Harcourt Life Ireland Solvency and Financial Condition Report Year-End 2018

May 2019

Owner: Board of Directors

INDEX

Introduction

The harmonised European Union ("EU") wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires reporting and public disclosure arrangements to be put in place by insurers. The objective of the Solvency and Financial Condition Report ("SFCR") is to increase transparency in the insurance market by requiring insurance and reinsurance undertakings to disclose publicly, on at least an annual basis, a report on their solvency and financial condition.

This report covers the Business and Performance of Harcourt Life Ireland dac ("HLI" or "the Company"), its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The Company's Board of Directors ("the Board") has ultimate responsibility for all of these matters and is assisted by various governance and control functions put in place to monitor and manage the business.

HLI is incorporated in Ireland and authorised by the Central Bank of Ireland ("CBoI").

The Company's financial year runs to 31 December each year and the results are reported in euro (€).

Summary

BUSINESS AND PERFORMANCE

The HLI business consists of both international and Irish products. The international products are geared towards international corporate, private (high net worth) individuals and trustee clients. The customer base comprises of internationally mobile people, both expatriates and local nationals. The business is predominately single premium investment products, incorporating single premium unit linked bonds, portfolio bond type investments, and unitised with-profits bonds. HLI's domestic business is predominately unit-linked and unitised with-profits business. The investment element of some of the Company's unitised with-profit policies and some of the unit linked policies are reinsured with Phoenix Life Limited ("PLL"). Domestic products are both regular and single premium pension contracts and investment products.

The Company closed to new business in January 2004.

In overall terms, the Company generated total comprehensive income the 2018 financial year of €279k. This compares to a restated IFRS total comprehensive income of €724k in 2017[1]. This reflects the closed book status of the Company. The key objective is to manage the book of business in a prudent and cost effective manner.

Pursuant to an Insurance Portfolio Transfer which was approved by an order of the High Court of Ireland, the entire life assurance business of Harcourt Life Corporation dac, together with the life assurance businesses of fellow group undertakings, Augura Ireland Limited and Union Heritage Limited were transferred to HLI with effect 31st March 2018.

SYSTEM OF GOVERNANCE

The Company's corporate governance framework is based on a number of cornerstones, such as the central role played by the Board, the correct management of situations that present conflicts of interest, transparency in disclosing decisions regarding the management of the Company, and the effectiveness of the Internal Control and Risk Management System ("ICRM").

As part of its governance structure the Company has established a series of Board Committees with specific delegated authorities. Please refer to Section B.1.1 for details.

In accordance with local laws and Solvency II requirements, HLI has established an ICRM which is defined as a set of policies, guidelines, processes and procedures aimed at identifying, measuring, monitoring and reporting on a continuous basis the risks to which the Company is exposed.

The ICRM is put in place within the Company through specific on-going processes which involve, with different roles and responsibilities, the Board, the Executive Committee ("ExCo") and the first, second and third line organisational structures. The functions involved in the ICRM process operate according to the Three Line of Defence approach:

[1] For the financial year ended 31 December 2018, the company updated their actuarial modelling assumptions for the liabilities under insurance contracts. The assumptions have been updated for the valuation of the liabilities under insurance contacts as at 31 December 2017 and 31 December 2016. As a result of their restatements of the liabilities under insurance contracts, the loss for the year 31 December 2017 has been restated from €973,000 to €2,131,000.

- First Line of Defence: The operational structures (Risk Owners) are the first line of defence.
- Second Line of Defence: The Risk Management, Legal and Compliance and Actuarial Functions represent the second line of defence.
- Third Line of Defence: HLI Internal Audit is the third line of defence.

RISK PROFILE

HLI aims to hold sufficient capital relative to the risks that it faces. As at 31 December 2018 the company's own funds was €7.3m which is €3.6m in excess of the Minimum Capital Requirement ("MCR"). The own funds amounted to 64.1% of the Solvency Capital Requirement ("SCR") requirement as at 31 December 2018. Information on the actions taken by the Board of Directors of HLI are outlined in the Capital Management section of this Summary. Further details on HLI's key risks are outlined below and further information on these and other risks is included additionally in Section C.

Market Risks

In the case of unit-linked business, the Company typically invests the premiums collected in financial instruments but does not bear the Market Risk directly. However, the Company is exposed with respect to its earnings as fees are the main source of profits for the Company from this business line. Adverse developments in the markets directly affects the profitability of the Company as fee income is reduced. The main risks that HLI's unit-linked business is exposed to are equity, currency and interest rate risks.

The key Market Risks that HLI is exposed to include:

- Equity risk: a reduction in equity values reduces asset values and hence reduces future fee income.
- Interest rate risk: where movements in interest rates directly impacts the value of an asset as well as the value of a liability and hence future fee income.
- Currency risk: where the movement in exchange rates can reduce the value of an asset and hence reduce future fee income.
- Spread Risk: is defined as the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease because of spreads widening either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.

Financial Risks contribute to €6,493k of the SCR before diversification (2017: 6,431k). The SCR arising from Equity, Spread and Currency risks are the main contributors to the financial risk capital. They have decreased from €2,484k to €1,123k for Equity, €3,386k to €3,155k for Currency risk and increased from €624k to €1,290k for Spread. The increases are primarily driven by the portfolio transfer which occurred on 31 March 2018.

Credit Risk

HLI is exposed to the risk of incurring losses due to the inability of counterparties to honour their financial obligations. HLI's direct credit risk exposure includes credit default risk and counterparty default risk. HLI's key default risks include:

- The exposure to reinsurance counterparties defaulting on their obligations.
- HLI's counterparty default exposure from cash deposits with banks.

Life Underwriting Risks

Life underwriting risks relate to the risk of unfavourable underwriting and expense experience, relative to assumptions, resulting in reduced profitability for HLI. The key life underwriting risks for HLI are:

- Lapse risk, defined as the change in liabilities due to changes in the expected exit rates. Exits can happen from either a partial or full surrender of a policy. This also includes a catastrophic event resulting in a mass lapse event.
- Expense risk, defined as the change in the value of liabilities resulting from changes in the expenses incurred in servicing insurance contracts.

Operational Risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Compliance and Financial Reporting Risks fall within this category. HLI is exposed to operational risk as part of its day to day operations. An operational risk management framework has been implemented to identify, assess control and monitor operational risks.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet both expected and unexpected cash flow requirements.

Further information on HLI's risks is included in Section C.

VALUATION FOR SOLVENCY PURPOSES

HLI Solvency II assets and liabilities and technical provisions at 31 December are outlined below.

Solvency II Assets, Liabilities and Technical Provisions

	31 December 2017[2] €'000	31 December 2018 €'000
Total Assets	226,101	305,805
Total Liabilities	216,277	298,378
Net Technical Provisions	196,641	277,275

HLI's assets, liabilities and technical provisions increased during 2018. The key reasons for the increase was the Portfolio Transfer whereby the entire life assurance business of Harcourt Life Corporation dac, together with the life assurance businesses of fellow group undertakings, Augura Ireland Limited and Union Heritage Limited were transferred to HLI with effect 31st March 2018.

Further information on HLI's assets and liabilities, including the differences between the Solvency II value and the Statutory Accounts value, is provided in Sections D1 and D3.

[2] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

CAPITAL MANAGEMENT

HLI calculates its SCR according to the Standard Formula methodology. At year-end 2018 HLI had a SCR of 64.1%.

All of HLI's Own Funds are classified as Tier 1 and are eligible to meet the SCR and MCR.

Background:

The fall in the SCR coverage ratio was primarily driven by modelling updates on the ex- Scottish Mutual International Ltd. ("SMI") book of business which was acquired by HLI in December 2015.

HLI has updated some of the modelling assumptions in place, with the most material being the assumption regarding the Annual Management Charges ("AMC"), earned by the company. This is the main source of income for HLI.

These modelling updates increased the Technical Provisions (see Section D) and consequently reduced HLI's own funds.

In March 2019, in line with the recovery plan process, the Board of Directors of Utmost PanEurope, HLI's immediate parent, approved a capital injection of €10m into HLI by subscribing for an additional 8,000,000 of HLI € denominated ordinary shares at €1.25 each. This capital injection restored the HLI SCR ratio to 142.7% as at 31 March 2019 (unaudited).

Solvency Capital Requirement and Minimum Capital Requirement

	31 December 2017[3] €'000	31 December 2018 €'000
Solvency Capital Requirement	9,300	11,594
Minimum Capital Requirement	3,700	3,700
Own Funds	9,824	7,426
Solvency Capital Ratio	105.6%	64.1%
Minimum Capital Ratio	265.5%	200.7%

Further details on HLI capital position are outlined in Section E.

[3] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

A. Business and Performance

A.1. BUSINESS

Legal Entity Name:
Harcourt Life Ireland dac

Registered Office:
Ashford House,
Tara Street,
Dublin 2
T: +353 (0)1 828 9000

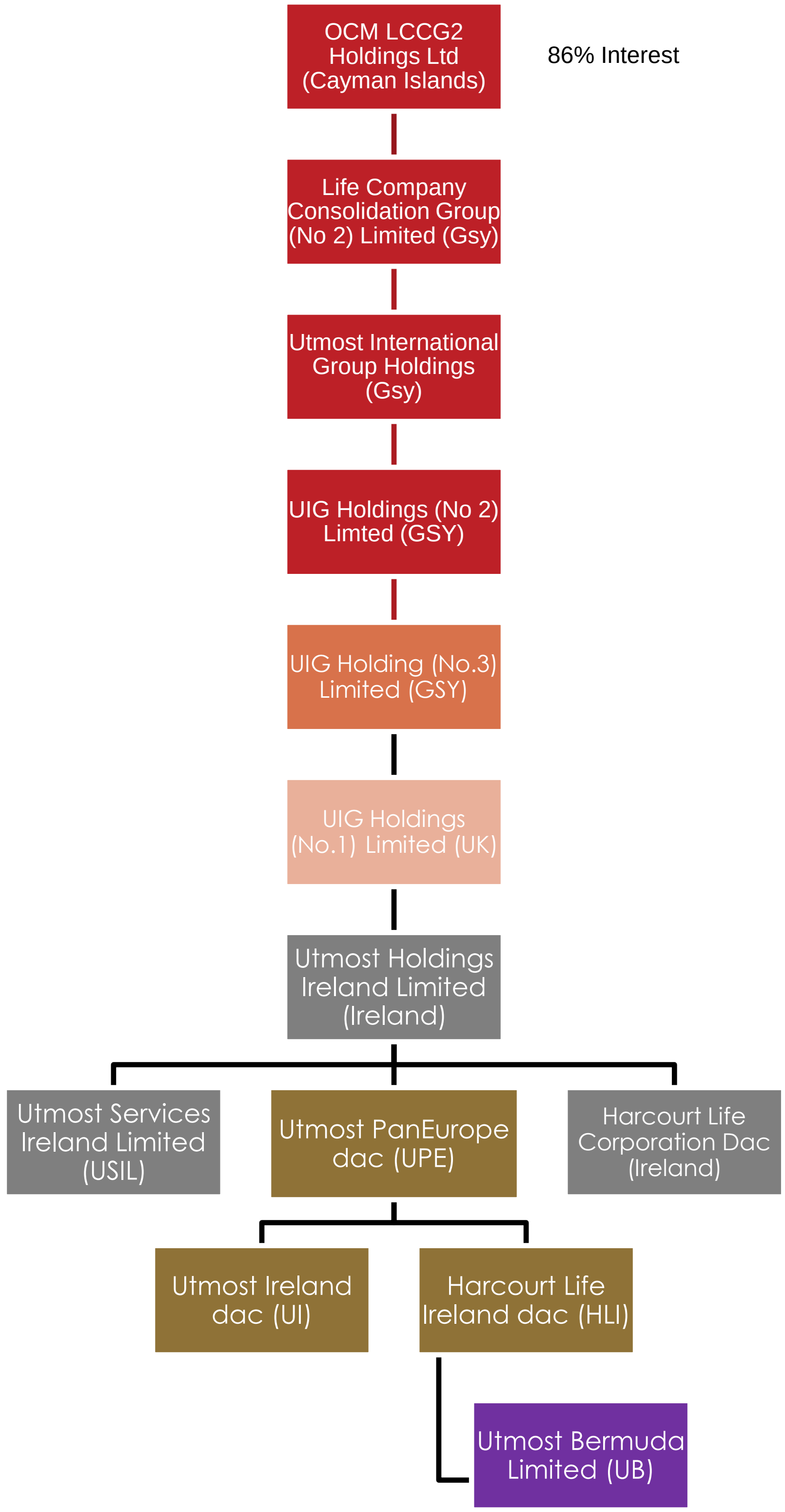
Auditors:
PriceWaterhouseCoopers
One Spencer Dock,
North Wall Quay,
Dublin 1
T: (01) 792 6000

Supervisors:
Insurance Supervision Department
Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1
T: (01) 224 6000

Board of Directors as at 31 December 2018:

Name	Position	Nationality	Date Appointed
Cyril Maybury (Chairman)	Independent Non-Executive	Irish	November 2018
Ian Maidens	Non-Executive	British	December 2015
Matt Coffey	Independent Non-Executive	Irish	December 2015
Andrew Milton	Independent Non-Executive	British	December 2018
Henry O'Sullivan	Executive and Chief Financial Officer	Irish	July 2016
Gilles Roy	Executive and Chief Executive Officer	French	November 2018
Tim Madigan	Independent Non-Executive	Irish	December 2016

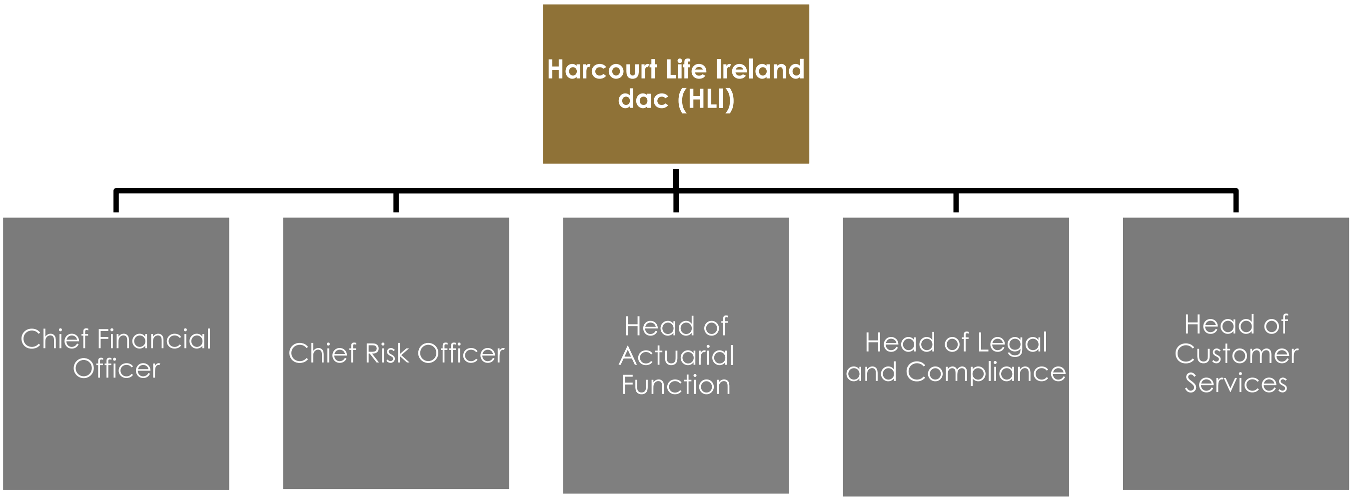
HLI Ownership Structure (all ownership is 100% unless otherwise stated)



HLI is incorporated in Ireland and authorised by the CBoI.

The HLI management team is responsible for establishing and delivering the Company's strategic plan, goals and priorities.

HLI Organisational Structure



The HLI business consists of both international and Irish products:

- International Products: Are geared towards international corporate, private (high net worth) individuals and trustee clients. The customer base comprises of internationally mobile people, both expatriates and local nationals. The business is predominately single premium investment products, incorporating single premium unit linked bonds, portfolio bond type investments, and unitised with-profits bonds.
- Domestic Products: Are predominately unit-linked and unitised with-profits business. The investment element of some of the Company's unitised with-profit policies and some of the unit linked policies are reinsured with PLL. Domestic products are both regular and single premium pension contracts and investment products.

In overall terms, the Company generated total comprehensive income the 2018 financial year of €279k. This compares to a restated IFRS total comprehensive income of €724k in 2017. This reflects the closed book status of the Company. The key objective is to manage the book of business in a prudent and cost effective manner.

A.2. UNDERWRITING PERFORMANCE

As the business is a closed book, underwriting performance is not a significant metric when measuring the Company's performance. The Company Gross Written Premium is outlined in the table below. The increase in Gross Written Premium year on year is primarily due to the Portfolio Transfer whereby the entire life assurance business of Harcourt Life Corporation dac, together with the life assurance businesses of fellow group undertakings, Augura Ireland Limited and Union Heritage Limited were transferred to HLI with effect 31st March 2018.

Gross Written Premiums

	31 December 2017 €'000	31 December 2018 €'000
Gross Written Premiums	257	325

Detailed information on the Company's premiums, claims and expenses is included in S.05.01.02 and S.05.02.01

in Section F Quantitative Reporting Templates.

A.3. INVESTMENT PERFORMANCE

Investments for the Benefit of Life Assurance Policyholders who bear the Investment Risk

The investments linked to insurance policies are selected by policyholders or, where applicable, by asset managers selected by the policyholders and appointed for the purpose by the Company. The assets are owned by the Company. The Company is required to maintain assets to match its policyholder liabilities at all times. The value of assets under management is affected by top ups, asset and currency performance, fee deductions, deaths of life assured and policies maturing or surrendering each year.

Investments for the benefit of life assurance policyholders who bear the investment risk

Policyholder Investments	31 December 2017 €'000	31 December 2018 €'000
Investments	92,244	124,432
Cash balances and short term deposits	13,090	57,120
Total	**105,334**	**181,552**
Breakdown of Investments		
Bonds	3,122	2,362
Equities	745	1,380
Funds	88,062	114,723
Derivatives	315	2
Other Investments	-	5,965
Total Investments	**92,244**	**124,432**

Total policyholder investments increased from 2017 to 2018 primarily due to the Portfolio Transfer whereby the entire life assurance business of Harcourt Life Corporation dac, together with the life assurance businesses of fellow group undertakings, Augura Ireland Limited and Union Heritage Limited were transferred to HLI with effect 31st March 2018.

Company Financial Investments

Company financial investments are primarily bonds and investment funds.

Company Financial Investments

Company Financial Investments	31 December 2017 €'000	31 December 2018 €'000
Financial Assets		
Debt securities – Fair value through profit or loss	22,696	18,120
Investment Funds	76,417	72,103
Investment in Subsidiary	-	3,622
Other Investments	1	12
Total Financial Assets	**99,114**	**93,857**
Total Company Financial Investments	**99,114**	**93,857**

Investment income on Company financial investments relates to income on bonds, interest on cash deposits and dividend income. Movements are recognised in the statement of comprehensive income account in the period in which they arise.

Company Investment Income

Investment Income from Policyholder and Company Financial Investments	31 December 2017 €'000	31 December 2018 €'000
Income from financial assets at fair value through profit or loss	11,525	(10,497)
Income from financial assets held at amortised cost	3,528	(941)
Total Net Investment Income	**15,053**	**(11,438)**

A.4. PERFORMANCE OF OTHER ACTIVITIES

Expenses

Operating expenses for the Company include mainly include outsourcing costs, audit fees and projects costs. Operating costs are charged through the technical account of the statement of comprehensive income of the Company.

Dividends

No dividends were paid or declared during 2018.

Leasing Arrangements

The Company has no material operating leases and no financial leases in place.

A.5. ANY OTHER INFORMATION

In March 2019, in line with the recovery plan process, the Board of Directors of Utmost PanEurope, HLI's immediate parent, approved a capital injection of €10m into HLI by subscribing for an additional 8,000,000 of HLI € denominated ordinary shares at €1.25 each.

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

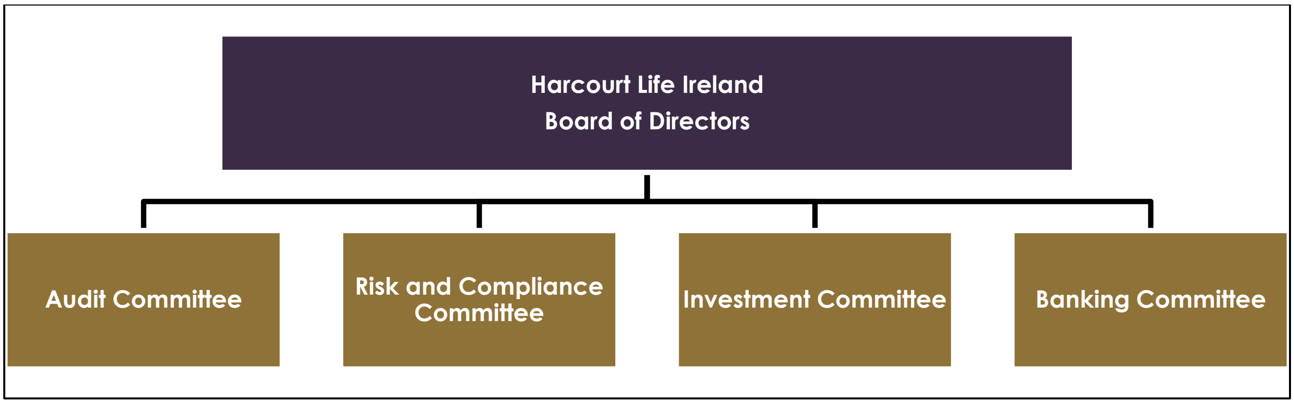
Corporate governance represents the sum of the methods, models and planning, management and control systems that are required for the operation of the Company's governing bodies.

HLI's corporate governance is based on a number of cornerstones, such as the central role played by the Board, the correct management of situations that present conflicts of interest, transparency in disclosing decisions regarding the management of the Company, and the effectiveness of the ICRM .

B.1.1. INFORMATION ON GENERAL GOVERNANCE

Risk governance is aimed at establishing an effective organisational structure based on a clear definition of risk roles and responsibilities, and on a set of policies, guidelines and operating procedures. As part of its governance structure, the HLI Board has established a series of Board Committees with specific delegated authorities.

Governance Structure



The remit of each of the Committees outlined in the above table is set out in their respective Terms of Reference which are subject to annual review and approval. Furthermore, the performance of each of the Committees is subject to annual review.

Board Committees

Key Role	Description
Board of Directors	The Board ensures that the Risk Management system identifies, evaluates and controls the most significant Company risks. Within the scope of its typical duties and responsibilities, the Board is ultimately responsible for setting strategies and policies in the area of Risk Management and internal control and ensuring their adequacy and sustainability over time, in terms of completeness, functioning and effectiveness. The Board has established the following Board committees: the Audit Committee, the Risk and Compliance Committee, the Investment Committee and the Banking Committee. In addition, HLI has established a Management Committee. Details on the Board Committees are provided below.
Audit Committee	The Audit Committee takes delegated responsibility on behalf of the Board for ensuring that there is a framework for accountability, examining and reviewing systems and methods of financial control and for ensuring HLI is complying with its Constitutional Documents together with all aspects of the law and relevant regulations.
Risk and Compliance Committee	The Risk and Compliance Committee has been established by the Board in order to provide leadership, direction, and oversight with regard to HLI's policies and procedures, including those relating to Risk Management and Legal and Compliance. It assists the Board of Directors in fulfilling its Risk Management responsibilities as defined by applicable law and regulations, HLI's Constitutional Documents and internal regulations as well as considering leading market practice standards.
Investment Committee	The Investment Committee has delegated responsibility for recommending overall strategic investment policy to the Board, and for undertaking oversight of the Company's investment activities, seeking to ensure that these are consistent with the approved Investment Policy.
Banking Committee	The Banking Committee is responsible for opening and closure of all Master Custodian and Corporate bank accounts in the name of HLI. The Committee is also responsible for the review and approval of appointments to the authorised signatory list and their levels of authorisation and approval.

B.1.2. INFORMATION ON RISK MANAGEMENT, INTERNAL AUDIT, COMPLIANCE AND ACTUARIAL FUNCTIONS INTEGRATION INTO THE ORGANISATIONAL STRUCTURE AND THE DECISION MAKING PROCESSES OF THE UNDERTAKING, STATUS AND RESOURCES OF THE FUNCTIONS WITHIN THE UNDERTAKING

In accordance with local laws and Solvency II requirements, HLI has established a Risk Management System which is defined as a set of strategies, guidelines, processes and procedures aimed at identifying, measuring, monitoring and reporting on a continuous basis the risks to which HLI is exposed.

Risk governance is aimed at establishing an effective organisational structure based on a clear definition of risk roles and responsibilities, and on a set of policies, guidelines and operating procedures.

In addition, as part of its governance structure HLI has established a series of Board Committees with specific delegated authorities (as outlined above).

The Internal Control and Risk Management System is put in place within HLI through a specific on-going process which involves, with different roles and responsibilities, the Board, ExCo and the organisational structures. The functions involved in the risk management process operate according to the Three Line of Defence approach:

- The operational structures (Risk Owners) are the first line of defence. The Risk Owners are ultimately responsible for risks concerning their area and to define and update the actions needed to make their risk management processes effective and efficient. They control the activity of the Risk Takers, who deal directly with the market and the internal and external parties and who define activities and programs from which risks may arise. The risk management initiatives defined by the Risk Owners address the way Risk Takers undertake risks. In addition, there are a number of support units (e.g. Actuarial) and oversight committees (Risk Observers) responsible for constantly monitoring specific risk categories, in order to measure and analyse them and to identity risk mitigation actions to the Risk Owners.
- The Risk Management, Legal and Compliance and elements of the Actuarial Function represent the Second Line of Defence. The Risk Management Function oversees the whole Risk Management System ensuring its effectiveness. It supports the Board and ExCo in defining the Risk Strategy and in the development of the methodologies to identify, take, assess, monitor and report risks. It also supports the Operating Units implementing and adopting the relevant policies and guidelines. The Head of Outsourcing (reports directly to the Chief Risk Officer) is responsible for the overall execution of the outsourcing lifecycle; from the risk assessment to the final management of the agreement and subsequent monitoring activities. The Legal and Compliance Function is in charge of evaluating whether the internal processes are adequate to mitigate compliance risk. The Actuarial Function, through the Head of Actuarial Function ("HoAF"), challenges the contents and assumptions of the Own Risk and Solvency Assessment ("ORSA") and provides an assessment on the appropriateness of the ORSA.
- Internal Audit is the Third Line of Defence. Internal Audit is responsible for independently evaluating the effectiveness of the Internal Control and Risk Management System and for confirming the operational effectiveness of the controls.

The roles and responsibilities of each of the control functions (Risk Management, Legal and Compliance, Actuarial and Internal Audit) and how they interact with the organisation in the execution of that responsibility are set out in their respective charters. The role of the Head of Outsourcing is articulated in the Outsourcing Policy.

As outlined in the Risk Management Policy, the Risk Management Function acts as guarantor for the effective implementation of the risk management system, as required by law and as established by the Board.

The Risk Management Function supports the Board and ExCo in the definition of the risk management strategy and the development of tools for risk identification, monitoring, management and reporting.

B.1.3. INFORMATION ON AUTHORITIES, RESOURCES PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE FUNCTIONS AND HOW THEY REPORT TO AND ADVISE THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BOARD OF THE INSURANCE UNDERTAKING

HLI employees are degree and/or professionally qualified and are identified as holding Pre-Approval Controlled Functions ("PCF").

HLI relies heavily on Utmost Services Ireland Ltd. ("USIL") for the provision of its business operations, previously named Harcourt Life Service Limited. More than 70% of the USIL employees are degree and/or professionally qualified and all persons identified as holding PCF or Controlled Functions ("CF") in USIL are reviewed annually to ensure they meet the CBoI Fit and Proper requirements.

B.1.4. MATERIAL CHANGES TO THE SYSTEM OF GOVERNENCE

During 2018 the following Board of Director changes were noted:

- Mr. Alan Foley resigned from his position as Executive Director on the 19th July 2018.
- Mr. Andrew Thompson resigned from his position as Non-Executive Director on the 24th October 2018.
- Mr. Cyril Maybury was appointed as a Non-Executive Director on the 2nd November 2018.
- Mr. Billy Finn resigned from his position as Independent Non-Executive Director on the 2nd November 2018.
- Mr. Gilles Roy was appointed as an Executive Board Director on the 28th November 2018.
- Mr. Andrew Milton was appointed as an Independent Non-Executive Director on the 7th December 2018.

With regards to the Executive Committee, the following appointments and resignations took place during 2018

- Mr. Marco Nuvoloni was appointed to the Executive Committee as Head of Legal and Compliance on the 29th June 2018.
- Mr. Alan Foley resigned from his position as Chief Executive Officer on the 19th July 2018.
- Mr. Barry Kelly was appointed to the Executive Committee as Chief Risk Officer on the 2nd November 2018.
- Mr. Andrew Flaherty was appointed as Chief Operating Officer on the 29th June 2018 and resigned from his position on the 14th December 2018.
- Mr. Gilles Roy was appointed as Chief Executive Officer on the 28th November 2018.

During 2018, HLI entered into an outsourcing arrangement with USIL (previously named Harcourt Life Service Limited) in June 2018, which carries out core administration and management services. Please refer to Section B.5 for details of HLI's Outsourcing Management Framework.

No other material changes to the System of Governance occurred during 2018.

B.1.5. REMUNERATION POLICY

The Remuneration strategy is based on the following principles, which guide the remuneration programmes and consequent actions:

- All staff are rewarded on the basis of both their individual role and contribution to the delivery of the business strategy.
- It is recognised that financial reward is only one aspect of attraction and retention and the development of talent through non-financial measures including training and education are also beneficial and important.
- A performance management process that seeks to encourage performance improvement whilst supporting career development.
- Remuneration packages that offer competitive market rates for base pay, variable reward and benefits for all employees.
- Roles and performance will be evaluated on a fair and transparent basis which while taking account of the different specialisms within the Company seeks to apply a consistent and objective methodology.
- Budget and cost discipline determined on an annual basis subject to overall budget.
- Remuneration and supporting structures will promote sound and effective risk management and include measures which prevent conflicts of interest and ensure employees who are responsible for Risk and Legal and Compliance functions are remunerated independently of the performance of the business areas which they monitor and control.

Utmost Group Ireland offers a remuneration package which is proportional in its fixed components, variable components and benefits and provides an appropriate balance with regard to the variable remuneration for short-term and medium to long-term contracts, in order to avoid adoption of conduct that favours short-term results over medium to long-term goals. The remuneration package is fair and competitive, anticipating the adoption of alternative or additional monetary solutions, such as benefits, with a view to optimising the efficiency of interventions in financial terms.

Target Setting and Appraisal

Each year the CEO defines specific targets, both financial and non-financial, against which performance, and thus any bonus payable, is measured.

The Company goals and objectives are cascaded to all functions and individual employee goals are established and evaluated annually.

B.1.6. MATERIAL TRANSACTIONS DURING THE REPORTING PERIOD

Please refer to section B.1.4 regarding appointments and resignations during the year.

In March 2019, in line with the recovery plan process, the Board of Directors of Utmost PanEurope, HLI's immediate parent, approved a capital injection of €10m into HLI by subscribing for an additional 8,000,000 of HLI € denominated ordinary shares at €1.25 each.

B.2. FIT AND PROPER REQUIREMENTS

A core component of an effective risk culture is the knowledge and skills of the Company's resources. In order to confirm that the right resources and skills are in place, HLI has implemented a Fitness and Probity Policy and related procedures in order to assess the fitness and probity both initially and on an on-going basis of the individuals who are performing key functions. The policy and procedures have been developed in line with the Fitness and Probity standards and Minimum Competency Code issued by the CBoI.

B.2.1. DESCRIPTION OF THE SPECIFIC REQUIREMENTS CONCERNING SKILLS, KNOWLEDGE AND EXPERTISE REQUIRED

The Board of HLI has adopted a Fit and Proper Policy in order to define the minimum standards to be applied in terms of fitness and probity to all relevant personnel identified in the Policy.

The Fit and Proper Policy also defines the procedure for assessing the fitness and probity of the relevant personnel (both when being considered for the specific position and on an ongoing basis), and a description of the situations that give rise to a re-assessment of the abovementioned fit and proper requirements. The Human Resource ("HR") Function undertakes due diligence of all persons identified under the Fit and Proper guidelines to ensure they can perform their duties by carrying out the following assessments of being Competent and Capable, Honest, Ethical and Act with Integrity and Financial Soundness.

The fitness and probity assessment is performed by the Office of the CEO and the HR Function, who manage all Director and non-Director responsibilities respectively. As part of this assessment, the Office of the CEO and HR request Key Managers, Heads of Control Functions and persons that are in charge of the control of outsourced activities to undertake a self-declaration of compliance with the fit and proper requirements on an annual basis. In addition an annual declaration on adherence to the CBoI requirements is completed by the Human Resources Function. The skillset of the Board and Board Committees is reviewed regularly.

B.2.2. PROCESS FOR ASSESSING THE FITNESS AND THE PROBITY OF THE PERSONS

The CBoI has identified a number of PCF roles for which prior approval of the role holder by the CBoI is required.

Pre-Approval Controlled Functions Roles

The following PCF Roles are applicable to the Company:

Pre-Approval Controlled Functions Roles

Code	Definition
PCF1	Executive Director
PCF2	Non-Executive Director
PCF3	Chairman of The Board of Directors
PCF4	Chairman of the Audit Committee
PCF5	Chairman of the Risk and Compliance Committee
PCF8	Chief Executive Officer
PCF11	Head of Finance
PCF13	Head of Internal Audit
PCF14	Chief Risk Officer
PCF15	Head of Compliance with responsibility for AML
PCF19	Head of Investment
PCF48	Head of Actuarial Function

Controlled Functions Roles

In addition to the above, an assessment of roles which are classified as a CF is completed. HLI is required to undertake due diligence on each CF and the Fitness and Probity requirements are applicable to all staff. The following CF roles are applicable to HLI:

Controlled Functions Roles

Code	Definition
CF1	Board of Directors of HLI Executive Committee of HLI Head of Human Resources
CF2	Risk Department Compliance Department Internal Audit Department Actuarial Department Head of Change Management Human Resources Business Partner Head of Information Technology Financial Controller Head of Tax Head of Operations, CCS
CF7	Operations Manager, CCS
CF8	Head of Operations, CCS Head of Legal and Compliance

Code	Definition
CF10	Corporate Customer Services Team Leaders
CF11	Middle to Senior Finance employees

HR manage the ongoing maintenance of employee roles, through the PCF and CF process.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1. RISK MANAGEMENT SYSTEM

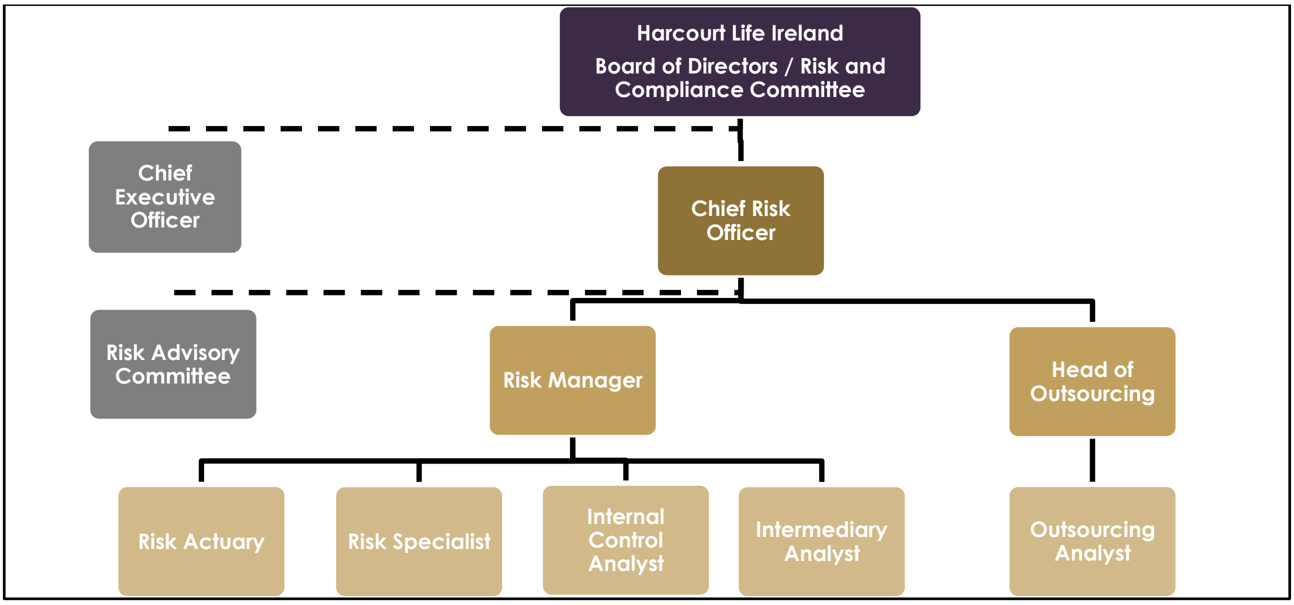
As outlined in the Company's Risk Management Policy, the Risk Management Function acts as guarantor for the effective implementation of the Risk Management System, as required by law and as established by the Board. The Risk Management Function supports the Board and ExCo in the definition of the Risk Management strategy and the development of tools for risk identification, monitoring, management and reporting.

Risk Management Function

The Risk Management Function is separate from the operational business units and does not have operating responsibilities or a direct reporting line to those responsible for the operating activities. The independence of the Risk Management Function is guaranteed through its direct reporting line to the Risk and Compliance Committee. The structure of the function, including its reporting lines and its relationship with the various committees that perform risk management tasks are set out below.

The Risk Management function consists of the Chief Risk Officer ("CRO") supported by a Risk Manager, a Risk Specialist, Risk Actuary and an Internal Control Analyst. The CRO's primary responsibility is to the Board with direct access to the Board Chairman and Chairman of the Risk and Compliance Committee. The CRO has a dotted reporting line to the Chief Executive Officer ("CEO") on operational issues. The diagram below illustrates the Risk Management structure and reporting lines:

Risk Management Structure and Reporting Lines



The Risk Management Function oversees the sustainability of the risk management system. The Risk Management Function supports the Board, ExCo and departmental managers in defining risk management strategies and the instruments to monitor and measure risks, providing, through an appropriate reporting system, the elements for an assessment of the performance of the risk management system as a whole. The Risk Management Function is responsible in particular for the following activities:

- Defining the risk measurement methodologies and models.
- Cooperating, with the Risk Owners, on the definition of the operating limits attributed to the operating structures and on the definition, with the first level functions (i.e. senior management) in charge of control, of the procedures for the prompt verification of such limits.
- Validating the information flows, prepared by the various Risk Owners, necessary to ensure the timely control of risk exposures and the prompt identification of any operational anomaly.
- Presenting appropriate reports to the Board and the Risk and Compliance Committee on the overall performance of the risk control and management system and its ability, in particular, to react to context and market changes, as well as on the development of risks and any instances in which the operating limits have been exceeded.
- Ensuring that the Executive Committee reacts to results from the stress tests if unexpected events or results are identified.

The Risk Management, Compliance and Internal Audit Functions are operationally independent from ExCo and have unfettered access to the Board.

Policy Framework

The documentation tree is structured into:

- First Level Policies (required by art.41 of the Solvency II Directive and approved by the Board).
- Second Level Policies approved by the Board.
- Guidelines providing operating rules.
- Operating Procedures.

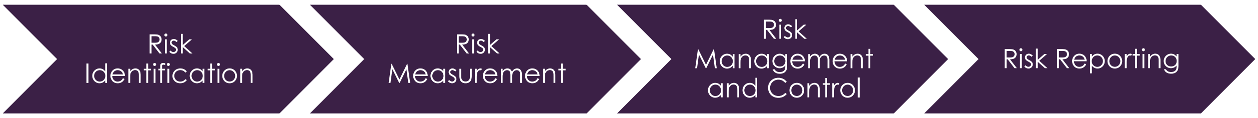
Risk Management System

The purpose of the Risk Management System is to ensure that all risks to which the Company is exposed to are properly and effectively managed on the basis of the risk strategy defined, following a set of processes and procedures and based on clear governance provisions.

The principles defining the Risk Management System are provided in the Risk Management Policy, which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy outlines all risks the Company is exposed to, on a current or on forward-looking basis.

HLI's Risk Management process is defined in the following phases:

Risk Management Process



1. Risk Identification

The purpose of the risk identification phase is to ensure that all material risks to which the Company is exposed are properly identified. For that purpose, the Risk Management Function interacts with the main Business Functions in order to identify the main risks, assess their importance and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, emerging risks are also taken into consideration.

Based on Solvency II risk categories, and for the purpose of SCR calculation, risks are categorised according to the Risk Map below.

Risk Map

Financial Risks	Credit Risks	Insurance Risks	Other Risks
Interest Rate Yields	Credit Default	Longevity	Operational
Interest Rate Volatility	Counterparty Default	Life Lapse	Liquidity
Equity Price		Expense	Strategic
Equity Volatility		Mortality	Reputational
Currency		Mortality - CAT	Contagion
Concentration			Emerging
Spread			Regulatory/Compliance
Property			Conduct

2. Risk Measurement

HLI has formally adopted a number of risk assessment methodologies.

In compliance with Solvency II regulation, the SCR is calculated based on the European Insurance and Occupational Pensions Authority ("EIOPA") Standard Formula. On an annual basis HLI completes an appropriateness assessment of the Standard Formula against HLI's risk profile.

3. Risk Management and Control

The Company operates a sound Risk Management System in line with the established strategy and processes. To ensure that the risks are managed according to the risk strategy, the Company follows the governance defined in the Risk Appetite Statement ("RAS") and Risk Management Governance and Control Framework. This provides a framework for Risk Management embedding in day-to-day and extraordinary business operations, control mechanisms as well as escalation and reporting processes.

The purpose of the RAS is to set the desired level of risk (in terms of risk appetite and risk preferences) and limit excessive risk-taking. Tolerance Levels on the basis of capital and liquidity metrics are set accordingly. Should an indicator approach or breach the defined Tolerance Levels, escalation mechanisms are then activated.

4. Risk Reporting

Risk monitoring and reporting is a key Risk Management process which allows Business Functions, ExCo, Board and also the CBoI to be aware of, and informed about, the risk profile development, risk trends and any breaches of risk tolerances.

Risk factors are taken into consideration in the following decision making processes: Strategic Planning Process; Capital Allocation and Management; Asset Liability Matching and Investments; Solvency, Liquidity and Funding; Product Pricing, Development and Monitoring; Management Information; and Performance Management.

Risk Culture

A core objective of the Risk Management Function is to embed a positive and open risk management culture within HLI. In support of this objective, risk management and compliance training is provided to all new staff. In addition, the following structures have been established in order to embed a risk culture within HLI:

- The ExCo, supported by the Risk Management Function, meet regularly to review risk management issues and to integrate risk management thinking into the decision making process. Furthermore, material risk incidents and the results of risk assessments are reviewed, resulting in the required corrective actions being identified; and
- The Risk Management Function meet regularly with key departments to discuss operational risk.

The risk culture is further embedded within HLI through the following:

- The CRO is a member of ExCo and in the execution of his role integrates risk management thinking into the decision making process.
- The strategic planning process must remain consistent with the ORSA in order to include a risk based forward-looking view in the development of the strategic plan.
- The Risk Management Function is involved in the material initiatives which may impact on the risk profile of HLI. The role of the Risk Management Function is to integrate the risk management assessment methodologies into the decision making process by supporting the business in identifying, assessing and managing the risks associated with these initiatives.
- The Risk Management Function meet, on at least a monthly basis, with the First Line of Defence to discuss core Risk Management activities.
- The Risk Management Function works closely with the business units providing advisory services.

B.3.2. INTERNAL MODEL FRAMEWORK: GOVERNANCE, DATA AND VALIDATION

This section is not applicable to the Company.

B.3.3. ORSA PROCESS

The ORSA process is a key component of the Risk Management System which is aimed at assessing the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The ORSA process documents and assesses the main risks the Company is exposed to, or might be exposed on the basis of its Strategic Plan. It includes the assessment of the risks in scope of the SCR calculation, but also the other risks not included in SCR calculation. In terms of risk assessment techniques, stress test and sensitivity analysis are also performed with the purpose of assessing the resilience of the Company risk profile to changed market conditions or specific risk factors.

The ORSA Report is produced on an annual basis. In addition to the annual ORSA Report, a non-regular ORSA Report will be produced if the risk profile of the Company changes significantly.

All results are documented in the ORSA Report which is reviewed by the HLI Risk and Compliance Committee and the Board. After discussion and approval by the Board, the ORSA Report is submitted to the CBoI. The information included in the ORSA Report is sufficiently detailed to ensure that the relevant results can be used in the decision-making process and business planning process.

HLI's risk profile, including ORSA triggers which would prompt the undertaking of a non-regular ORSA report, is monitored on an ongoing basis and reported to the Risk and Compliance Committee quarterly.

The Head of Actuarial Function provides an Actuarial Opinion on the ORSA. The opinion addresses the following areas:

- The range of risks and the adequacy of stress scenarios considered as part of the ORSA process.
- The appropriateness of the financial projections included within the ORSA process.
- Whether the undertaking is continuously complying with the requirements regarding the calculation of Technical Provisions and potential risks arising from the uncertainties connected to this calculation.

B.3.4. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

Capital Management, Strategic Planning and Risk Management are strongly integrated processes. This integration is deemed essential to ensure alignment between business and risk strategies.

Through the ORSA process, the projection of the capital position and the forward-looking risk profile assessment contributes to the Strategic Planning and Capital Management process.

The ORSA Report also leverages on the Capital Management Plan to verify the adequacy, including the quality, of the Eligible Own Funds to cover the overall solvency needs on the basis of the plan assumptions.

To ensure the on-going alignment of the business strategy to HLI's risk appetite, the Risk Management Function actively supports the Strategic Planning process. This process includes strategy discussions, initiatives to be implemented, monitoring the business performance and oversight on risk and capital positions.

B.4. INTERNAL CONTROL SYSTEM

The ICRM, whose design and structure is approved by the Board, is the system in place to ensure that business activity complies with the law and with the various directives and procedures in place. It also ensures that HLI's processes are efficient and effective and that accounting and management information is reliable and complete.

Internal Control comprises a set of tools that helps the Company reach its targets in line with the level of risk selected by ExCo and the Board. Such targets are not restricted solely to business targets, but extend also to those connected with financial reporting as well as compliance with all internal and external rules and regulations, and take on varying importance depending on the risk that has been identified. It follows that the relevant internal control mechanisms take on a varying nature and form too, depending on the particular process or processes under the examination.

It is the responsibility of the Board to encourage the development and spread of the 'culture of control', requiring senior management to make all staff aware of the importance of internal controls and the role that they play, as well as the added value that they represent to the business. Senior management is responsible for implementing both the 'culture of processes' and the 'culture of control' together with ensuring that employees are made aware of their individual roles and responsibilities regarding internal controls. The system of delegated powers and procedures governing the allocation of duties, the operating processes and the reporting channels is duly formalised and employees are sufficiently informed and receive adequate training in relation to such systems.

The effectiveness of the control mechanisms listed above is delivered not only by means of monitoring and control activities carried out throughout the entire organisational structure of the business, but also via suitable channels for reporting any breaches.

As a result, HLI's internal controls are organised on the basis of various operational levels and levels of responsibility, these being regulated and codified:

- The controls that are the duty of the organisational units that form an integral part of each company process and represent the basis of the internal control system.
- The controls carried out by the corporate functions whose main activity is to perform control tasks. These include:
    - The Risk Management Function, which controls the risk profile of the Company and compliance by management with the limits established by the Board and senior management;
    - The Legal and Compliance Function, which represents an additional and independent line of defence within the ICRM overall, being responsible for assessing whether the organisation of the insurance business and its internal procedures are sufficient to prevent the risk of incurring penalties for regulatory offences or penalties imposed by law and the risk of suffering financial losses or reputational harm to the corporate image of the Company as a result of a breach of the law, of regulations or of measures imposed by the supervisory authorities or self-regulatory provisions
    - The budgeting and controlling activities, with the aim of observing and analysing business performance as far as meeting the targets established at the planning stage is concerned, demonstrating, by measuring specific indicators, any variance between the targets established at the planning stage and performance, and identifying any unusual changes;
    - The Risk Management activities in fraud prevention, which work to prevent both internal and external fraud and to identify and suppress the same; and

    - The various inspectorate bodies, which within the sales and claim settlement networks mainly conduct inspections for the supervision, control and monitoring of certain operational areas or some provision of services.

  In addition, there are other non-operational functions which, in providing advice to other corporate functions, assist in implementing all internal control objectives (tax advice, advice on privacy issues, legal counsel, etc.).
- The independent assessment carried out by Internal Audit of the quality and effectiveness of the controls put in place by the other corporate functions.

B.4.1. INTERNAL CONTROL FUNCTIONS

The Risk Management, Legal and Compliance and Internal Audit Functions operate within the framework of specific policies that are subject to periodic updates and approval by the Board. Specific regulations stemming from these policies govern in some detail the activities to be performed as part of the specific mission assigned, as well as the powers and responsibilities allocated by the Board. Legal and Compliance and Risk Management Functions are involved where new material processes are drawn up and where changes are made to the organisational structure of the business. In particular, the Legal and Compliance Function must always be involved in the drafting of processes where the issue of compliance is relevant.

B.4.2. LEGAL AND COMPLIANCE FUNCTION

HLI has established a separate Legal and Compliance Function with the primary aim of facilitating the development of a compliance culture across the business. In this context, one of the core responsibilities of the Legal and Compliance Function is to reinforce and promote ethical standards of behaviour and compliance awareness within HLI.

The Legal and Compliance Function seeks to achieve this objective through the delivery of training to the Board and HLI staff relating to key compliance risks including:

- Anti-Money Laundering and Counter Terrorism Financing;
- Data Protection, including General Data Protection Requirements;
- Code of Conduct;
- Financial Sanctions;
- New laws and regulations (upstream risk);
- Processes for the management of obligations arising out of contracts; and
- Managing claims and obligations arising from actual and potential/threatened legal claims and litigation.

The Legal and Compliance Function works closely with the business in order to assist in identifying, assessing and managing compliance and legal risks. Through the facilitation of dedicated training and working closely with the business, the Legal and Compliance Function promotes a positive compliance culture within HLI.

The Head of Legal and Compliance reports to the Board and Risk and Compliance Committee and has a dotted reporting line to the CEO on operational issues. The Legal and Compliance Function is operationally independent from ExCo and has unfettered access to the Board.

HLI's Legal and Compliance Function monitors compliance with all corporate, legal and regulatory requirements which apply to its business activities. These requirements include current legislation, regulations, regulatory standards and codes of practices. The scope of the requirements embraces both the country of establishment where HLI is regulated and supervised and also the countries of sale where its products are distributed to customers.

To support this process, the Compliance team presents a Compliance Monitoring Plan to the Risk and Compliance Committee and assesses progress against the plan on an ongoing basis. The Legal and Compliance Function conducts routine monitoring and surveillance over the first line of defence and reports the results to the Risk and Compliance Committee. The monitoring completed includes the following:

- AML (Anti Money Laundering) and CTF (Counter Terrorism Financing): Conducting reviews of policyholder documentation for AML and CTF purposes. Performing AML/CTF risk assessments.
- Transaction Monitoring: Monitoring transactions for potentially suspicious activity.
- Regulatory and legislation monitoring: Monitoring and recording legislative requirements and conduct of business obligations that apply to the company.
- Data Protection: Conducting Data Protection monitoring and risk assessments.
- Online Training: Rolling out companywide training in areas such as Anti Money Laundering, Data Protection and supporting the Code of Conduct training.
- Legal cases: Monitoring and reporting on-going and recently closed legal cases.
- Complaints: Monitoring and reporting on complaints.
- Financial Sanctions: Monitoring by the Head of Financial Crime.

B.4.3. INTERNAL AUDIT FUNCTION

The Internal Audit Function ("IAF") is an independent, effective and objective function established by the Board to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view of improving the efficacy and efficiency of the internal control system, of the organization and of the governance processes. This is set out in the Internal Audit Policy, Internal Audit Charter and Audit Committee terms of reference.

The IAF supports the Board in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time and provides the Board with analysis, appraisals, recommendations and information concerning the activities reviewed. IAF also carries out assurance and advisory activities for the benefit of the Board, the Top Management and other departments.

IAF's authority is enshrined in the Internal Audit Charter which is reviewed and approved annually by the Audit Committee and Board. Per the Internal Audit Charter IAF has full, free, unrestricted and timely access to any and all the organisation's records, physical properties, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information.

The IAF governs via the Utmost Internal Audit methodology. This methodology is aligned with the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of auditing and for evaluating the effectiveness of the audit activity's performance. Given the delicate and important nature of the assurance role carried out within the business, all the personnel of the IAF must have specific fit and proper requirements as requested by the Utmost Group Ireland's Fit and Proper Policies.

The activity of IAF remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. On an annual basis the Group Head of Internal Audit ("GHoIA") confirms his independence and that of the IAF to the Audit Committee.

On an annual basis, the GHoIA presents a proposed 12 month Internal Audit plan to the Audit Committee requesting approval. This plan is developed based on an audit universe using a risk-based methodology, taking into account all past audit activities, the complete system of governance output, the expected developments of activities and innovations and including input of Top management and the Board. The GHoIA reviews the Internal Audit plan on an ongoing basis and adjusts the plan in response to changes in the organisation's business, risks, operations, programs, systems, controls and findings. This review is informal and any change to the Internal Audit plan is first approved by the Chair of the Audit Committees.

Following the conclusion of each Internal Audit engagement, a written audit report is prepared and issued to the auditee and the auditee's hierarchy. The GHoIA, on a quarterly basis, provides the Audit Committee with a report on activities, status of open and overdue audit issues, any significant issues and audit reports issued during the period. However, in the event of any particularly serious situation, such as the emergence of a conflict of interest, the GHoIA will immediately inform the Audit Committee and Board.

B.4.4. ACTUARIAL FUNCTION

The Actuarial Function is an oversight ("second line of defence") role that is required under Solvency II. The purpose and scope of the Actuarial Function is to perform the specified tasks as set out in Article 48 of the Solvency II Directive.

The key responsibilities of the Actuarial Function are to review and validate the calculation of the Technical Provisions, to provide opinions on the underwriting and reinsurance policies and to assist the Risk Management Function with certain tasks.

The HLI Actuarial Function reports to the HLI Board. The Actuarial Function is led by the HoAF.

The Actuarial Function is responsible for the following activities:

- Coordinating the calculation of technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- Comparing best estimates against experience;
- Informing the Board of the reliability and adequacy of the calculation of technical provisions;
- Overseeing the calculation of technical provisions in the cases where approximations need to be used due to insufficient and/or inadequate data ;
- Expressing an opinion on the overall underwriting policy;
- Expressing an opinion on the adequacy of reinsurance arrangements; and
- Contributing to the effective implementation of the risk management system referred to in Article 44, in particular with respect to the risk modelling underlying the calculation of the capital requirements in the ORSA.

The Board receives an annual report from the HoAF which assesses the adequacy, appropriateness and reliability of technical provisions, underwriting, reinsurance, contributions to Risk Management and conflicts of interest. The report clearly identifies any deficiencies or areas for improvement and provides recommendations as to how such improvements could be implemented.

The Actuarial Function works very closely with the HLI Risk Management Function in HLI and has contributed to the Risk Management System in the following ways:

- Contributed to and reviewed HLI's ORSA policy and provided feedback to HLI's CRO.

- Reviewed HLI's ORSA reports and provided feedback to the CRO on these reports, in particular on the range of risks and adequacy of the stress scenarios. This activity is now officially part of a wider local regulatory requirement for the HoAF on ORSA items.
- Contributed to and reviewed the various narrative Solvency II submissions made to date by Risk Management.
- Reviewed HLI's Underwriting Policy and associated documents. This review included a review of the alignment to HLI's Risk Appetite Statement.
- Reviewed HLI's Reinsurance Policies and provided comments and recommendations to HLI on possible enhancements. This review included a review of the alignment to HLI's Risk Appetite Statement.
- Attended and actively contributed to:
  - Risk and Compliance Committee, in particular review and consideration of Risk Incidents; and
  - Investment Committee and Asset-Liability Matching activities.
- Assessed the appropriateness of the Standard Formula.

With effect from the start of 2016, the HoAF is required to provide to the Board and CBoI a separate opinion on every ORSA produced.

During 2018 the Actuarial Function has reviewed:

- The calculation of the Best Estimate Liabilities ("BEL");
- The Capital Requirements (including a review of the model, methodology and assumptions used);
- The calculation of the Risk Margin; and
- The 2018 ORSA Report.

B.5. OUTSOURCING

HLI relies heavily on internal and external service providers for the provision of its business operations.

HLI entered into an outsourcing arrangement with USIL (previously named Harcourt Life Service Limited) in June 2018, which carries out core administration and management services.

In order to mitigate the risks associated with outsourcing, ExCo in conjunction with the Risk Management Function and Head of Outsourcing has implemented an Outsourcing Management Framework. This framework includes a process for both the selection of and the ongoing review and monitoring of outsourced service providers' performance.

A due diligence process, which addresses all material factors that could impact on the potential service provider's ability to perform the business activity, is undertaken prior to the appointment of all outsourcing.

HLI has established an Outsourcing Policy to establish the requirements for identifying, justifying and implementing material outsourcing arrangements. The Outsourcing Policy sets out minimum mandatory outsourcing standards, assigns main outsourcing responsibilities and ensures that appropriate controls and governance structures are established within any outsourcing provision.

The Outsourcing Policy introduces a risk-based approach, adopting a proportionality principle to apply requirements according to the risk profile (distinguishing between critical and non-critical outsourcing) and the materiality of each outsourcing agreement. The outsourcing of critical or important operational functions or activities is managed in compliance with the relevant CBoI guidelines and processes.

The Outsourcing Policy also requires the appointment, for each outsourcing agreement, of a specific business referent. The business referent is responsible for the overall execution of the outsourcing lifecycle, from the initial risk assessment to the final management of the agreement and subsequent monitoring activities of the service level agreements defined in each contract.

This Outsourcing Policy is reviewed and approved on an annual basis and encompasses the following lifecycle stages:

- Risk Assessment: identify the critical and non-critical outsourcing initiatives through a structured risk evaluation. Risk Management reviews the risk assessment related to critical outsourcing initiatives;
- Outsourcer sourcing and Due Diligence: assess vendor capability to perform the activities according to HLI standards, internal and external regulations. HLI Procurement supports the activities in case of third party service providers;
- Agreement Negotiation and Management: allocate rights and obligations, provide standard clauses and minimum contents (e.g. privacy and confidentiality) for the written agreement, requiring written Service Level Agreements and the implementation of one single company agreement repository. Legal department is responsible for drafting the agreement and negotiating legal clauses. HLI Procurement is responsible for maintaining the agreement repository at local level;
- Migration Plan: require the definition of a structured migration plan to minimise transition risks (e.g. service interruptions);
- Monitoring and Reporting: ensure the implementation of appropriate organisational safeguards to monitor the outsource provider performance and set reporting obligations for critical outsourced activities; and
- Exit Strategy: set up appropriate measures to ensure the continuity of the activities in case of emergency or contract termination.

HLI has implemented an outsourcing oversight process which is co-ordinated by the Head of Outsourcing. The output of the oversight process is reported to the Risk and Compliance Committee on a quarterly basis. HLI's outsourcing arrangements are also subject to a detailed annual review and the findings of this report are reviewed by the Board.

The following is a list of the critical outsourced service providers, together with the jurisdiction in which the service providers of such functions or activities are located.

List of Critical Outsource Providers

Name	Services Outsourced	Group / External	Jurisdiction
Utmost Services Ireland Limited ("USIL")	Service company providing all core administration and management services to HLI.	Group	Ireland
Utmost Administration Limited ("UAL")	UAL provides a range of services including Investment Administration, IT Infrastructure, Marketing and Propositions.	Group	Isle of Man
DST/Phoenix Ireland ("PGMSI")	DST provide end to end administration of the ex SMI closed book of business to HLI. HLI acquired this book of business from PGMSI who subsequently have the outsourcing agreement in place with DST. HLI has a Transitional Services Agreement in place with PGMSI to ensure a smooth transition of the services which includes the oversight of the outsourcing agreement with DST. HLI will exit from the TSA with PGMSI once HLI has established a direct contract with DST. This contract work is ongoing and in the interim PGMSI carry out the oversight activities of the outsourcing arrangement between HLI and DST.	External	Ireland

B.6. ANY OTHER INFORMATION

B.6.1. ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS INHERENT IN THE BUSINESS

The HLI Board, as part of the ORSA process, has assessed its corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of the Company.

B.6.2. OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE

The following additional processes are implemented under the System of Governance.

Business Continuity

HLI has defined, implemented and maintains a framework, including applicable business continuity plans, to safeguard its operations in case of a disruptive incident.

HLI's Business Continuity procedures are drafted to ensure that they are consistent with the business continuity objectives. The results of testing performed are reported to the Board.

Information Technology and Cyber Security

HLI has implemented an Information Technology and Cyber Security framework, designed to safeguard the management and treatment of information. The adoption and design of security controls is carried out following a control framework that and incorporates all activities and technologies (managing servers, storage systems, networks and premises).

HLI is completing a review to satisfy itself that the Information Security and Cyber Security standards in place within both HLI and existing vendors/third parties are appropriate and effective. The results of all assessments are reported to the Board.

C. Risk Profile

As a life insurance company, HLI is at risk from the uncertainty in the assumptions used in the calculation of its liabilities. Assumptions are necessary for expectations of future claims (life or health claims), lapse rates and expenses among other items.

Investment activities are carried out in a sound and prudent manner and according to the Prudent Person Principles. Through portfolio diversification and a prudent liability-driven investment strategy, HLI aims to maximise the investment returns for shareholder investments in line with the Company's Risk Appetite and to achieve the Strategic Plan objectives.

HLI's regulatory capital requirements for each main risk category, calculated using the Standard Formula methodology are outlined below.

Solvency Capital Requirements

	31 December 2017 [4] €'000	31 December 2018 €'000
Life Underwriting Risk	4,924	6,411
Health Underwriting	-	106
Non-Life Underwriting	-	-
Market Risk	5,060	4,799
Counterparty Risk	1,878	3,642
Operational Risk	628	917
Diversification	(3,190)	(4,281)
Adjustment for the loss-absorbing capacity of deferred taxes	-	-
Solvency Capital Requirement	**9,300**	**11,594**

It is noted that there has been no change in risk measurement methodologies during the reporting period.

Further information on the Company's key risks is outlined below.

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

Life underwriting risks relate the risk of unfavourable underwriting and expense experience relative to assumptions and expectations resulting in reduced profitability for HLI. As a life insurance company, HLI is at risk from the uncertainty in the assumptions used in the calculation of its liabilities. Assumptions are necessary for expectations of future claims, lapse rates and expenses among other items.

[4] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

C.1.2. RISK EXPOSURE AND ASSESSMENT

The Risk Map, outlined in Section B.3.1, outlines the Life risks which the Company is exposed to. The key Life Underwriting Risks the Company is exposed to include:

- Lapse risk, defined as the change in liabilities due to changes in the expected exit rates. Exits can happen from either a partial or full surrender of a policy. This also includes a catastrophic event with a mass lapse resulting; and
- Expense risk, defined as the change in the value of liabilities resulting from changes in the expenses incurred in servicing insurance contracts.

The SCR for Life Underwriting Risks is calculated using the Standard Formula approach. The measurement is made by applying pre-defined stresses to the best estimate operating assumptions with a probability of occurrence equal to 0.5%.

- For Lapse Risk, the measurement is done via the application of a permanent and a catastrophic stress to the underlying lapse rates.
- Expense Risk is measured through the application of stresses to the amount of expenses and expense inflation that the Company expects to incur in the future.

HLI's life underwriting risk capital requirement increased by circa €1,487k at year-end 2018 relative to year-end 2017 primarily due to the portfolio transfer which took place on the 31 March 2018.

C.1.3. RISK MANAGEMENT AND MITIGATION

Reinsurance Strategy

HLI has a number of Reinsurance objectives:

- To provide both Statement of Financial Position and statement of comprehensive income protection against material losses and events in accordance with the HLI Risk Appetite Statement;
- To maintain existing arrangements, with no appetite for additional reinsurance arrangements for the in-force book; and
- Assess reinsurance needs for acquired business at the point of acquisition.

It is noted that the existing reinsurance arrangements are unique in that the terms cannot be amended as the purpose of these arrangements are to facilitate policyholder investment in associated funds.

The following signed Reinsurance Agreements are in place:

Reinsurer	Reinsurance Conditions	Associated Book	Effective Date
Phoenix Life Limited	• With Profits Reinsurance Arrangement. • There is a treaty in place with PLL under which some Irish unit linked funds are reinsured into the internal funds of PLL. No ongoing premiums are payable. • The reinsurance strategy of HLI is to wholly reinsure all benefits that are directly exposed to PLL. These treaties are supported by a floating charge on the assets of PLL.	Ex-SMI	02/12/2015
General Reinsurance UK Limited	This is an agreement in respect of domestic Ireland contracts under which any individual sum assured in excess of the amount which the Company wishes to retain is reinsured. The Company retains a 33.33% quota share of all benefits subject to maximum initial sums assured per benefit.	Ex-SMI	01/08/2001
Munich Re	• One treaty in place. • Excess death benefit cover. • Covers the benefits in excess of specified amount for Swedish unit linked policyholders. • 100% benefits in excess of unit reserve are covered.	Utmost Bermuda and Harcourt Life Ireland	23/05/2011
Swiss Re	• One treaty in place for the old Augura life book – now part of HLI. • Excess death benefit cover. • 100% benefits in excess of unit reserve are covered.	Harcourt Life Ireland	18/03/1993

C.1.4. RISK SENSITIVITY FOR UNDERWRITING RISKS

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material underwriting risks. The results of this analysis showed that the most material impact on the SCR cover was in the lapse and expense stress which is consistent with lapse and expense risks being key drivers of the overall SCR, and that the impact from the mortality and morbidity stresses was relatively small, consistent with the reinsurance risk mitigation in place.

C.1.5. NON-LIFE UNDERWRITING RISK

This section is not applicable to HLI.

C.2. MARKET RISK

C.2.1. RISK EXPOSURE AND ASSESSMENT

The Company is indirectly exposed to market risk through fees earned, management fees are calculated on the market value of policyholder assets under management. Therefore there is the risk that adverse movements in the value of assets in which policyholders are invested results in a reduction in the level of management fees earned by the Company.

The key Market Risks that HLI are exposed to include:

- Equity risk: a reduction in equity values reduces asset values and hence reduces future fee income.
- Interest rate risk: where movements in interest rates directly impacts the value of an asset as well as the value of a liability and hence future fee income.
- Currency risk: where the movement in exchange rates can reduce the value of an asset and hence reduce future fee income.
- Spread Risk: is defined as the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease because of spreads widening either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.

HLI's market risk capital requirement decreased by circa €261k at year-end 2018 relative to year-end 2017. The key driver of this reduction is due to the modelling updates, partially offset by an increase due to the portfolio transfer which took place on 31 March 2018.

C.2.2. RISK MANAGEMENT AND MITIGATION

The following Risk Management and mitigation activities are in place:

- HLI undertakes a quarterly asset liability matching exercise whereby it uses cash flow duration matching to ensure that its liabilities are well matched by assets of a similar nature and term. The results of this exercise are presented to the Investment Committee on a quarterly basis.
- The assets held by HLI's shareholder fund follow a strict investment mandate.
- Quarterly monitoring and reporting against the investment limits outlined in the RAS.

C.2.3. RISK SENSITIVITY FOR MARKET RISKS

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material market risks. This analysis indicated that the Company can withstand a severe market risk shock.

C.3. CREDIT RISK

C.3.1. RISK EXPOSURE AND ASSESSMENT

The credit risks that HLI is exposed to include:

- Default Risk: defined as the risk of incurring losses because of the inability of a counterparty to honour its financial obligations. Distinct modelling approaches have been implemented to model default risk in the bond portfolio (referred to as Credit Default Risk) and the default risk arising from the default of counterparties in cash deposits, risk mitigation contracts (including reinsurance), and other type of exposures subject to credit risk (referred to as Counterparty Default Risk).

HLI's main exposures to default risk include:

- The exposure to reinsurance companies defaulting in their obligations
- HLI's counterparty default exposure from cash deposits, bond holdings or derivative positions with banks.

HLI's counterparty risk capital requirement increased by circa €1,764k at year-end 2018 relative to year-end 2017 primarily due to the portfolio transfer which took place on the 31 March 2018.

C.3.2. RISK MANAGEMENT AND MITIGATION

HLI has outlined risk preferences within its Risk Appetite Statement. A set of comprehensive risk metrics have been developed to support the above Risk Preferences and translate statements and preferences into quantitative and measurable risk limits, tolerances and indicators, and to embed them into the operating processes in order to ensure proper monitoring and steering of business activity.

Limits have been implemented for government bonds, non-government bonds, funds, and counterparties. These ensure that the Company remains within acceptable tolerance for credit risk.

C.3.3. RISK SENSITIVITY FOR CREDIT RISKS

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material credit risks. The scenarios included downgrades of key counterparties. The results of these stresses show the Company to be resilient to both scenarios and maintain adequate solvency coverage.

C.4. OPERATIONAL RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Losses from events such as fraud, litigation, damages to premises, cyber-attacks and failure to comply with regulations are therefore covered in the definition. It also includes financial reporting risk but excludes strategic and reputational risks.

In line with industry practices, HLI adopts the following operational risk classification categories:

- Internal fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Company Policy, excluding diversity/discrimination events, which involves at least one internal party;
- External fraud – defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party;
- Employment Practices and Workplace Safety – defined as the losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- Clients, Products and Business Practices – defined as the losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product;
- Damage to Physical Assets – defined as the losses arising from loss or damage to physical assets from natural disaster or other events;
- Business disruption and system failures – defined as the losses arising from disruption of business or system failures;
- Execution, Delivery and Process Management – defined as the losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

Following best industry practices, HLI's framework for Operational Risk Management includes as main activities the risk incident reporting and loss data collection process, risk assessment and scenario analysis.

The risk incident reporting and loss data collection process involves the collection of losses incurred as a result of the occurrence of operational risk events and provides a backward-looking view of the historical losses incurred due to operational risk events.

The risk assessment and scenario analysis processes provide a forward-looking view on the operational risks HLI is exposed to. The Annual Operational Risk and Compliance Assessment provides a high-level evaluation of the forward-looking inherent and residual operational risks faced by HLI. The outcomes of the assessment drive the scenarios assessed as part of the scenario analysis. Scenario analysis is a recurring process which provides a detailed evaluation of the key operational risks faced by HLI and their potential impact.

C.4.2. RISK MANAGEMENT AND MITIGATION

HLI has identified the following key operational risks for the year-ended 31 December 2018:

Risk Category	Risk Summary	HLI Mitigating Activities
Outsourcing Risk	The risk that entities providing services to the Company do not perform to the required standards. The risk includes a failure by the Company itself to adequately manage, monitor and oversee those outsourcing arrangements.	HLI has the following controls/processes in place to reduce the inherent risk to within tolerance: • Outsourcing Management Framework, co-ordinated by the Head of Outsourcing, which includes a process for both the selection of and the ongoing review and

Risk Category	Risk Summary	HLI Mitigating Activities
		monitoring of outsourced service providers' performance. • Annual review and approval of the Outsourcing Policy and Outsourcing Management Process. • Quarterly assessments and full annual review over all Outsourced Service Providers. • Quarterly reporting to both ExCo and the Risk and Compliance Committee. • Business Continuity Plans in place.
Regulatory Risk	Risk of non-compliance with existing or future regulations.	HLI has the following controls/processes in place to reduce the inherent risk to within tolerance: • Regulatory monitoring framework to identify new or changing regulations. • Formal processes and procedures in place for existing regulations. • Legal and Compliance and Product and Technical Services Teams. • Use of external legal providers, as required.
Cyber Risk	Cyber Risk is defined as the threat, vulnerabilities and consequences that could arise if logical data is not protected. It can be caused by external attacks to the IT systems in order to steal and manipulate data or make business services unavailable. Information technology is fundamental to the operations of the financial services sector and this dependency increases the risks associated with cyber-attacks.	HLI has the following controls/processes in place to reduce the inherent risk to within tolerance: • Business continuity and disaster recovery planning and testing; • Ongoing internal review and monitoring of technologies which keep technical controls up to date; and • Ongoing monitoring of regulatory changes and implementation of the required procedures and controls including those related to General Data Protection Regulation ("GDPR").
Policy Administration Risk	Risk of errors or delays in administration of policyholder assets including investment and claims management	HLI has the following controls/processes in place to reduce the inherent risk to within tolerance: • Formal processes and procedures in place. • Risk assessments and themed reviews • Outsourcing framework. • Operational risk incident reporting and escalation process.
Tax Laws and Regulations	Tax Risk refers to the risk of failure to comply with existing tax regulation or the risk of a change to the International taxation treatment of life assurance products in respect of policyholders. Changes in the tax regimes and related	HLI has the following controls/processes in place to reduce the inherent risk to within tolerance:

Risk Category	Risk Summary	HLI Mitigating Activities
	government policies and regulations in the countries in which the Company operates could adversely affect the future profitability of the Company.	• Monitoring potential changes in International tax legislation and policy in all jurisdictions of operation • Head of Taxation responsible for ongoing tax compliance. • Formal processes and procedures in place. • Tax Strategy approved by the Board of Directors.

C.5. LIQUIDITY RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

Liquidity risk refers to the risk that the Company will not be able to meet both expected and unexpected cash flow requirements.

HLI has a Liquidity Risk Policy in place that is reviewed and approved at least annually by the Board. The Policy outlines the strategies, principles and processes to identify, assess and manage present and forward-looking liquidity risks to which HLI is exposed.

It defines in particular:

- The processes and procedures to be followed to ensure an effective liquidity risk mitigation and management;
- The system of governance in place, including roles and responsibilities; and
- The internal and external reporting requirements.

The Chief Financial Officer is responsible for managing the on-going liquidity requirements of HLI.

C.5.2. RISK MANAGEMENT AND MITIGATION

HLI manages Liquidity Risk to meet its own obligations and cash commitments along with unexpected contingent market situations, through a constant monitoring of actual and expected cash flows, and the availability of assets that can be sold easily without loss in the event of need. This activity is aimed at maintaining a high level of financial robustness both in the short and long term, which helps to mitigate HLI's liquidity risk and is the basis for the evaluation of the adequacy of the adopted measures.

HLI maintains sufficient liquidity levels with specified limits relating to the minimum amount of shareholder assets invested in short term liquid investments such as deposit accounts or short term bonds.

HLI carries out annual rolling 5 year cash flow projections based on the Strategic Plan targets.

C.6. OTHER RISKS

C.6.1. RISK CONCENTRATION

Concentration risk is the risk stemming from all risk exposures with a potential loss which could threaten the solvency or the liquidity position of the Company, thus substantially impacting the Company's risk profile. HLI seeks to limit concentration risk by assigning concentration limit to counterparties, sectors and industries where appropriate.

HLI's material risk concentrations relate to reinsurance counterparties, which are concentrated in a small number of reinsurers.

HLI mitigates the concentration risk through quarterly monitoring and reporting to the Risk and Compliance Committee.

C.6.2. REPUTATIONAL RISK

HLI defines reputational risk as the risk of a potential decrease in HLI's value or worsening of its risk profile, due to a reputational deterioration or to a negative perception of HLI's image among its stakeholders. In particular, reputational risk is managed mainly as a second level risk originated from a first level risk (as for example an operational or a financial risk).

C.6.3. EMERGING RISKS

Emerging risks arising from new trends or risks difficult to perceive and quantify, although typically systemic. These usually include changes to the internal or external environment, social trends, regulatory developments, technological achievements, etc. HLI reviews the Emerging Risk Register on a quarterly basis and reports to the Risk and Compliance Committee.

C.6.4. STRATEGIC RISK

Strategic Risk is defined as the possible source of loss that might arise from the pursuit of an unsuccessful business plan. For example, strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

HLI ExCo and Board are involved in the strategic planning process of the Company, starting from the target setting phase through to the monitoring of processes. HLI has a number of specific strategic risk preferences and these are actively monitored through the RAS.

C.6.5. CONTAGION RISK

HLI defines Contagion Risk to be the probability that significant economic changes in one country will spread to other countries. Contagion can refer to the spread of either economic booms or economic crises throughout a geographic region. This risk is mitigated through the diversification of HLI's business operations and products.

C.7. ANY OTHER INFORMATION

C.7.1. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

The total expected profits included in future premiums is €Nil at 31 December 2018. This compared to €Nil at 31 December 2017.

D. Valuation for Solvency Purposes

D.1. ASSETS

D.1.1. VALUATION OF ASSETS FOR SOLVENCY II BALANCE SHEET

The following paragraphs describe the value of assets for solvency and financial statements purposes, along with the valuation criteria and the common methodology used by HLI for the determination of fair value of assets and liabilities. The following sections are covered in the report below:

- Valuation of assets – explanation of differences between financial statements statement of financial position and Solvency II balance sheet.
- Fair value hierarchy – explanation of methods used to classify assets into three levels, based on the inputs used in valuation techniques to increase consistency and comparability of fair value measurements.
- Guidance on fair value measurement approach – HLI reviews its financial investments and classifies them in accordance with IFRS 13 'Fair Value Measurement'. The same approach is taken for investments held on behalf of life assurance policyholders who bear the investment risk.
- Valuation techniques – the methods used to maximise the use of observable inputs.

Solvency II Assets Valuation

	31 December 2017[5] €'000	31 December 2018 €'000
Solvency II Valuation	226,101	305,805
Statutory Accounts Valuation (2017 Restated)	226,467	305,827
Difference	**(366)**	**(22)**

Valuation of Assets

In the Solvency II environment, fair value should generally be determined in accordance with the financial statements. HLI's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain assets are excluded or measured at fair value to comply with Solvency II principles. In particular, the exceptions and non-applicable items for HLI are summarised below.

[5] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

Asset Exceptions under Solvency II

Valuation of Assets	Solvency II	Statutory Accounts	Difference
31 December 2018	**€'000**	**€'000**	**€'000**
Deferred Tax Assets	-	-	-
Deferred Acquisition Costs	-	-	-
Fixed Assets	-	-	-
Intangible Assets	-	-	-
Investments (Other than assets held for Index Linked and Unit-Linked funds)	93,857	93,857	-
Assets held for Index Linked and Unit-Linked funds	181,552	181,552	-
Ceded Reinsurance Reserves	11,959	11,981	(22)
Receivables	3,923	3,923	-
Cash and Cash Equivalents	14,514	14,514	-
Total Assets	**305,805**	**305,827**	**(22)**

The primary objective for valuation as set out in Article 75 of L1 - Dir (EIOPA guidelines) requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the approach for Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability.

Assets should be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

Liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction.

This valuation section describes the value of assets for Solvency II purposes and for financial statements, valuation criteria and the methodology used by HLI for the determination of fair value of assets and liabilities.

Deferred Tax Asset

There is no Deferred Tax Asset included within the Solvency II balance sheet.

Deferred Acquisition Costs (DAC)

The Company does not hold a DAC asset.

Fixed Assets

The Company does not hold any fixed assets.

Intangible Assets

The Company does not hold any intangible fixed assets.

Investments including assets held for index-linked and unit-linked funds

In the statutory financial statements HLI has classified its financial assets into the following categories:

- Assets held at fair value through profit or loss

Financial assets held to back investment contracts and one of HLI's solvency portfolios have been designated upon initial recognition as at fair value through profit or loss and are carried at fair value. The basis of this designation is that financial assets and liabilities in connection with investment contracts are managed and evaluated together on a fair value basis. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise occur if these financial assets were not measured at fair value and the changes in fair value were not recognised in the statement of comprehensive income account. There is no valuation difference under Solvency II and the financial statements.

Ceded reinsurance reserves

This amount represents the reinsurers' share of technical reserves. The ceded reinsurance reserves for Solvency II decreased by €22k. Please refer to section D.2 for detailed narrative on the valuation of technical liabilities.

Receivables

Receivables represent amounts owing to HLI. Receivables are held at initial book value in the Company's financial statements and are recoverable within one year. There is no valuation difference under Solvency II and the statutory financial statements.

Cash and cash equivalents

Cash is a liquid asset and comprises cash holdings in current accounts. Balances are held at initial book value in the Company's financial statements. There is no valuation difference under Solvency II and the statutory financial statements.

Fair Value Hierarchy

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categories the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs:

Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs

Level 3 inputs are unobservable inputs for the asset. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Guidance on Fair Value Measurement Approach

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

A fair value measurement requires an entity to determine all of the following:

- The particular asset or liability that is the subject of the measurement (consistently with its unit of account);
- For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use);
- The principal (or most advantageous) market for the asset or for the liability; and
- The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or the liability and the level of the fair value hierarchy within which the inputs are categorised.

IFRS 13 provides further guidance on the measurement of fair value, including the following:

- An entity takes into account the characteristics of the asset or the liability being measured that a market participant would take into account when pricing the asset or the liability at measurement date (e.g. the condition and location of the asset and any restrictions on the sale and use of the asset);
- Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions;
- Fair value measurement assumes a transaction taking place in the principal market for the asset or the liability, or in the absence of a principal market, the most advantageous market for the asset or the liability;
- A fair value measurement of a non-financial asset takes into account its highest and best use;
- A fair value measurement of a financial or non-financial liability or an entity's own equity instruments assumes it is transferred to a market participant at the measurement date, without settlement, extinguishment, or cancellation at the measurement date;
- The fair value of a liability reflects non-performance risk (the risk the entity will not fulfil an obligation), including an entity's own credit risk and assuming the same non-performance risk before and after the transfer of the liability; and
- An optional exception applies for certain financial assets with offsetting positions in market risks or counterparty credit risk, provided conditions are met (additional disclosure is required).

Valuation Techniques

An entity uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset would take place between market participants and the measurement date under current market conditions. Three used valuation techniques are:

- Market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets/liabilities or a group of assets/liabilities (e.g. a business);
- Cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost);
- Income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.

In some cases, a single valuation technique will be appropriate, whereas in other cases multiple valuation techniques will be appropriate.

Further information on HLI's assets is included in S.02.01.02 in Section F.

D.2. TECHNICAL PROVISIONS

The Life Technical Provisions as at 31 December 2018 have been assessed adopting HLI's methodology and techniques which are compliant with the Solvency II framework and are proportionate to the nature, scale and complexity of the business in question.

Life Technical Provisions results as at 31 December 2018 are set out in the table below. No transitional adjustments have been deducted from the Life Technical Provisions.

Main Technical Provisions Results

Entity	31 December 2017[6] €'000	31 December 2018 €'000
Best Estimate of Liabilities	208,081	284,642
Risk Margin	2,706	4,592
Gross Technical Provisions	**210,787**	**289,234**
Reinsurance Recoverable	(14,146)	(11,959)
Net Technical Provisions	**196,641**	**277,275**

The increase in life technical provisions from 31 December 2017 to 31 December 2018 is mainly due to the portfolio transfer which took place on the 31 March 2018. Another key driver of this increase was due to a modelling update at year-end 2018. This increased the best estimate liabilities by c. €9.2m.

[6] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

The difference between IFRS reserves and SII technical provisions is due to the methodological differences between the two valuations. The valuation of the IFRS reserves is based on technical provisions calculated in accordance with local accounting principles. The Solvency II valuation, instead, is based on the projection of future cash flows performed using best estimate assumptions, and discounting using the current interest rate term structure. Moreover, under the Solvency II framework, the valuation of technical provisions includes the risk margin which is not included in the valuation of IFRS reserves

The main factors that have an impact on the Technical Provisions are set out below:

- The Best Estimate assumptions;
- The application of contract boundaries; and
- Projected SCRs: The risk margin is a constituent part of the total Technical Provisions. As the risk margin is based on projected SCRs the method and assumptions used in projecting these SCRs can have a sizeable impact on the resulting risk margin.

In calculating the Technical Provisions, HLI has made material judgments in relation to:

- The choice of what are deemed to be best estimate assumptions;
- The use of certainty equivalent deterministic calculations;
- The choice of method used in calculating the risk margin; and
- The application of contract boundaries.

Best Estimate of Liabilities

The BEL is defined as the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure.

The method used to derive the BEL is the direct approach, which specifically refers to a valuation method based on projecting and discounting on a market consistent basis all expected future cash flows to policyholders in the certainty equivalent scenario. Therefore, the cash flow projection used in this context considers all potential cash in-and-out flows required to settle the insurance obligations over their lifetime, within the appropriate contract boundaries.

The projected future cash flows typically include:

- Fund management charges and other income;
- Future premiums (where relevant);
- Claims payments (including surrender payments, guarantee payments and death benefits);
- Expenses; and
- Commission

These cash flows are then discounted using the relevant risk-free rates provided by EIOPA to obtain the gross BEL.

Reinsurance Recoverables

Reinsurance recoverable is defined as the present value of the future liability cash flows referring to the reinsurance contractual agreements.

From the ceding Company perspective, the reinsurance cash inflows include at a minimum:

- Reinsurance recoverables for claims payments and expenses contractually recoverable by the Company from the agreement; and
- Revenues from reinsurance commissions and from shares in profit from technical sources relevant to reinsurance contracts paid to the Company.

From the ceding Company perspective, the reinsurance cash outflows includes at least:

- Future premiums paid by the Company to reinsurers.

Risk Margin

The risk margin represents a prudent margin for unavoidable uncertainty. The risks considered are:

- Mortality Trend Risk;
- Mortality Catastrophe Risk;
- Morbidity Risk;
- Longevity Risk;
- Lapse Risk;
- Expense Risk;
- Credit Risk with respect to Reinsurance contracts; and
- Operational Risk.

Description of the Level of Uncertainty of Life Technical Provisions Valuation

The key sources of uncertainty for the Company are expenses, policyholder behaviour assumptions and potential costs arising out of litigation. It is noted that no significant simplified methods were used to calculate technical provisions, including those used for calculating the risk margin.

HLI does not apply a volatility adjustment, as referred to in Article 77d of Directive 2009/138/EC. No basic own fund items have been subject to transitional arrangements.

Further information on the technical provisions is included in S.02.01.02 and S.12.01.02 in Section F.

D.3. OTHER LIABILITIES

D.3.1. VALUATION OF LIABILITIES FOR SOLVENCY II BALANCE SHEET

The following paragraphs describe the valuation criteria and the common methodology used by HLI for the determination of fair value of other liabilities.

Valuation of Liabilities

In the Solvency II environment, fair value should be generally determined in accordance with International Financial Reporting Standards ("IFRS"). Certain liabilities are excluded or fair valued to comply with Solvency II principles. In particular, the exceptions and non-applicable items for the Company are technical liabilities;

Solvency II Liabilities Valuation

	31 December 2017 €'000	31 December 2018 €'000
Solvency II Valuation	216,277[7]	298,378
Statutory Accounts Valuation (2017 Restated)	226,649	295,161
Difference	**(10,372)**	**3,217**

Value of Liabilities

Values of Liabilities 31 December 2018	Solvency II Value	Statutory Accounts Value	Difference
	€'000	€'000	€'000
Technical Liabilities – Life (Inc. Index Linked and United Linked)	289,233	286,016	3,217
Deferred Tax Liabilities	-	-	-
Financial Liability – Group Loan	-	-	-
Financial Liability – Derivatives	-	-	-
Financial Liability – Bank Overdraft	136	136	-
Deferred Income Liability	-	-	-
Other Liabilities	9,009	9,009	-
Total Liabilities	**298,378**	**295,161**	**3,217**

The valuation section describes the value of liabilities for solvency purposes and for financial statements, valuation criteria and the common methodology used by the Company for the determination of fair value of assets and liabilities.

Technical Liabilities

The Technical Liabilities comprise the Technical Provisions for life assurance policies where the investment risk is borne by the policyholders, the provision for claims, the life assurance provision and the provision for unearned premiums.

Under Solvency II, Technical Provisions comprise the BEL and risk margin. The BEL recognises the cashflow required to meet policyholder liabilities, while the risk margin represents a prudent margin for unavoidable uncertainty. The Technical Provisions liability for Solvency II increased by €3,217k.

Please refer to section D2 for detailed narrative on the valuation of Technical Provisions.

Deferred Tax Liability

There is no Deferred Tax Liability included within the Solvency II balance sheet.

[7] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

Financial Liabilities

There is no valuation difference between the Solvency II and the statutory financial statements.

Deferred Income Liability

HLI does not have any deferred income liability.

Other Liabilities

Other liabilities represent amounts owing by HLI. Other liabilities are held at initial book value in the Company's financial statements. There is no valuation difference between the Solvency II and the statutory financial statements.

Contingent Liabilities

HLI does not have any contingent liabilities.

Fair Value Measurement Approach

The fair value measurement approach for other liabilities is outlined above.

Further information on HLI's liabilities is included in S.02.01.02 in Section F.

D.4. ALTERNATIVE METHODS FOR VALUATION

The Company does not use any alternative methods for valuation.

D.5. ANY OTHER INFORMATION

No other information noted.

E. Capital Management

E.1. OWN FUNDS

According to the Article 87 of the Directive 2009/138/EC (hereinafter 'Directive' or 'L1 – Dir"), own funds comprise the sum of Basic Own Funds, referred to in Article 88 and ancillary own funds referred to in Article 89.

E.1.1. CAPITAL MANAGEMENT POLICIES

HLI has a Capital Management policy in place which is approved on an annual basis by the Board and includes the following:

- A description of the procedure to ensure that own fund items, both at the time of issue and subsequently, meet the requirements of the applicable capital and distribution regime and are classified correctly as the applicable regime requires;
- A description of the procedure to monitor the issuance of own fund items according to the medium-term capital management plan;
- A description of the procedure to ensure that the terms and conditions of any own fund item are clear and unambiguous in relation to the criteria of the applicable capital regime; and
- A description of the procedures to:
  - ensure that any policy or statement in respect of ordinary share dividends is taken into account in consideration of the capital position; and
  - identify and document instances in which distributions on an own funds item are expected to be deferred or cancelled.

In addition to the Capital Management policy, HLI prepares a Capital Management Plan which is approved by the Board on an annual basis. The purpose of the Capital Management Plan is to outline the capital requirements of HLI.

Planning and managing own funds are a core part of the strategic planning process.

Basic Own Funds

According to Article 88 of L1-Dir, Basic Own Funds is defined as the sum of the excess of assets over liabilities (reduced by the amount of own shares held by the insurance or reinsurance undertaking) and subordinated liabilities.

The components of the excess of assets over liabilities are valued in accordance with Article 75 and Section 2 of the Directive, which states that all assets and liabilities must be measured on market consistent principles.

Basic own fund items shall be classified into three tiers, depending on the extent to which they possess specific characteristics. Article 69 of Delegated Acts issued at October 2014 (hereinafter 'L2 – DA' or 'DA"), outlines Tier 1 capital, with Article 72 and Article 76 covering Tier 2 and Tier 3 capital respectively.

HLI's basic own funds includes ordinary share capital, capital contributions and reconciliation reserve. HLI has Tier 1 Capital only.

Basic Own Funds

	Total	Tier 1 Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3
	€'000	€'000	€'000	€'000	€'000
Total eligible Own Funds to meet the SCR at 31 Dec 2018	7,426	7,426	-	-	-
Total eligible Own Funds to meet the SCR at 31 Dec 2017[8]	9,824	9,824	-	-	-

Tier 1 Basic Own Funds

Basic own fund items are classified into three tiers, depending on the extent to which they possess specific characteristics. Generally, assets which are free from any foreseeable liabilities are available to absorb losses due to adverse business fluctuations on a going-concern basis or in the case of winding-up. HLI's excess of assets over liabilities, is valued in accordance with the principles set out in L1 - Dir, and treated as Tier 1. Details on the composition of HLI's Own Funds assets are outlined above.

Ordinary Share Capital:

- The company has issued 1,000,000 ordinary shares of GBP1.00 each and 30,000 ordinary shares of €1.25 each. Total value of ordinary share capital amounts to €1,451k
- In March 2019, in line with the recovery plan process, the Board of Directors of Utmost PanEurope, HLI's immediate parent, approved a capital injection of €10m into HLI by subscribing for an additional 8,000,000 of HLI € denominated ordinary shares at €1.25 each.

Reconciliation Reserve:

The excess of assets over liabilities are divided into amounts that correspond to capital items in the financial statements and a reconciliation reserve. The reconciliation reserve may be positive or negative. For HLI, the reconciliation reserve is made up of a foreign currency translation reserve as per the financial statements, the revenue reserves as per the financial statements and adjustments to assets and liabilities for Solvency II purposes, as outlined in sections D1 and D3.

Tier 2 Basic Own Funds

This does not apply to the Company.

Tier 3 Basic Own Funds

This does not apply to the Company.

[8] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

Reconciliation between Equity in the Financial Statements and Basic Own Funds

Basic Own Funds is valued at €7,426k, while the shareholders' equity per the statutory accounts is €10,667k. The table below reconciles the movement from shareholders' equity to basic own funds.

Reconciliation to Shareholders' Equity

Reconciliation of Shareholders Equity to Basic Own Funds	31 December 2017[9] €'000	31 December 2018 €'000
Shareholder Equity	3,748	10,667
SII Valuation of Technical Provisions	6,076	(3,241)
Basic Own Funds	**9,824**	**7,426**

Basic own funds decreased by €2,398k from 31 December 2017 to 31 December 2018. Retained earnings and Solvency II valuation of technical provisions are the key drivers for the decrease.

Deduction from Own Funds

The deduction rule from own funds does not apply to the Company.

Ancillary Own Funds

Ancillary own funds does not apply to the Company.

E.1.2. ELIGIBLE OWN FUNDS

Own Funds Assets

	Total €'000	Tier 1 Unrestricted €'000	Tier 1 Restricted €'000	Tier 2 €'000	Tier 3 €'000
Total Eligible Own Funds to Meet the MCR / SCR at 31 Dec 2018	7,426	7,426	-	-	-
Total Eligible Own Funds to Meet the MCR / SCR at 31 Dec 2017	9,824	9,824	-	-	-

The Company maintains an efficient capital structure to meet its regulatory requirements. The Company is required to hold sufficient capital to cover the SCR.

All of the Company's Own Funds are classified as Tier 1 and therefore are eligible to cover the SCR.

[9] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

E.1.3. ELIGIBLE OF OWN FUNDS TO MEET THE SOLVENCY CAPITAL REQUIREMENT

All of the Company's Own Funds are classified as Tier 1 and are eligible to meet the SCR.

E.1.4. ELIGIBLE OF OWN FUNDS TO MEET THE MINIMUM CAPITAL REQUIREMENT

All of the Company's Own Funds are classified as Tier 1 and are eligible to meet the MCR.

Further information on the own funds is included in S.23.01.01 in Section F.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

The SCR at year-end 2018 was €11,594k. The MCR at year-end 2018 was €3,700k. The calculations of the capital follow EIOPA's Standard Formula regime. The Directive 2009/138/EC and the Delegated Regulation (EU) 2015/35 describe the process to be followed by companies applying the Standard Formula approach, defined by EIOPA.

The primary reason for changes in capital requirements from 2017 to 2018 is due to the portfolio transfer at 31 March 2018.

SCR and MCR Values

	31 December 2017[10] €'000	31 December 2018 €'000
Solvency Capital Requirement	9,300	11,594
Minimum Capital Requirement	3,700	3,700
Own Funds	9,824	7,426
Solvency Capital Ratio	105.6%	64.1%
Minimum Capital Ratio	265.5%	200.7%

[10] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

E.2.2. SCR BREAKDOWN

A summary of Company's SCR is provided below with further detail provided in S.25.01.21 in Section F.

SCR Breakdown

	31 December 2017[11] €'000	31 December 2018 €'000
Life Underwriting Risk	4,924	6,411
Health Underwriting	-	106
Non-Life Underwriting	-	-
Market Risk	5,060	4,799
Counterparty Risk	1,878	3,642
Operational Risk	628	917
Diversification	(3,190)	(4,281)
Adjustment for the loss-absorbing capacity of deferred taxes	-	-
Solvency Capital Requirement	**9,300**	**11,594**

Further information on HLI SCR is included in S.25.01.21 in Section F.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

This section is not applicable for HLI.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

This section is not applicable for HLI.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND SOLVENCY CAPITAL REQUIREMENT

Non-Compliance with Solvency Capital Requirement:

The Company is required by the Central Bank of Ireland to maintain adequate regulatory capital under the Solvency II regime. The two key capital requirements are the SCR and the MCR.

As at 31 December the company's own funds was €7.3m which is €3.6m in excess of the MCR. The own funds amounted to 64.1% of the SCR requirement as at 31 December 2018. In March 2019 the company received a capital injection of €10m from its immediate parent Utmost PanEurope dac. This is a direct increase to own funds resulting in a 31 March 2019 SCR coverage of 142.7% (unaudited).

[11] The 2017 comparatives are not updated to reflect the changes in actuarial assumptions and the restated 2017 financial statements.

	31 December 2018 €'000	31 March 2019 (Unaudited) €'000
Solvency Capital Requirement	11,594	12,029
Minimum Capital Requirement	3,700	3,700
Own Funds	7,426	17,161
Solvency Capital Ratio	64.1%	142.7%
Minimum Capital Ratio	200.7%	463.8%

E.6. ANY OTHER INFORMATION

No additional information required.

F. Quantitative Reporting Templates

F.1.S.02.01.02 BALANCE SHEET

		Solvency II value
		C0010
Assets		
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	93,857,288.21
Property (other than for own use)	**R0080**	12,844.87
Holdings in related undertakings, including participations	**R0090**	3,621,638.98
Equities	**R0100**	0.00
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	18,119,759.36
Government Bonds	**R0140**	17,510,671.12
Corporate Bonds	**R0150**	609,088.24
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	72,103,045.00
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	181,551,602.97
Loans and mortgages	**R0230**	0.00
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	11,959,097.18
Non-life and health similar to non-life	**R0280**	0.00
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	6,313,662.30
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	6,313,662.30
Life index-linked and unit-linked	**R0340**	5,645,434.88
Deposits to cedants	**R0350**	

		Solvency II value
		C0010
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	9,095.74
Receivables (trade, not insurance)	R0380	3,913,415.19
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	14,513,625.00
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	305,804,124.29
Liabilities		
Technical provisions – non-life	R0510	0.00
Technical provisions – non-life (excluding health)	R0520	0.00
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	0.00
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	90,655,346.33
Technical provisions - health (similar to life)	R0610	265,141.67
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	260,932.00
Risk margin	R0640	4,209.67
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	90,390,204.66
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	88,955,073.00
Risk margin	R0680	1,435,131.66
Technical provisions – index-linked and unit-linked	R0690	198,578,737.01
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	195,425,888.39
Risk margin	R0720	3,152,848.62
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	135,963.00
Debts owed to credit institutions resident domestically	ER0801	135,963.00

		Solvency II value
		C0010
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	
Debts owed to credit institutions resident in rest of the world	ER0803	
Financial liabilities other than debts owed to credit institutions	R0810	0.00
Debts owed to non-credit institutions	ER0811	0.00
Debts owed to non-credit institutions resident domestically	ER0812	
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	
Debts owed to non-credit institutions resident in rest of the world	ER0814	
Other financial liabilities (debt securities issued)	ER0815	
Insurance & intermediaries payables	R0820	5,081,523.71
Reinsurance payables	R0830	5,565.35
Payables (trade, not insurance)	R0840	3,920,771.67
Subordinated liabilities	R0850	0.00
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	298,377,907.07
Excess of assets over liabilities	**R1000**	7,426,217.22

F.2.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**	5,338.79	154,082.97	87,132.06	78,915.66					325,469.48
Reinsurers' share	**R1420**	0.00	2,255.05	5,880.16	42,791.82					50,927.03
Net	**R1500**	5,338.79	151,827.91	81,251.90	36,123.84	0.00	0.00	0.00	0.00	274,542.44
Premiums earned										
Gross	**R1510**	5,338.79	154,082.97	87,132.06	78,915.66					325,469.48
Reinsurers' share	**R1520**	0.00	2,255.05	5,880.16	42,791.82					50,927.03
Net	**R1600**	5,338.79	151,827.91	81,251.90	36,123.84	0.00	0.00	0.00	0.00	274,542.44
Claims incurred										
Gross	**R1610**		8,752,605.75	33,063,206.89	15,466.07					41,831,278.72
Reinsurers' share	**R1620**		431,207.65	1,348,844.11	0.00					1,780,051.75
Net	**R1700**	0.00	8,321,398.11	31,714,362.78	15,466.07	0.00	0.00	0.00	0.00	40,051,226.96
Changes in other technical provisions										
Gross	**R1710**	96,757.00	15,167,913.73	42,485,363.76	-138,098.49					57,611,936.00
Reinsurers' share	**R1720**		1,072,586.56	1,348,844.11						2,421,430.66
Net	**R1800**	96,757.00	14,095,327.17	41,136,519.65	-138,098.49	0.00	0.00	0.00	0.00	55,190,505.34

		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	
Expenses incurred	**R1900**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Administrative expenses										
Gross	**R1910**									0.00
Reinsurers' share	**R1920**									0.00
Net	**R2000**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment management expenses										
Gross	**R2010**									0.00
Reinsurers' share	**R2020**									0.00
Net	**R2100**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Claims management expenses										
Gross	**R2110**									0.00
Reinsurers' share	**R2120**									0.00
Net	**R2200**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Acquisition expenses										
Gross	**R2210**									0.00
Reinsurers' share	**R2220**									0.00
Net	**R2300**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Overhead expenses										

		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	
Gross	**R2310**									0.00
Reinsurers' share	**R2320**									0.00
Net	**R2400**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	**R2500**									3,140,366.81
Total expenses	**R2600**									3,140,366.81
Total amount of surrenders	**R2700**	0.00	8,752,605.75	33,063,206.89	15,466.07	0.00	0.00	0.00	0.00	41,831,278.72

F.3.S.05.02.01 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

		Home country	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			AE	BE	DE	GB	SE	
		C0220	**C0230**	**C0230**	**C0230**	**C0230**	**C0230**	**C0280**
Premiums written								
Gross	**R1410**	319,592.00				5,877.00		325,469.00
Reinsurers' share	**R1420**	49,409.64		531.30			986.70	50,927.64
Net	**R1500**	270,182.36	0.00	-531.30	0.00	5,877.00	-986.70	274,541.36
Premiums earned								
Gross	**R1510**	319,592.00	0.00	0.00	0.00	5,877.00	0.00	325,469.00
Reinsurers' share	**R1520**	49,409.64	0.00	531.30	0.00	0.00	986.70	50,927.64
Net	**R1600**	270,182.36	0.00	-531.30	0.00	5,877.00	-986.70	274,541.36
Claims incurred								
Gross	**R1610**	23,337,291.18	429,444.50	740,699.00	552,465.05	10,339,739.17	4,722,684.27	40,122,323.16
Reinsurers' share	**R1620**	1,407,692.61				30,154.11		1,437,846.72
Net	**R1700**	21,929,598.56	429,444.50	740,699.00	552,465.05	10,309,585.06	4,722,684.27	38,684,476.44
Changes in other technical provisions								
Gross	**R1710**	31,131,296.87	967,925.39	1,417,872.00	1,090,733.84	15,316,368.74	5,165,284.94	55,089,481.78
Reinsurers' share	**R1720**							0.00
Net	**R1800**	31,131,296.87	967,925.39	1,417,872.00	1,090,733.84	15,316,368.74	5,165,284.94	55,089,481.78
Expenses incurred	**R1900**							0.00
Other expenses	**R2500**							
Total expenses	**R2600**							0.00

F.4.S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantee	
Technical provisions calculated as a whole	**R0010**								0.00			0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**								0.00			0.00
Technical provisions calculated as a sum of BE and RM												
Best Estimate												
Gross Best Estimate	**R0030**	87,594,253.00		195,425,888.39	0.00		1,360,820.00	0.00	284,380,961.39		260,932.00	260,932.00
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	**R0040**	6,167,920.00		5,653,920.00	0.00		159,659.00	0.00	11,981,499.00		0.00	0.00
Recoverables from reinsurance	**R0050**	6,167,920.00		5,653,920.00	0.00		159,659.00	0.00	11,981,499.00		0.00	0.00

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantee	
(except SPV and Finite Re) before adjustment for expected losses												
Recoverables from SPV before adjustment for expected losses	**R0060**	0.00		0.00	0.00		0.00	0.00	0.00		0.00	0.00
Recoverables from Finite Re before adjustment for expected losses	**R0070**	0.00		0.00	0.00		0.00	0.00	0.00		0.00	0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	6,154,035.24		5,645,434.88	0.00		159,627.07	0.00	11,959,097.18		0.00	0.00
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**	81,440,217.76		189,780,453.51	0.00		1,201,192.94	0.00	272,421,864.21		260,932.00	260,932.00
Risk Margin	**R0100**	1,413,177.25	3,152,848.62			21,954.41			4,587,980.28	4,209.67		4,209.67
Amount of the transitional on Technical Provisions												

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantee	
Technical Provisions calculated as a whole	**R0110**	0.00	0.00			0.00			0.00	0.00		0.00
Best estimate	**R0120**	0.00		0.00	0.00		0.00	0.00	0.00		0.00	0.00
Risk margin	**R0130**	0.00	0.00			0.00			0.00	0.00		0.00
Technical provisions - total	**R0200**	89,007,430.25	198,578,737.01			1,382,774.41			288,968,941.67	265,141.67		265,141.67
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0210**	82,853,395.02	192,933,302.13			1,223,147.34			277,009,844.49	265,141.67		265,141.67
Best Estimate of products with a surrender option	**R0220**	87,594,253.00	195,425,888.39			1,360,820.00			284,380,961.39	260,932.00		260,932.00
Gross BE for Cash flow												
Cash out-flows												
Future guaranteed and discretionary benefits	**R0230**		181,564,313.17			910,282.24			263,626,362.72	22,652.44		22,652.44
Future guaranteed benefits	**R0240**	55,461,364.74							55,461,364.74			
Future discretionary benefits	**R0250**	25,690,402.57							25,690,402.57			
Future expenses and other cash out-flows	**R0260**	6,442,485.69	14,758,393.59			1,520,047.76			22,720,927.04	260,301.91		260,301.91
Cash in-flows												

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantee	
Future premiums	**R0270**	0.00	896,818.37			909,851.00			1,806,669.37	22,022.35		22,022.35
Other cash in-flows	**R0280**	0.00	0.00			159,659.00			159,659.00	0.00		0.00
Percentage of gross Best Estimate calculated using approximations	**R0290**	0.0000	0.0000			0.0000				0.0000		
Surrender value	**R0300**	85,699,629.01	187,157,333.83			246,305.57			273,103,268.41	0.00		0.00
Best estimate subject to transitional of the interest rate	**R0310**	0.00	0.00			0.00			0.00	0.00		0.00
Technical provisions without transitional on interest rate	**R0320**	0.00	0.00			0.00			0.00	0.00		0.00
Best estimate subject to volatility adjustment	**R0330**	0.00	0.00			0.00			0.00	0.00		0.00
Technical provisions without volatility adjustment and without others transitional measures	**R0340**	0.00	0.00			0.00			0.00	0.00		0.00
Best estimate subject to matching adjustment	**R0350**	0.00	0.00			0.00			0.00	0.00		0.00
Technical provisions without matching adjustment and without all the others	**R0360**	0.00	0.00			0.00			0.00	0.00		0.00

F.5.S.23.01.01 OWN FUNDS

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	1,451,400.00	1,451,400.00			
Share premium account related to ordinary share capital	**R0030**	0.00				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0.00				
Subordinated mutual member accounts	**R0050**	0.00				
Surplus funds	**R0070**	0.00				
Preference shares	**R0090**	0.00				
Share premium account related to preference shares	**R0110**	0.00				
Reconciliation reserve	**R0130**	5,974,817.22	5,974,817.22			
Subordinated liabilities	**R0140**	0.00				
An amount equal to the value of net deferred tax assets	**R0160**	0.00				
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0.00				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0.00				
Total basic own funds after deductions	**R0290**	7,426,217.22	7,426,217.22	0.00	0.00	0.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0.00				

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0.00				
Unpaid and uncalled preference shares callable on demand	**R0320**	0.00				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0.00				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0.00				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0.00				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0.00				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0.00				
Other ancillary own funds	**R0390**	0.00				
Total ancillary own funds	**R0400**	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	7,426,217.22	7,426,217.22	0.00	0.00	0.00
Total available own funds to meet the MCR	**R0510**	7,426,217.22	7,426,217.22	0.00	0.00	
Total eligible own funds to meet the SCR	**R0540**	7,426,217.22	7,426,217.22	0.00	0.00	0.00
Total eligible own funds to meet the MCR	**R0550**	7,426,217.22	7,426,217.22	0.00	0.00	
SCR	**R0580**	11,593,853.78				
MCR	**R0600**	3,700,000.00				
Ratio of Eligible own funds to SCR	**R0620**	0.640530522				
Ratio of Eligible own funds to MCR	**R0640**	2.007085734				
Reconciliation reserve						
		C0060				
Reconciliation reserve		**C0060**				

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Excess of assets over liabilities	**R0700**	7,426,217.22				
Own shares (held directly and indirectly)	**R0710**					
Foreseeable dividends, distributions and charges	**R0720**					
Other basic own fund items	**R0730**	1,451,400.00				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**					
Reconciliation reserve	**R0760**	5,974,817.22				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**					
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**					
Total Expected profits included in future premiums (EPIFP)	**R0790**	0.00				

F.6.S.25.01.21 SOLVENCY CAPITAL REQUIREMENT – STANDARD FORMULA

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	**R0010**	4,799,388.11	4,799,388.11	
Counterparty default risk	**R0020**	3,642,004.36	3,642,004.36	
Life underwriting risk	**R0030**	6,411,486.74	6,411,486.74	
Health underwriting risk	**R0040**	105,860.86	105,860.86	
Non-life underwriting risk	**R0050**	0.00	0.00	
Diversification	**R0060**	-4,281,498.19	-4,281,498.19	
Intangible asset risk	**R0070**	0.00	0.00	
Basic Solvency Capital Requirement	**R0100**	10,677,241.88	10,677,241.88	
Calculation of Solvency Capital Requirement				
		Value		
		C0100		
Adjustment due to RFF/MAP nSCR aggregation	**R0120**			
Operational risk	**R0130**	916,611.90		
Loss-absorbing capacity of technical provisions	**R0140**			
Loss-absorbing capacity of deferred taxes	**R0150**			
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**			
Solvency Capital Requirement excluding capital add-on	**R0200**	11,593,853.78		
Capital add-on already set	**R0210**			

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Solvency capital requirement	**R0220**	11,593,853.78		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	**R0400**			
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**			
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**			
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**			
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation (*)	**R0450**	4		
Net future discretionary benefits	**R0460**			

F.7.S.28.01.01 LINEAR FORMULA COMPONENT FOR LIFE INSURANCE AND REINSURANCE OBLIGATIONS

Total capital at risk for all life (re)insurance obligations		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	**R0210**	55,749,815.19	
Obligations with profit participation - future discretionary benefits	**R0220**	25,690,402.57	
Index-linked and unit-linked insurance obligations	**R0230**	189,780,453.51	
Other life (re)insurance and health (re)insurance obligations	**R0240**	1,462,124.94	
Total capital at risk for all life (re)insurance obligations	**R0250**		16,038,536.93
Overall MCR calculation		**C0070**	
Linear MCR	**R0300**	2,097,237.00	
SCR	**R0310**	11,593,853.78	
MCR cap	**R0320**	5,217,234.20	
MCR floor	**R0330**	2,898,463.45	
Combined MCR	**R0340**	2,898,463.45	
Absolute floor of the MCR	**R0350**	3,700,000.00	
Minimum Capital Requirement	**R0400**	3,700,000.00	