporting.
- Maintains a log of breaches and errors.
- Organises the Compliance Committee and ensures it meets regularly and acts in accordance with its Terms of Reference.
- Ensure that all directors, employees and tied agents are trained on their obligations under Anti-Money Laundering (AML) legislation.
- Assesses the adequacy of the measures adopted to prevent non-compliance.
- Ensures AML monitoring is reported to the Board and Compliance Committees.

This is a non-exhaustive list of items that are conducted by the Compliance function. From time to time the Compliance function may also be involved in certain first line of defence projects. During the tenure of these projects, the Compliance function will always ensure that the independence of the Compliance function is not

undermined. The Compliance function will not be involved in any activities where the performance of tasks gives rise to potential conflicts of interest.

B.5 Internal Audit Function

The Internal Audit Function is the third line of defence in the risk governance structure. Internal Audit provides independent assurance to the Board. The Internal Audit Function is formally established through its Charter, which is reviewed and approved by the ALD Audit Committee regularly. The Internal Audit Charter prohibits the Internal Audit Function from performing management activities. The role of Head of Internal Audit is outsourced. This ensures the role is independent from other operational functions. Outsourcing ensures that the Internal Audit Function has access to specialist technical areas in a cost-effective manner.

The Internal Audit Function evaluates internal controls and the system of governance function in the business as well as our compliance with regulatory obligations, policies, and processes. It provides independent assurance about the quality of internal controls and administrative processes, and it makes continuous improvement and best practice recommendations.

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 Chair of the Audit Committee.

B.6 Actuarial Function

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

- Calculation of Best Estimate Technical Provisions and Solvency Capital Requirement.
- Reporting to the Board and the CBI in line with requirements under Solvency II and the Domestic Actuarial Regime and Related Governance Requirements.
- Providing an annual opinion on the ORSA, Underwriting and Reinsurance arrangements.
- Completing cash-flow and capital modelling.
- Consideration of Policyholder Reasonable Expectations.

B.7 Outsourcing

The Group outsources some activities to service providers to assist in achieving strategic objectives and delivering a high level of service to customers. The Group has an Outsourcing Policy which sets out how we identify and justify outsourcing risks and costs and implement outsourcing arrangements. It provides clear definitions of outsourcing and the criticality of outsourced activities. Outsourcing involves transferring responsibility for carrying out an activity to an outsourcing provider for an agreed charge. The outsourcer provides services based on an agreed contract. The Group retains responsibility for discharging its obligations.

The Outsourcing Policy specifies the contractual controls that must be in place with outsourcing providers to mitigate potential risks. The benefits of outsourcing must be balanced against the risks. This policy assists us 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 of outsourcing, carrying out appropriate due diligence, setting service level agreements and forming a contract so that a

successful partnership will prevail. The outsourcing arrangements in place are regularly monitored and reviewed in line with the policy and the Board approves all critical or important outsourcing arrangements. The Central Bank is notified of proposals to outsource critical or important activities.

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

Outsourced Activity	Jurisdiction of Outsourcing Provider	Internal Owner
Custodian Services	France and Ireland	Head of Investment
Asset Management	United Kingdom and Ireland	Head of Investment
Unit Trust administration services and Pensioner Trustee services for Self-Directed Pension contracts	Ireland	Head of Finance
Tele Interviewing	United Kingdom	Head of Claims
Internal Audit	Ireland	Head of Finance
Printing, packing, and posting of correspondence	Ireland	Chief Operating Officer
Cloud hosting of the electronic point of sale system	Ireland	Chief Information Officer

B8. Assessment of governance and any other disclosures

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

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

We are satisfied that there is no other material information that needs to be disclosed.

C. RISK PROFILE

The following is a summary of the Gross SCR:

	SCR Amount	SCR %	SCR Amount	SCR %
	2023		2022	
Underwriting Risk	€34.3m	55.9%	€28.3m	56.5%
Market Risk	€21.5m	35.0%	€17.2m	34.3%
Counterparty Risk	€4.0m	6.5%	€3.2m	6.4%
Operational Risk	€1.5m	2.6%	€1.4m	2.8%
Solvency Capital Requirement (before tax relief & diversification)	€61.3m	100%	€50.1m	100%

C.1 Underwriting risk

C.1.1 RISK EXPOSURE

Underwriting risk relates to uncertainty about the occurrence, amount or timing of insurance claims and risk income, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of insurance risk drivers. The Group is in the business of accepting mortality and morbidity risk, and it takes a cautious approach to managing underwriting risk through product design and the use of reinsurance to minimise solvency risk and profit volatility. The material product lines, and the risks associated with them are summarised in the table below:

Product Type	Risk Exposure
Protection Life Plan	• Mortality risk • Morbidity risk • Expense risk • Lapse risk • Market risk
Mortgage Protection	• Mortality risk • Lapse risk • Expense risk
Pensions and PRSA's	• Expense risk • Lapse risk • Market risk
Savings and Investments	• Expense risk • Lapse risk • Market risk

Mortality Risk

The Group is exposed to the risk of mortality being higher than expected. This can arise through adverse experience trends, anti-selection, catastrophe, or risk concentrations. Mortality experience in recent years has seen some volatility in mortality claims. However, the long-term trend has remained relatively stable.

Morbidity Risk

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

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

Morbidity experience in recent years has seen some volatility in morbidity claims. However, the long-term trend has remained relatively stable.

Lapse Risk

The Group is exposed to a risk of lapses being higher or lower than expected, as well as the possibility of a once off lapse event. High lapses do not significantly affect solvency in the short-term however high lapses could reduce profits emerging over the longer-term which would have an adverse impact on solvency over time.

Expense Risk

Charges deducted from policies aim to cover expenses incurred in running the business. Much of our cost base is relatively fixed, so delivering the best value to our customers is dependent on having a sufficient number of policies in force.

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

C.1.2 RISK CONCENTRATION

Our business strategy of distributing our products through our network of tied agents within the Irish market incorporates an element of concentration risk. However, concentrations of risk are continuously monitored, and the Group is satisfied that it is not exposed to excessive concentrations of risk.

C.1.3 RISK MITIGATION

Risk Monitoring

It is the responsibility of the HoAF of ALD, with support from other areas of the business to monitor the principal risk factors which will influence the profitability of business written in the future. The HoAF monitors these

factors on a regular basis and gives an annual opinion on underwriting as part of the Actuarial Function Report. Profitability is monitored regularly through monthly experience investigations.

C.1.3.1. The Underwriting Process

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

- Our policy is to follow the underwriting philosophy of our reinsurers when underwriting policies covered by our reinsurance agreements.
- The Head of Underwriting ensures that the underwriting manual mitigates the risk of anti-selection.
- The Head of Underwriting ensures that sufficient training takes place for underwriters on the use of the reinsurer's underwriting manual.
- Underwriters must maintain membership of an appropriate professional body and engage in continued professional development.

C.1.3.2 The Claims Process

- The Group maintains a Claims Management manual which sets out the claims management process in detail.
- The Head of Claims of ALD ensures that claim handlers have received sufficient training to use the claims manual.
- Changes to the claims management manual are approved by the Head of Claims of ALD.
- Changes to the claims philosophy are agreed with our reinsurers.

C.1.3.3. Reinsurance

Reinsurance is 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. The primary objectives of the reinsurance strategy are as follows:

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

The Group reinsures sums at risk with two reinsurers. Both reinsurers have at least an A rating 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 2023, underwriting stresses were tested. These included expenses, claims and lapse stresses. Other scenarios which assessed a combination of these stresses were also tested. This involved the recalculation of the projected Solvency Coverage under a stressed scenario to determine if the Group would have sufficient Own Funds to cover its SCR in the future. Our projected Solvency Coverage remained resilient in the stressed scenarios considered.

C.1.5 Dependencies between risk modules

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

C.1.6 Any other information regarding the underwriting risk profile

We are 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, Currency, Spread, Interest Rate and Property Risk SCRs. The Group pursues a policy of matching policyholder liabilities and has no appetite for mismatching of policyholder unit liabilities. Shareholder funds are predominantly invested in liquid assets. The Head Office building is the only direct property investment, and there is no additional appetite for direct property investment with shareholder funds.

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

Currency Risk SCR: The Group is indirectly exposed to currency risk through management charge margins generated on policyholder assets. The net impact of the currency SCR on free capital is not material due to the presence of a corresponding asset representing the present value of future profits including charges levied on policyholders' currency exposures.

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

Property Risk: is generated in respect of the head office property and not material.

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

C.2.2 RISK CONCENTRATION

The Group is potentially exposed to concentration risk via its cash positions at banks. The exposure to any single bank is limited which reduces the exposure.

C.2.3 RISK MITIGATION

The Group has Board approved policies for Investment and Market Risk Management, Asset and Liability Management and Liquidity Risk Management and it monitors its exposure to Market risk in line with these policies. The Group has established market risk limits with respect to the investment portfolio.

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

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

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

Interest rate risk: the shareholder's appetite for interest rate risk is defined in respect of debt securities and unit fund mismatches. It is accepted that the shareholder is also exposed to interest rate risk indirectly through management charge margins generated on policyholder assets.

Valuation Policy

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

C.2.4 RISK SENSITIVITY

Market Risk stresses and sensitivity tests are carried out annually through the ORSA process. As part of the ORSA process in 2023, a number of market stresses were tested including scenarios which had a combination of stresses. Our projected Solvency Coverage remained resilient in the stressed scenarios considered.

C.2.5 Dependencies between risk modules

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

C.2.6 Any other information regarding the market risk profile

We are satisfied that there is no other material information that needs to be disclosed.

C.3 Credit risk

C.3.1 RISK EXPOSURE

Credit (Counterparty) Risk is the risk of financial loss arising from a counterparty which fails to meet its obligations in accordance with agreed terms. Exposure to this risk occurs any time funds are extended, committed or invested through actual or implied contractual agreements. The exposure to credit risk is predominantly related to reinsurance protection and financial assets.

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

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

C.3.2 RISK CONCENTRATION

Reinsurance of mortality and critical illness sums insured are concentrated with one of our reinsurers. This exposure represents a concentration risk. The Group is confident that alternative reinsurance arrangements would be available if the reinsurer withdrew from the market or increased its prices. The Group also has the option to cease or reduce the level of reinsurance. The investment policy and risk appetite statement set out clear limits with respect to concentrations of investments and deposits.

C.3.3 RISK MITIGATION

The Risk Appetite Statement sets out limits on reinsurers' credit ratings to limit credit risk. There are limits on the amount that can be deposited with a single bank and on the ratings of banks that the Group will deal with. The Group limits its exposure to single banks by investing in short duration bond funds.

C.3.4 RISK SENSITIVITY

As part of the ORSA process in 2023, a number of counterparty stresses were tested. Our projected Solvency Coverage remained resilient in the stressed scenarios considered.

C.3.5 Dependencies between risk modules

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

C.3.6 Any other information regarding the credit risk profile

We are satisfied that there is no other material information that needs to be disclosed.

C.4 Liquidity risk

C.4.1 RISK EXPOSURE

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. On 31 December 2023, most of the Group's assets held in order to meet its liabilities and Solvency Capital Requirement (SCR) were held in liquid investments. At 31 December 2023, the Group held Own Funds of €34.1m (2022: €33.4m) over and above the Solvency Capital Requirement.

The Group is exposed to liquidity risk because of its business operations. This includes timing mismatches between policyholder obligations and claims and reinsurance recoveries as well as cash-flow obligations arising from operating expenses, taxation, and other liabilities. The Group's exposure to liquidity risk did not materially change during 2023.

The Group has a limited appetite for liquidity risk and seeks to mitigate it via:

- maintaining of a portfolio of liquid assets to ensure that sufficient financial resources are available to meet obligations as they fall due.
- active management of reinsurance arrangements to recover claims paid; and
- access to bank borrowing facilities.

The Group is exposed to a general liquidity risk due to the administrative delay between the payment of claims and the recovery of associated reinsurance. Active management of amounts due from reinsurers allows us to address delays in the recovery of reinsurance. The Group is satisfied that reinsurance balances are settled in a timely fashion and that balances outstanding are in line with the Risk Appetite Statement. The delay between the payment of large claims and recovery of the reinsured portion poses a Liquidity Risk. Large claims are flagged through the Risk Management Framework and cash is set aside in advance of payment to minimise the liquidity risk.

In line with the Solvency II Prudent Person Principle, the approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet liabilities as they fall due under both normal and stressed conditions without incurring losses or risking reputational damage.

C.4.2 RISK CONCENTRATION

Liquidity risk concentration can occur in a number of different ways, but we do not believe that we have material liquidity risk concentrations.

C.4.3 RISK MITIGATION

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

In managing and/or mitigating liquidity risk the Group:

- invests in, and maintains a portfolio of, liquid assets in accordance with permissions and limits as defined in the Liquidity Risk Management and Investment & Market Risk Management policies.

- matches unit-linked liabilities with investments in unit-linked assets with identical duration and cash-flow profile.
- funds the redemption of customer investment liabilities by the redemption of the linked assets supporting the contract liability.
- notifies reinsurers 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 in order to determine cash-flow needs. The liquidity of the asset portfolio is subject to ongoing monitoring and reporting. The projected liquidity position of 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 technical provisions. The EPIFP is not liquid because it relates to future premiums. The EPIFP was €1.7 million at 31 December 2023 (2022: €1.7 million).

C.4.4 RISK SENSITIVITY

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

C.4.5 Dependencies between risk modules

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

C.4.6 Any other information regarding the liquidity risk profile

We are 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 and the consequences of natural or man-made disasters such as terrorist attacks, fire, flood, earthquake and pandemics. The Group considers Cyber Security Risk, Outsourcing Risk and Business Continuity Risk as key operational risks. The Group accepts that some operational risk loss events will happen and has set a yearly tolerance for operational risk losses. The Group manages operational risk to an acceptable level, through a combination of sound corporate and risk governance, strong systems and controls, strong resource management and limit and tolerance structures.

C.5.2 RISK CONCENTRATION

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

C.5.3 RISK MITIGATION

Operational risks are mitigated by our internal control framework. The Group has a robust system in place which includes written procedures, risk limits and the controls required to implement, measure, monitor, maintain and report on all material operations.

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

Operational risk area	Mitigation measure
Claims and underwriting	Regular audits and experience investigations. Individual underwriter acceptance limits. Segregation of duties for processing, authorisation and payment of claims.
Systems	Robust business and continuity and disaster recovery plans. Business sign-off and peer reviews.
Unit pricing	Daily valuations. Strict processes, controls, peer reviews and checks.
Mis-selling	Sales agents are regulated by the Central Bank of Ireland and they are required to maintain appropriate professional qualifications.

C.5.4 RISK SENSITIVITY

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

C.5.5 Dependencies between risk modules

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

C.5.6 Any other information regarding the operational risk profile

We are 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 2023 ORSA, the Group also examined a number of scenarios in which several different stresses were combined. The 2023 ORSA results demonstrate satisfactory forward-looking solvency, liquidity and operational resilience positions under all scenarios. This provides us with a high level of certainty around the strength of our medium-term financial position.

Special Purpose Vehicles

The Group does not use Special Purpose Vehicles.

Cybersecurity

The risks associated with IT and Cybersecurity are a key area of focus for the Group given the potential to have serious implications for consumer protection, financial stability and the overall reputation of the Irish financial system. The Group recognises its responsibilities in relation to IT, cybersecurity governance and risk management and it places these among its top priorities. We continuously monitor for new threats or unusual events that may increase cyber risk. The Group is well placed to withstand such risks in the ever-changing world of technology. A Cyber Security Policy is in place and Cyber Risk is a standing agenda at Management and Board Risk Committee meetings.

Geopolitical Risks

Geopolitical risks can have adverse effects on global financial markets, which could in turn affect the income generated by management charge margins on policyholder assets in the future.

Environmental and Social Risks

This is the risk that Group fails to adequately address ESG, Sustainability and Climate change risks. We recognise that environmental degradation, social risk issues and climate change, may impact the long-term sustainability of the business. We also recognise an expectation of customers and other stakeholders that the firm will act in a responsible and sustainable manner. We aim to align our business strategy with our environmental, social and governance objectives and to integrate sustainability factors within our Risk Management Framework. A Climate Change Risk Materiality Assessment was performed as part of the ORSA process, we have put an ESG Committee in place and we have made a commitment to achieving carbon neutral status.

New and Emerging Risks

The Group monitors upstream regulatory developments through its risk management framework to ensure that it is prepared to assess and implement legislative developments as required. An Emerging Risk is a risk which may or may not develop, is difficult to quantify, may have a high loss potential and is marked by a degree of uncertainty.

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

- **Claims level risk:** Claims level risk is the top risk facing us at present. During 2023, mortality risk profits were lower than projected. This was mainly due to a higher number of claims during the period compared to seasonally adjusted projections. There has been an increase in cancer related claims during 2023 potentially due to delayed cancer screenings caused by closure of medical services during the COVID period. This trend is not unique to us and is being experienced by other insurers throughout Ireland and the UK.

- **Product Design and Development Risk:**
 - Good progress was made throughout 2023 in addressing the product design and development risk. We launched a PRSA product in January 2023 and established a Master Trust for our back-book of Executive Pension Plans (EPPs). These enhancements to our Pension product offering ensure compliance IORP II requirements. While there is still some uncertainty in the external pensions market, the advancement in this area in 2023 positions us well for the future.
 - Future legislative changes relating to disclosure requirements on the Flexible Life Plan may impact the long-term sustainability of this product. Against this backdrop, we undertook a detailed review of this proposition which is likely to lead to us manufacturing a Term Assurance Product during 2024.
 - Expectations regarding sustainable investments are increasing and we will consider launching an ESG fund during 2024.
- **Long-term sustainability:** Notwithstanding our very healthy solvency position at present, it is recognised that there is a need to continue to increase our scale to ensure that we can continue to deliver value for our customers in the future.
- **Upstream Regulatory Change:** As in prior years, we continue to acknowledge that regulatory change is ongoing, and we monitor upstream regulatory developments through our risk management framework and compliance function to ensure that we are prepared for all legislative developments and that they are assessed and implemented as required within our business. Some key areas of focus at present are:
 - Individual Accountability Framework / Senior Executive Accountability Regime (IAF / SEAR).
 - Corporate Sustainability Reporting Directive (CSRD).
 - Digital Operational Resilience Act (DORA).
 - Retail Investment Strategy (RIS):

C.7 Any Other Disclosure

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

	2023			2022		
	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000
Assets						
Deferred Acquisition Costs	29,908	0	(29,908)	27,172	0	(27,172)
Pension benefit surplus	0	0	0	228	228	0
Property, plant and equipment held for own use	2,295	2,295	0	2,505	2,505	0
Financial Assets - Government bonds	0	0	0	2,052	2,126	74
Financial Assets - Corporate bonds	119	119	0	221	224	4
Financial Assets - Structured notes	0	0	0	0	0	0
Assets held for index-linked and unit-linked contracts	1,065,760	1,065,760	0	935,686	935,686	0
Loans and mortgages	2,648	2,648	0	2,141	2,141	0
Reinsurance recoverables	19,059	(144)	(19,203)	11,555	(881)	(12,436)
Insurance and intermediaries receivables	386	386	0	340	340	0
Reinsurance receivables	0	4,790	4,790	0	2,827	2,827
Receivables (trade, not insurance)	860	860	0	1,168	1,168	0
Cash and cash equivalents	60,459	60,459	0	52,284	52,284	0
Any other assets, not elsewhere shown	0	0	0	78	0	(78)
Total assets	1,181,494	1,137,173	(44,321)	1,035,429	998,648	(36,781)

The consolidated financial statements have been prepared in line with FRS 102 and 103 on a going concern basis. This basis assumes that the Group will continue in operational existence for the foreseeable future. The annual Own Risk and Solvency Assessment (ORSA) process provides oversight and governance over the assessment of the Group's ability to continue as a going concern. The ORSA is the primary risk assessment process which identifies the business risks relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern, assesses the significance of those risks, including the likelihood of their occurrence and their potential impact and describes how risks can be addressed or mitigated. The key message from the 2023 ORSA process was that the balance sheet remains resilient to future stressed scenarios and there is no material threat to solvency or liquidity over the medium term. Based on the Directors assessment of the Group's financial position, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The differences between the Consolidated Financial Statements valuations compared to the valuations under the Solvency II framework are as follows:

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

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

D.2 Technical Provisions

Technical Provisions by material line of business

The technical provisions comprise the Best Estimate of the Liabilities (“BEL”), the Risk Margin, Gross Technical Provisions (calculated as a whole), related reinsurance 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 2023 and 31 December 2022 by material line of business:

2023

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	(48,210)	13,037	1,067,980	(702)	1,032,105
Non unit-linked life	(2,567)	289	0	846	(1,432)
Total	(50,777)	13,326	1,067,980	144	1,030,673

2022

Line of business	Gross best estimate liability	Risk Margin	Gross technical provisions (calculated as a whole)	Recoverables from reinsurance contracts and SPVs	Total technical provisions net of recoverables
€'000					
Unit-linked life	(39,818)	9,958	935,072	288	905,500
Non unit-linked life	(2,279)	259	0	593	(1,427)
Total	(42,097)	10,216	935,072	881	904,073

A. Gross Best Estimate Liability

The BEL is calculated using a gross premium valuation for all policies in-force at the valuation date. It is the prospective value of future expected cash-flows on a policy-by-policy basis. Future claims, investment growth, expenses and lapses are projected. Future premium income is projected for non-unit-linked business only. Future premium income is not projected for unit-linked business because of Solvency II contract boundary rules. 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 data and our own experience over a five-year period. Judgement is required to ensure that sufficient allowance is made for 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 risk-free rate specified by the Solvency II regulations. The Group used the rates as provided by European Insurance and Occupational Pensions Authority ("EIOPA").

Discount Rate

The risk-free interest rate used for discounting the projected cash flows in the technical provisions calculation is the EUR relevant risk-free structure as specified by the Solvency II regulations. The Group used the rates as provided by EIOPA. The Group did not use the matching adjustment or the volatility adjustment at 31 December 2023.

Expenses and Inflation

The expenses incurred in servicing the Group's insurance obligations consist of administration, claims management/handling and overhead expenses. The Group performs a regular expense analysis to allocate 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 best estimate of future inflation.

Lapse assumptions

Lapse assumptions are set with reference to actual experience over a relevant five-year period. Judgement is required to ensure that sufficient allowance is made for trends or factors which we expect to change.

Changes in Assumptions

The main change to assumptions over the 2023 financial year related to expenses and mortality / morbidity risk experience.

B. Risk Margin

The Risk Margin ensures that the technical provisions are equal to the amounts required to meet insurance obligations. The risk margin is calculated as the amount of capital needed to support the Solvency Capital Requirement over the lifetime of the business at a prescribed cost of capital rate. In the calculation of the risk margin, future Solvency Capital Requirements are estimated using appropriate risk drivers for each individual Solvency Capital Requirement.

C. Gross Technical Provisions (calculated as a whole)

Gross Technical Provisions (calculated as a whole) consist of the Unit-Linked liability and other reserves relating to policyholders. The Unit-Linked liability is equal to the value of policyholder units plus the value of loyalty bonus units multiplied by the relevant fund valuation price at the valuation date. All of the Unit-Linked liability was matched by unit-linked assets at 31 December 2023.

D. Recoverable from reinsurance contracts and special purpose vehicles

The Group reinsures mortality and morbidity risk on a proportional basis with a maximum retention per life. It is split between two reinsurance counterparties depending on the type of cover. The reinsurance recoverable is the excess of projected future reinsurance recoveries over projected future reinsurance premiums payable.

The Group did not hold any investments in special purpose vehicles at 31 December 2023.

Uncertainty associated with the value of technical provisions

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

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

The table below compares the Solvency II valuation of gross technical provisions with the Irish GAAP valuation of Technical Provisions, split by line of business, at 31 December 2023.

	2023			2022		
	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	129,134	1,032,807	(903,674)	119,004	905,212	(786,208)
Non-unit linked technical provisions	25,156	(2,278)	27,434	16,680	(2,020)	18,700
Investment contract liabilities	937,964	0	937,964	815,895	0	815,895
Total technical provisions	1,092,254	1,030,529	61,724	951,579	903,192	48,387

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. Consolidated Financial Statements Technical Provisions include unit-linked liabilities in respect of Insurance contracts only. Unit-linked liabilities in respect of investment contracts are classified as investment contract liabilities in the Consolidated Financial Statements.
- Solvency II uses best estimate assumptions while the Consolidated Financial Statements assumptions include margins for adverse deviation.
- The Solvency II technical provision policyholder fund unit-growth rate is specified by the relevant risk-free interest rate provided by EIOPA. In the Consolidated Financial Statements the expected policyholder fund unit-growth rate is based on the expected return on the underlying assets in which our policyholder funds are invested, incorporating a margin for adverse deviation.
- The Solvency II technical provision discount rate is specified by the relevant risk-free interest rate provided by EIOPA. In the Financial Statements the discount rate is based on the expected return on the assets backing the technical provisions, incorporating a margin for adverse deviation.
- Solvency II permits negative technical provisions.
- Solvency II technical provisions include the risk margin.

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

D.3 Other liabilities

As at 31 December 2023, the Group recorded the following classes of liabilities for the Solvency II Valuation and the Consolidated Financial Statements:

	2023			2022		
	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000	Irish GAAP Value €'000	Solvency II Value €'000	Variance €'000
Other Liabilities						
Deferred tax liabilities	998	6,172	(5,173)	1,281	5,691	(4,410)
Insurance and intermediaries payables	17,083	17,083	0	14,889	14,889	0
Reinsurance payables	464	0	464	1,693	0	1,693
Payables (trade, not insurance)	7,577	7,577	0	7,381	7,381	0
Any other liabilities, not elsewhere shown	22,164	0	22,164	21,979	0	21,979
Total other liabilities	48,287	30,832	17,455	47,223	27,960	19,262

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

There is no difference between the Solvency II valuation and the Consolidated Financial Statements valuation for reinsurance payables, however they are classified differently on the balance sheets as described in section D.1.

A deferred income liability of €22.1 million (2022: €21.9m million) is recognised in the Consolidated Financial Statements but not recognised under the Solvency II framework.

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

D.4 Alternative methods for valuation

The Group does not use any alternative valuation methods.

D.5 Any other information

We do 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 (OSN) requirements. Own funds are required to be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The solvency objective of the Group is to ensure that it maintains sufficient capital to meet its obligations to its policyholders and other stakeholders as liabilities fall due. The Group must hold an appropriate amount and quality of capital to meet regulatory requirements as well as additional capital relevant to its specific capital needs given its risk profile, financial condition, business model and strategy, overall complexity, sensitivity to changing conditions and other factors that may arise from time to time. A strong capital position enables the Group to continue to operate through periods of severe stress. The Group measures and calculates capital using the Standard Formula. The ratio of Own Funds to SCR is reviewed on a quarterly basis. Responsibility for own funds management ultimately rests with the Board. As part of Own Funds management, the Group prepares ongoing solvency projections and reviews the structure of Own Funds and future requirements. The annual ORSA contains a five-year projection of funding requirements under a range of scenarios.

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

	2023	2022
	€'000	€'000
Ordinary share capital	6,835	6,835
Share premium account related to ordinary share capital	48,576	48,576
Reconciliation reserve	20,401	12,085
Total basic own funds	75,812	67,496

The Group's ordinary share capital, share premium arising on ordinary share capital, reconciliation reserve and capital contributions received are all available as unrestricted Tier 1 items. The ordinary share capital, share premium arising, and capital contributions are immediately available to absorb losses and are fully subordinated to all other claims in the event of winding-up. The reconciliation reserve equals the excess of assets over liabilities less other basic own fund items at the reporting date. The Group's Solvency II liabilities include negative technical provisions meaning that the own funds include an amount representing the expected future profits which will be generated from current fund values on unit-linked business and future premiums on non-unit-linked business.

There were no material changes to how capital was managed during 2023. A detailed exercise to define and document the capital management plan for the Group over the medium term 2024-2028 was carried out during 2023. A Strategic Solvency Target (SST) for the Group that is appropriate to its nature, scale, ownership structure and risk profile was also established. The ORSA model is a key part of the 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. The SST is the reference point for strategy setting and is reviewed annually as part of the ORSA process.

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

The difference between equity as shown in the Consolidated Financial Statements and the Solvency II excess of assets over liabilities comprises differences in the valuation of assets and liabilities, as set out in section D. Solvency II technical provisions are lower than in the Consolidated Financial Statements due to the use of best estimate rather than prudent assumptions.

The Group does not make use of ancillary own funds or transitional arrangements. The Group paid no dividends during 2023 or 2022. The Group has no dividend plans for 2024. During 2022, the Group acquired 383,400 of its own shares. The financial effect of this transaction on the consolidated balance sheet of the Group was a reduction in own funds of €4.3m.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The table below sets out the total SCR and MCR at 31 December 2023:

	2023	2022
	€'000	€'000
SCR	41,685	34,147
MCR	10,421	8,537

The required capital has been calculated based on the standard formula for Solvency II. The solvency and minimum capital requirements were always complied with during the year. The following table shows the inputs into SCR calculation as at 31 December 2023:

	2023	2022
	€'000	€'000
Operational risk	1,454	1,355
Market risk	21,511	17,253
Underwriting risk	34,268	28,257
Counterparty risk	3,999	3,214
Diversification benefit	(13,593)	(11,053)
SCR gross of tax relief	47,639	39,026
Tax relief on SCR stresses	(5,954)	(4,879)
SCR net of tax relief	41,685	34,147

The table below shows the inputs into the MCR calculation as at 31 December 2023.

	2023	2022
	€'000	€'000
Absolute Floor	4,000	4,000
Linear MCR	9,034	8,121
SCR	41,685	34,147
Combined MCR	9,034	8,121
MCR	10,421	8,537

Approximations

In order to perform the SCR calculation as efficiently as possible at 31 December 2023, some approximations were necessary in the calculation of the Market Risk and Underwriting Risk SCR. We are satisfied that the use of approximations at 31 December 2023 did not materially impact the SCR calculation.

Loss Absorbing Capacity of Deferred Tax (LACDT)

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

Material movements in MCR and SCR

The SCR and MCR both increased over the period. The primary reason for these movements is investment market performance during the year.

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

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

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

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

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

The Group was compliant with the MCR and SCR requirements at all times during 2023.

E.6 Any other information

We do not believe that there is any other information that needs to be disclosed.

Appendix A: Public QRTs

S.02.01.02

Balance sheet

Assets

Intangible assets
Deferred tax assets
Pension benefit surplus
Property, plant & equipment held for own use
Investments (other than assets held for index-linked and unit-linked contracts)
Property (other than for own use)
Holdings in related undertakings, including participations
Equities
Equities - listed
Equities - unlisted
Bonds
Government Bonds
Corporate Bonds
Structured notes
Collateralised securities
Collective Investments Undertakings
Derivatives
Deposits other than cash equivalents
Other investments
Assets held for index-linked and unit-linked contracts
Loans and mortgages
Loans on policies
Loans and mortgages to individuals
Other loans and mortgages
Reinsurance recoverables from:
Non-life and health similar to non-life
Non-life excluding health
Health similar to non-life
Life and health similar to life, excluding health and index-linked and unit-linked
Health similar to life
Life excluding health and index-linked and unit-linked
Life index-linked and unit-linked
Deposits to cedants
Insurance and intermediaries receivables
Reinsurance receivables
Receivables (trade, not insurance)
Own shares (held directly)
Amounts due in respect of own fund items or initial fund called up but not yet paid in
Cash and cash equivalents
Any other assets, not elsewhere shown
Total assets

	Solvency II value
	C0010
R0030	0
R0040	0
R0050	0
R0060	2,295
R0070	119
R0080	0
R0090	0
R0100	0
R0110	0
R0120	0
R0130	119
R0140	0
R0150	119
R0160	0
R0170	0
R0180	0
R0190	0
R0200	0
R0210	0
R0220	1,065,760
R0230	2,648
R0240	0
R0250	2,648
R0260	0
R0270	-144
R0280	0
R0290	0
R0300	0
R0310	-846
R0320	0
R0330	-846
R0340	702
R0350	0
R0360	386
R0370	4,790
R0380	860
R0390	0
R0400	0
R0410	60,459
R0420	0
R0500	1,137,173

Liabilities

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

	Solvency II value
	C0010
R0510	0
R0520	0
R0530	0
R0540	0
R0550	0
R0560	0
R0570	0
R0580	0
R0590	0
R0600	-2,278
R0610	0
R0620	0
R0630	0
R0640	0
R0650	-2,278
R0660	0
R0670	-2,567
R0680	289
R0690	1,032,807
R0700	1,067,980
R0710	-48,210
R0720	13,037
R0740	0
R0750	0
R0760	0
R0770	0
R0780	6,172
R0790	0
R0800	0
R0810	0
R0820	17,083
R0830	0
R0840	7,577
R0850	0
R0860	0
R0870	0
R0880	0
R0900	1,061,361
R1000	75,812



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	151,772	1,087	0	0	0	0	152,859
Reinsurers' share	R1420	0	0	14,553	534	0	0	0	0	15,087
Net	R1500	0	0	137,220	553	0	0	0	0	137,773
Premiums earned										
Gross	R1510	0	0	151,772	1,087	0	0	0	0	152,859
Reinsurers' share	R1520	0	0	14,553	534	0	0	0	0	15,087
Net	R1600	0	0	137,220	553	0	0	0	0	137,773
Claims incurred										
Gross	R1610	0	0	97,007	0	0	0	0	0	97,007
Reinsurers' share	R1620	0	0	13,095	0	0	0	0	0	13,095
Net	R1700	0	0	83,912	0	0	0	0	0	83,912
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	24,580	60	0	0	0	0	24,640
Other expenses	R2500									0
Total expenses	R2600									24,640



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	152,859	0	0	0	0	0	152,859
Reinsurers' share	R1420	15,087	0	0	0	0	0	15,087
Net	R1500	137,773	0	0	0	0	0	137,773
Premiums earned								
Gross	R1510	152,859	0	0	0	0	0	152,859
Reinsurers' share	R1520	15,087	0	0	0	0	0	15,087
Net	R1600	137,773	0	0	0	0	0	137,773
Claims incurred								
Gross	R1610	97,007	0	0	0	0	0	97,007
Reinsurers' share	R1620	13,095	0	0	0	0	0	13,095
Net	R1700	83,912	0	0	0	0	0	83,912
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	24,640	0	0	0	0	0	24,640
Other expenses	R2500							0
Total expenses	R2600							24,640

S.23.01.22

Own funds

Basic own funds before deduction for participations in other financial sector

Ordinary share capital (gross of own shares)	R0010
Non-available called but not paid in ordinary share capital at group level	R0020
Share premium account related to ordinary share capital	R0030
Initial funds, members' contributions or the equivalent basic own - fund item for mutual a	R0040
Subordinated mutual member accounts	R0050
Non-available subordinated mutual member accounts at group level	R0060
Surplus funds	R0070
Non-available surplus funds at group level	R0080
Preference shares	R0090
Non-available preference shares at group level	R0100
Share premium account related to preference shares	R0110
Non-available share premium account related to preference shares at group level	R0120
Reconciliation reserve	R0130
Subordinated liabilities	R0140
Non-available subordinated liabilities at group level	R0150
An amount equal to the value of net deferred tax assets	R0160
The amount equal to the value of net deferred tax assets not available at the group level	R0170
Other items approved by supervisory authority as basic own funds not specified above	R0180
Non available own funds related to other own funds items approved by supervisory authority	R0190
Minority interests (if not reported as part of a specific own fund item)	R0200
Non-available minority interests at group level	R0210

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

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

Deductions

Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities whereof deducted according to art 228 of the Directive 2009/138/EC

Deductions for participations where there is non-availability of information (Article 229)

Deduction for participations included by using D&A when a combination of methods is used

Total of non-available own fund items

Total deductions

Total basic own funds after deductions

Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
R0010	6,835	6,835	0	
R0020	0	0	0	
R0030	48,576	48,576	0	
R0040	0	0	0	
R0050	0	0	0	0
R0060	0	0	0	0
R0070	0	0		
R0080	0	0		
R0090	0	0	0	0
R0100	0	0	0	0
R0110	0	0	0	0
R0120	0	0	0	0
R0130	20,401	20,401		
R0140	0	0	0	0
R0150	0	0	0	0
R0160	0			0
R0170	0			0
R0180	0	0	0	0
R0190	0	0	0	0
R0200	0	0	0	0
R0210	0	0	0	0
R0220	0	0		
R0230	0	0	0	
R0240	0	0	0	0
R0250	0	0	0	0
R0260	0	0	0	0
R0270	0	0	0	0
R0280	0	0	0	0
R0290	75,812	75,812	0	0

S.23.01.22 (continued)

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
 Unpaid and uncalled preference shares callable on demand
 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Non available ancillary own funds at group level

Other ancillary own funds

Total ancillary own funds

Own funds of other financial sectors

Reconciliation reserve

Institutions for occupational retirement provision
 Non regulated entities carrying out financial activities
 Total own funds of other financial sectors

Own funds when using the D&A, exclusively or in combination of method 1

Own funds aggregated when using the D&A and combination of method
 Own funds aggregated when using the D&A and a combination of method net of IGT

Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

Total available own funds to meet the minimum consolidated group SCR

Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

Total eligible own funds to meet the minimum consolidated group SCR

Minimum consolidated Group SCR (Article 230)

Ratio of Eligible own funds to Minimum Consolidated Group SCR

Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)

Group SCR

Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

Reconciliation reserve

Excess of assets over liabilities
 Own shares (included as assets on the balance sheet)
 Forseeable dividends, distributions and charges
 Other basic own fund items
 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
 Other non available own funds

Reconciliation reserve before deduction for participations in other financial sector

Expected profits

Expected profits included in future premiums (EPIFP) - Life business
 Expected profits included in future premiums (EPIFP) - Non- life business

Total EPIFP

R0300	0			0	
R0310	0			0	
R0320	0			0	0
R0350	0				
R0340	0			0	
R0360	0			0	
R0370	0			0	0
R0380	0			0	0
R0390	0			0	0
R0400	0			0	0
R0410					
R0420	0	0	0	0	0
R0430	0	0	0	0	
R0440	0	0	0	0	
R0450	0	0	0	0	0
R0460	0	0	0	0	0
R0520	75,812	75,812	0	0	0
R0530	75,812	75,812	0	0	
R0560	75,812	75,812	0	0	0
R0570	75,812	75,812	0	0	
R0610	10,421				
R0650	727%				
R0660	75,812	75,812	0	0	0
R0680	41,685				
R0690	182%				

C0060					
R0700	75,812				
R0710	0				
R0720	0				
R0730	55,411				
R0740	0				
R0750	0				
R0760	20,401				
R0770	1,721	1,721			
R0780	0	0			
R0790	1,721	1,721			

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

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

Calculation of Solvency Capital Requirement

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

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

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

Information on other entities

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

Overall SCR

SCR for undertakings included via D and A

Solvency capital requirement

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0080	C0090
R0010	21,511		0
R0020	3,999		
R0030	34,268	0	0
R0040	0	0	0
R0050	0	0	0
R0060	-13,593		
R0070	0		
R0100	46,186		

	C0100
R0130	1,454
R0140	0
R0150	-5,955
R0160	0
R0200	41,685
R0210	0
R0220	41,685
R0400	0
R0410	0
R0420	0
R0430	0
R0440	0
R0470	10,421
R0500	0
R0510	0
R0520	0
R0530	0
R0540	0
R0550	0
R0560	0
R0570	41,685



S.32.01.22

Undertakings in the scope of the group

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

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