Irish Life health

SOLVENCY AND FINANCIAL CONDITION REPORT 2016

Contents

Summary

The Solvency II Directive published in 2009, and formal clarifications published since then, requires narrative and quantitative disclosures from all regulated insurance entities.

In accordance with the Solvency II Directive, the Solvency and Financial Condition Report (SFCR) is required to be published annually by Irish Life Health dac (ILH or the Company) with the initial publication required in May 2017. The purpose of the SFCR is to provide policyholders with a concise overview of the business written, system of governance, risk profile and solvency position over the reported year.

This report has been drafted for the purpose of public disclosure, in line with requirements and structure defined by the European Insurance and Occupational Pensions Authority (EIOPA). The report provides an overview of ILH's business, describes how the Company is run and governed, outlines methodologies and assumptions used in the valuation of assets, liabilities and capital requirements, and highlights, where appropriate, material expert judgements that have been applied while also indicating any areas of uncertainty. Any material differences between the Solvency II regulatory reporting basis and the financial statements of ILH are provided.

This report is based on results and methodology pertaining to ILH as at December 31, 2016. All numbers in this report are in €'000 unless otherwise stated.

INTRODUCING IRISH LIFE HEALTH

In 2016 Irish Life Group acquired two of Ireland's leading health insurers: Aviva Health and GloHealth, rebranding the combined businesses as Irish Life Health.

Bringing together the two companies means that Irish Life now has a 21% share of the Irish health insurance market and over 425,000 customers. This lets us offer customers fresh options and innovation by drawing on both companies' deep experience.

All of this is reinforced by the strength and expertise of Irish Life, a name trusted across Ireland for over 75 years.

WHAT WE DO

Our aim is simple: to understand people's needs and offer innovative health insurance that matches their requirements.

Across our plans we offer cover for over 100 hospitals, treatment centres and scan facilities, giving our members access to 2500 consultants in Ireland. In addition we provide cover for overseas treatment and emergency medical cover. Our customers have the option of choosing cover for day to day medical services such as GP, Dental and Physiotherapy and a range of alternative practitioners. They can also tailor their cover to respond to their lifestage and lifestyle requirements.

Irish Life Health delivers Ireland's most innovative health insurance benefits which support our customers in having more control of their health and well-being and helps them lead healthier lives.

WHAT THE SOLVENCY AND FINANCIAL CONDITION REPORT DOES

The Solvency and Financial Condition Report (SFCR) helps customers and key stakeholders understand Irish Life Health's regulatory capital and financial position.

In 2016, new EU regulations known as Solvency II, came into force. The regulations are to ensure that insurance companies stay financially sound and can survive difficult periods. One of the aims of the new regulations is to protect policyholders and the stability of the entire financial system.

One important aspect of Solvency II is its rules specifying how much capital insurers must hold to cover the risks they are exposed to.

The rules spell out the key principles of risk management that insurers must follow. These help insurers anticipate major difficulties before they happen. This means that challenging situations can be handled better.

One of the main principles is regularly assessing exactly how solvent an insurer is, while taking the particular risks they cover into account. This process is known as an 'Own Risk and Solvency Assessment' (ORSA). It asks insurers to consider how factors such as their future plans or a catastrophic event would affect them financially.

Another new requirement under Solvency II is the 'Supervisory Review Process' (SRP).

Under the SRP, supervisors check just how well insurers are following Solvency II regulations. It also requires that insurers publish a Solvency and Financial Condition Report (SFCR) each year. This covers vital information such as the company's business and performance, how it is governed, what risks it faces, how it manages its capital and how solvent it is.

BUSINESS AND PERFORMANCE SUMMARY

In 2016, Irish Life Health produced a profit before taxation of €4.0m.

This was a 76% decrease from €16.4m in 2015 and was mainly due to the extra costs that came from re-branding and integrating with the Irish Life Group.

More details on the Company's financial performance can be found in Section A.

SYSTEM OF GOVERNANCE SUMMARY

The Board of Directors of Irish Life Health are responsible for setting the company's strategy and for ensuring that Irish Life Health is governed properly and manages risk adequately. The Board, therefore, sets Irish Life Health's risk policy. This means it outlines the types and level of risk that the Company can expose itself to.

It also ensures that qualified, experienced and trustworthy people are appointed to manage Irish Life Health. Changes to our directors in 2016 are outlined in section B.1.

In the year to 31 December 2016, while there was a change in ownership of the Company and some changes in management, there were no significant changes to how Irish Life Health is governed.

RISK PROFILE SUMMARY

The principal risks and uncertainties that the company faces include financial risk, market risk, credit risk and insurance risk. The Directors manage these risks as deemed necessary.

Section C outlines the risks that Irish Life Health is exposed to. It also explains how the company follows the risk policy approved by the Board and how this policy matches Irish Life Health's business strategy.

VALUATION FOR SOLVENCY PURPOSES SUMMARY

Section D analyses how we have valued our assets and liabilities using the Solvency II balance sheet. It also highlights where there are differences between this Solvency II valuation and the figures reported in our annual audited financial statements under International Financial Reporting Standards (IFRS).

Section D.2 outlines the way we have calculated the amount we need so we can meet our contractual obligations under the policies we have written, using the Solvency II regulations. The main valuation difference between Solvency II and IFRS relates to the valuation of Technical Provisions. The value of Technical Provisions held by Irish Life Health on a Solvency II basis has had an external peer review which the Board has assessed and approved.

CAPITAL MANAGEMENT SUMMARY

Section E explains how Irish Life Health manages and measures the capital it holds so we can ensure the company is solvent.

The Directors are satisfied that Irish Life Health has sufficient capital to meet the requirements of Solvency II. The Company's Solvency II Ratio for 2016 is 140.5%.

This report has been reviewed and approved by the Board on 17 May 2017.

A. Business and Performance

A.1 BUSINESS

A.1.1 COMPANY INFORMATION:

Company Name: Irish Health Life dac (ILH or the Company) is regulated by the Central Bank of Ireland (CBI).

Name and contact details of the supervisory authority which is responsible for financial supervision of the undertaking;

Central Bank of Ireland
New Wapping Street Spencer Dock
North Wall Quay
Dublin 1

The Company is a wholly owned subsidiary of The Canada Life (U.K.) Limited, via our immediate parent Irish Life Group Limited (ILGL). The supervisory authority of The Canada Life (U.K.) Limited is the Prudential Regulation Authority (PRA).

The contact details for the PRA are: 20 Moorgate, London EC2R 6DA.

The name and contact details of the external auditor of the undertaking;

Deloitte
Chartered Accountants and Statutory Audit Firm
Hardwicke House, Hatch Street, Dublin 2

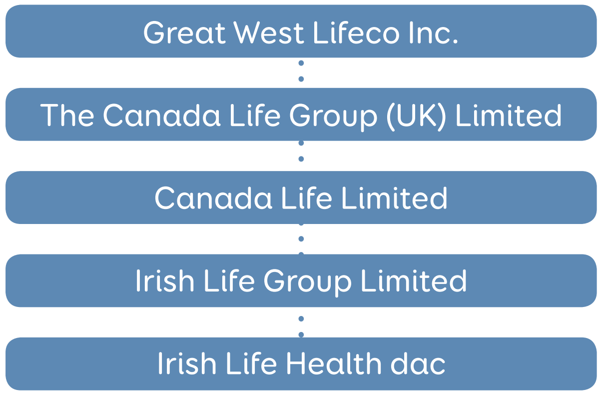
Irish Life Health dac (ILH) is a member of the Great-West Lifeco Inc. group of companies (Lifeco), one of the world's leading life assurance organisations.

Great-West Lifeco Inc and its subsidiaries, including The Great-West Life Assurance Company (GWL), have approximately $1.2 trillion Canadian dollars in consolidated assets under administration and are members of the Power Financial Corporation Group of companies. GWL is a wholly owned subsidiary of Lifeco which is incorporated in Canada and listed on the Toronto Stock Exchange.

Lifeco is the indirect parent company of The Canada Life Group (U.K.) Limited (CLG). CLG was established as the EU insurance holding company for GWL's European regulated insurance, reinsurance and asset management companies. CLG is the parent company of Canada Life Limited (CLL) which is a UK based insurance company.

CLL acquired the Irish Life Group in 2013. Irish Life Group has a number of subsidiaries, ILH is one of these subsidiaries.

A simplified organisational structure can be found as follows:



In 2016 Irish Life Group acquired two of Ireland's leading health insurers: Aviva Health and GloHealth. The Aviva Health business was rebranded as Irish Life Health. The GloHealth business is being wound down and customers are being offered renewal with Irish Life Health.

The principal activities of the Company are the transaction of health insurance business within the Republic of Ireland. The aim of the Company is to give customers an innovative and compelling alternative to the existing health insurance offerings in the marketplace.

The Company performed well in a challenging market in 2016 by continuing to offer innovative products, designed on the basis of extensive customer research while also integrating under the Irish Life brand. Affordability of health insurance remains a concern for many of our customers, so claims and expense management continue to be key focus areas for the Company.

A.2 UNDERWRITING PERFORMANCE

In the year ending 31 December 2016, the Company's reported underwriting performance is shown in the table below. This table also shows the Company's premiums, claims and expenses reported to the Central Bank of Ireland (CBI) as part of Solvency II regulatory reporting for the period ended 31 December 2016. The business is treated as Medical Expenses insurance under Solvency II.

Irish Life Health Underwriting Performance €000s	Financial Statements 31.12.2016	Regulatory Reporting (QRT S.05) 31.12.2016	Classification Difference[1] 31.12.2016
Gross Written Premium	341,613	341,613	0
Net Written Premium	119,785	119,785	0
Gross Earned Premium	328,313	328,313	0
Net Earned Premium	115,131	115,131	0
Gross claims incurred	245,917	243,375	(2,542)
Net claims incurred	87,746	85,204	(2,542)
Total expenses	72,539	75,080	2,542
Fees & Commission Income	49,407		
Underwriting Result	**4,253**		
Finance Cost	345		
Other Income	114		
Profit before tax	**4,022**		

[1] Claims Handling Expenses are included as an expense in Regulatory Reporting

Net written premium of €119.8m increased by 3% from €116.3m in 2015. Net claims incurred of €87.7m increased by 3.9% from €84.4m in 2015. The profit before tax of €4.0m decreased by 76% from €16.4m in 2015 mainly due to the additional costs incurred on re-branding and integration into the Irish Life Group.

A.3 INVESTMENT PERFORMANCE

A net loss of €0.35m was recorded in 2016 on investments compared to an income of €0.05m in 2015. This results from negative interest rates on euro deposits. The Company's investments are held exclusively in euro cash and short-term bank deposits. As a result, there have been no gains or losses directly recognised in equity and the Company makes no use of securitisations.

A.4 PERFORMANCE OF OTHER ACTIVITIES

No items to note.

A.5 ANY OTHER INFORMATION

ILGL acquired a 100% share in Aviva Health Insurance Ireland Limited on 1 August 2016 and has rebranded the business to Irish Life Health. On the same date, ILGL assumed control of the GloHealth business (having previously owned 49% of this business). From 1 December 2016, GloHealth customers are being invited to renew with ILH on a renewal by renewal basis.

As part of the name change, the Company changed from a Limited Company to a Designated Activity Company (dac) in accordance with obligations arising under the Irish Companies Act 2014.

B. Systems of Governance

B.1 GENERAL INFORMATION ON THE SYSTEMS OF GOVERNANCE

The governance structure facilitates reporting and escalation of risk issues from the bottom up, and communication and guidance relating to risk policy and risk decisions from the top down.

The ILH Board of directors (the Board) is in place to lead and control the Company. The objective of the Board is to maximise risk-adjusted returns and profitability while safeguarding ILH's financial strength, and ensuring fair treatment of customers. To support this objective, the Board is responsible for ensuring that there are systems of governance and control in place that operate effectively at all levels of the organisation.

The Board has reserved to itself for decision a formal schedule of appropriate matters, including the requirement to refer all material strategic decisions to the Board. Documented rules on management authority levels and on matters to be notified to the Board are in place, supported by an organisational structure with clearly defined authority levels and reporting responsibilities.

The Board considers its current size and structure to be appropriate to meet the requirements of the business. Membership of the Board and the range of qualifications, skills and experience are kept under review by the Board.

The roles of the Chairman and the Managing Director are separated and are clearly defined. The Board considers all the non-executive directors to be independent of management and free of any business or other relationship which would interfere with the exercise of their independent judgement.

Directors, in delivering their duties, may take independent professional advice, at the company's expense. Training facilities and professionals are made available to directors to ensure they remain briefed on all aspects required to fulfil their duties.

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All directors have direct access to the Company Secretary.

The current members of the ILH Board are listed below.

Director	Position	Member of Board	Date
Bill Kyle	NED	Yes (Chair)	Appointed 01/08/2016
Jim Dowdall	ILH Managing Director	Yes	Appointed 01/08/2016
David Harney	ILGL CEO	Yes	Appointed 01/08/2016
David Killeen	ILGL Finance Director	Yes	Appointed 01/08/2016
Brendan P. Murphy	INED	Yes	Appointed 16/11/2016
Cecil Hayes	INED	Yes	Appointed 01/08/2016
Brian Murphy	INED	Yes	Appointed 01/08/2016

Following the acquisition of the Company by ILGL, the Board was reconstituted with the following Board members resigning:

Director	Position	Member of Board	Date
Brian Dunne	NED	Resigned	16/11/2016
Alison Burns	NED	Resigned	29/02/2016
James Parker	Executive Director	Resigned	01/08/2016
Suzanne Bradley	Executive Director	Resigned	01/08/2016
Dee Lehane	NED	Resigned	01/08/2016
Ian Moffat	NED	Resigned	01/08/2016
Catherine Moroney	NED	Resigned	01/08/2016
Mark Noble	NED	Resigned	01/08/2016
Brian O'Connor	NED	Resigned	01/08/2016

ILH's system of governance is adequately designed to prevent or detect material misstatements in the financial statements and disclosures in accordance with the nature, scale and complexity of the risks inherent in its business.

B.1.1 COMMITTEES

The Board assigns responsibility for control and reporting, delegating authority as appropriate to Risk, Audit and Executive Committees so that the Board can be effectively advised and supported in its decision making and oversight responsibilities.

These committees are responsible for ensuring that ILH has an appropriate governance structure in place which operates effectively.

Furthermore, executive committees are established for risk, compliance and investment management.

The purpose, membership, duties and responsibilities of the committees are defined within their respective Charters. Sub-committees of the Board are required by their Charter to act within the powers and authority delegated to them by the Board. Where appropriate, the Board Committees have a Risk, Compliance, Actuarial or Finance control function present at their meetings.

B.1.1.1 BOARD RISK COMMITTEE

The Board Risk Committee (BRC) provides the business with direction and oversight in relation to the design and operation of the overall risk management framework, risk appetite and risk limits.

The BRC provides the Board with support and advice on all matters relating to risk management. The BRC advises the Board in respect if its oversight responsibilities of ILH's principal risks including, but not limited to, insurance/underwriting, asset/liability management, liquidity, market, credit, operational and franchise value risks. In line with its charter and risk limit framework, the BRC is required to escalate any breaches of risk policies or of the limit framework to the Board.

The BRC is responsible for ensuring annual reviews are performed of the respective risk policies and frameworks, reporting the level of compliance to the Board. The BRC will review and recommend any changes to risk policies and frameworks to the Board for approval.

The BRC is advised and supported by the Executive Risk Management committee.

B.1.1.2 BOARD AUDIT COMMITTEE

The Board Audit Committee (BAC) provides oversight of the finance, actuarial, compliance and internal audit functions. The committee manages risks inherent in the financial reporting process by reviewing significant financial reporting results and monitoring the adequacy and effectiveness of internal controls. The BAC is responsible for the external statutory audit and in coordination with the parent company advises on the appointment of the external auditors. The BAC is also responsible for monitoring the effectiveness and objectivity of internal and external audit, as defined in the BAC Charter.

The BAC is required to advise the Board in relation to its duty to confirm the integrity of disclosed financial statements, as well as meeting its responsibilities in terms of its obligations under applicable laws and regulations. The BAC also advises the Board in relation to confirming the effectiveness of the design and operation of the Company's internal control.

B.1.1.3 EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee (EMC) is chaired by the Managing Director (MD). It is responsible for the development of strategic and operational plans for recommendation to and approval by the Board and the implementation of approved policies, procedures and budgets. It also assumes responsibility for the monitoring of operating and financial performance, assessment and control of risk and prioritisation and allocation of resources.

B.1.1.4 EXECUTIVE RISK MANAGEMENT COMMITTEE

The Executive Risk Management Committee (ERC) is chaired by the Managing Director (MD). It is responsible for managing all material risks arising for ILH, and in doing so, identifies, and implements, appropriate mitigating strategies.

The ERC is a sub committee of the EMC. Through the Chief Risk Officer, the BRC is advised and supported by the ERC.

B.1.2 ADEQUACY OF AND REVIEW OF SYSTEMS OF GOVERNANCE

The adequacy and operation of the systems and governance in ILH are assessed on at least an annual basis. This includes an annual review of the performance of the governance committees listed above, as well as a review of their responsibilities. Independent reviews of the governance arrangements are also commissioned periodically. The Board is satisfied that the governance arrangements are appropriate, but refinements will be made in the future as appropriate including responding to any future regulator guidelines.

The acquisition of Aviva Health and GloHealth and subsequent establishment of the Company by ILGL has resulted in some changes to the different governance committees, mainly related to naming conventions; however, there has been no material change in the governance framework as a result of this change.

During 2016, a number of changes were made to strengthen the governance structures within ILH including:

- ILGL has established a Board remuneration and nomination committee which has been adopted by the ILH Board.
- Enhancements to the ORSA process including more detailed presentations to the Board and the Risk Committee.

B.1.3 REMUNERATION PRACTICES

The Company's remuneration policy is intended to attract, retain and reward qualified and experienced employees who will contribute to the success of the Company. The Company utilises the remuneration policy to:

> help generate long-term value for the shareholder and customers
> motivate employees to meet annual corporate, divisional and individual performance goals
> encourage employees to achieve goals in line with our Code of Business Conduct and Ethics, and
> align with sound risk management practices and regulatory requirements.

The remuneration policy is supported by the Company's performance management process. This helps to develop a risk-aware performance culture that reflects the Company's vision and values. The process is based on three core principles:

> quality feedback and open conversations
> shared responsibility for the process
> treating staff fairly and recognising their positive contribution.

The umbrella policy for operational risk and the Great-West Life 'Code of Business Conduct and Ethics' sets out the principles behind the approach to managing the risks associated with the remuneration policy.

The principles state that remuneration programmes should:

> promote sound and effective risk management and align with the risk strategy and preferences approved by the Board
> be consistent with business and risk strategy and shareholders' long-term interests
> be communicated to all staff
> be competitive and fair
> attract, reward and motivate staff to deliver on objectives and achieve success
> be underpinned by clear, effective and transparent remuneration governance.

The remuneration policy is also designed to meet the Company's regulatory requirements. The applicable Solvency II principles around remuneration were identified and assessed. The Company has set up and documented the following compliance arrangements:

> establishing a Board Remuneration Committee to help the Board carry out its remuneration-related roles and responsibilities; the Remuneration Committee, based on data provided, makes sure we comply with the Remuneration Policy each year
> making sure there are specific remuneration arrangements (programmes) for the Board, senior leaders and the key control functions
> benchmarking base salaries against market rate for the role as defined in independent salary surveys
> assessing all bonus schemes against both personal and financial targets (the financial targets for senior oversight roles are not significantly linked to company performance)
> auditing and risk assessing the remuneration policy
> publishing the remuneration policy on the employee intranet site.

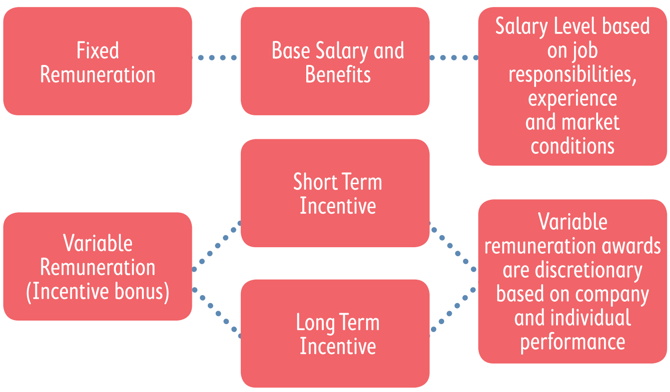
B.1.3.1 SHARE OPTIONS, SHARES OR VARIABLE COMPONENTS OF REMUNERATION

All remuneration packages consist of:

> a base salary
> annual incentive bonus
> retirement benefits
> benefits during employment.

Senior positions may also include a long-term incentive.

The proportion of each element in the overall package will vary based on the role.



The base salary reflects the skills, competencies, experience and performance level of the individual. Base salaries are based on market rate for the role as defined by independent salary surveys.

The Company has an annual incentive bonus scheme that links an individual's overall remuneration to the performance of the company and the performance of the individual. The bonus depends on key business units meeting objectives that are high impact and closely aligned to critical priorities. However, this does not apply to those in senior oversight roles. Their bonuses are not significantly linked to company performance.

In addition, the Company has a number of incentive schemes linked to the level of the role (each level attracts different payments for hitting specific targets, and has its own maximum bonus) and, where appropriate, the type of role (for example sales roles). Each staff member has a number of operational and bonus objectives for the year, including an accountability heading of Risk and Management Control. The Company sets base salaries high enough to prevent employees being overly dependent on their bonuses.

Long-Term Incentives are made up of stock options, issued by our parent company, and performance share units.

B.1.3.2 SUPPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES FOR THE MEMBERS OF THE MANAGEMENT BODY AND OTHER KEY FUNCTIONS

The Company's remuneration policy does not include any supplementary pension or early retirement schemes for Board members or other key function holders. The Company offer enhanced early retirement pensions to all members of the Irish Life Group Defined Benefit scheme who are aged over 60 and have completed 40 years' service.

B.1.3.3 MATERIAL TRANSACTIONS DURING THE REPORTING PERIOD WITH SHAREHOLDERS, WITH PERSONS WHO EXERCISE A SIGNIFICANT INFLUENCE ON THE UNDERTAKING, AND WITH MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY.

The following material transactions took place in the last financial year:

Interim dividends of €8.2m were paid in 2016 pre-acquisition (2015: €12.6m). No final dividend is proposed. There were no material transactions with senior management of ILH in the period, apart from transactions linked to their remuneration as discussed elsewhere in this section B.1.3.

B.1.4 CONTROL FUNCTIONS

The control functions assist the Board in meeting its responsibilities to ensure proper management of ILH.

Each of the control functions reports to either the Board Audit or Risk Committee, and the Board committee approves the mandate, resources and plans for the control functions on an annual basis. An independent review of the mandate of the control functions is commissioned every 5 years.

The control functions report to each meeting of the Board committees, and the head of each control function has a direct line of communication with the Chair of the relevant Board committee.

Risk Function

The Risk Function is established as an independent second line function separate from business operations. The function is staffed and resourced by appropriately skilled and experienced risk professionals, with a deep knowledge of the ILH business.

The Risk Function's key responsibilities are set out in the Risk Function Mandate, which is set by the Board Risk Committee. The mandate is reviewed on an annual basis. Compliance with the mandate and an assessment of the performance of the Risk Function is also carried out each year.

The Risk Function mandate sets out the responsibilities of the Risk Function. The Risk Function's purview includes independent oversight of all forms of risk across all business divisions of ILH.

The Chief Risk Officer (CRO) is the pre-approved controlled function (PCF) holder for the department. The mandate conveys authority on the CRO and Risk Function to extend its remit across all operating divisions, and to have access to all ILH records, information and personnel required to carry out the responsibilities and to follow up on issues raised. The CRO also has the right of access to the Board, Board Risk Committee and the Board Audit Committee.

The CRO and Risk Function are established as independent from the operating divisions and are required to remain objective in their work. The CRO reports to the Board Risk Committee, and to the ILGL CRO for functional matters.

The Risk Function / CRO provides updates to each meeting of the Board and Board Risk Committee, including producing a quarterly CRO Report.

Actuarial Function

The Actuarial Function is led by the Head of the Actuarial Function (HOAF), and is staffed and resourced by appropriately skilled and experienced actuarial professionals. The HOAF is the PCF holder for the department.

The responsibilities of the actuarial function include:

- Technical provisions: calculation of technical provisions and reporting to the Board on technical provisions in line with regulatory requirements.
- Risk management: contributing to the effective implementation of ILH's risk management system.
- Oversight of pricing and reinsurance activities.

The Head of Actuarial Function has a direct reporting line to the Chief Actuary of ILGL and the ILH Managing Director for operating matters and day to day management.

Compliance Function

The Compliance Function is established as an independent second line function separate from business operations and comprises the compliance unit embedded in the ILH business unit together with a Group Compliance Function.

The function is staffed and resourced by appropriately skilled and experienced compliance professionals. As at end 2016 there were 6 full time employees in total within the ILH business unit compliance function. The ILH Compliance Officer is the PCF holder for the department. The ILH Head of Regulatory and Compliance and the ILH Compliance Officer, have dual reporting lines to the Director of Group Compliance and to ILH management and are responsible for the implementation of compliance arrangements within ILH. The Compliance Function ensures that a good state of compliance is maintained in the Company and in assessing the adequacy of, adherence to and effectiveness of regulatory compliance management controls together with conducting independent monitoring and testing of regulatory compliance controls across the Company. The Compliance Function supports the ILH business by providing independent advice in relation to regulatory developments and other compliance matters.

The ILH Compliance Officer has a direct reporting line and responsibility to the Board Audit Committee for oversight matters. Irish Life Group has also established an Executive Compliance Management Committee comprised of senior business management and senior compliance staff. The Managing Director and Head of Regulatory and Compliance attend on behalf of ILH.

The Compliance Function's key responsibilities are set out in the Compliance Function Mandate which is reviewed annually by the Board Audit Committee. The Committee then recommends it to the Board for approval.

The Compliance Function's key responsibilities include:

- Establish and maintain a sound compliance framework for the independent oversight and management of the Company's regulatory compliance risks;
- Provide independent advice and guidance to the business units in relation to regulatory developments and other compliance matters including advice and oversight on new and changing regulatory requirements;
- Conduct compliance monitoring to assess the adequacy of and adherence to compliance requirements and procedures;
- Prepare a compliance plan setting out the planned activities of the Compliance Function;
- Co-ordinate the Company's relationships with its prudential and conduct regulators;
- Report on a quarterly basis to the Board Audit Committee and on a monthly basis to Senior Management of the Company on the key regulatory matters for the Company;
- Provide training as required to the Company's staff and directors on relevant compliance matters.

Internal Audit Function

Overview

The role of Internal Audit is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

Internal Audit activity is executed within the framework of a risk-based audit plan as approved by the Irish Life Health Audit Committee of the Board of Directors (the 'Audit Committee') on an annual basis.

Internal Audit prepares quarterly reports to the Audit Committee summarising audit activity in the quarter, identified material weaknesses in the internal control environment, recommendations to remedy material weaknesses and updates to previous recommendations.

All audit reports are distributed to those members of the organisation who are in a position to take corrective action or ensure that corrective action is taken for findings identified.

Independence and Objectivity of Internal Audit Function

Internal Audit, which is provided by ILGL, is independent of the business management activities of the firm, thus enabling the businesses to carry out their work with full accountability. Internal Audit is not involved directly in revenue generation or in the management and financial performance of any business line. Internal auditors have neither direct responsibility for, nor authority over, any of the activities reviewed, nor does their review and appraisal relieve other persons in the Company of responsibilities assigned to them. Internal auditors are not responsible for developing, revising or installing systems, policies or procedures, for appraising an individual's performance related to operations audited.

The Head of Internal Audit (HIA) has a direct reporting line and responsibility to the Chief Internal Auditor and to the Audit Committee for oversight matters. The Audit Committee has sufficient authority to promote independence and to ensure a broad audit coverage and adequate consideration of audit reports. The Audit Committee annually reviews and approves the mandate of the HIA, reviews and recommends the appointment/removal of the HIA to the board and annually assesses the performance of the HIA and the effectiveness of the Internal Audit function. The Audit Committee reviews and approves the organisational and reporting structure, the Irish Life Internal Audit department budget and resources and through the Chairman of the Audit Committee has the authority to communicate directly with the HIA. The HIA maintains direct and unrestricted access to the Audit Committee, and meets with the Chair of the Audit Committee on regular basis, without management present. The HIA is responsible to the Managing Director of ILH for operating matters and day to day management.

The HIA mandate approved by the Audit Committee notes that the HIA and Internal Audit function is independent of the activities that they audit and free from conditions that threaten their ability to carry out internal audit responsibilities in an objective manner. The internal audit activity is free from interference for matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective attitude.

Finance

This function is led by the ILH Chief Financial Officer (CFO) who reports to the Board Audit Committee on oversight matters and is a PCF for Finance function. The CFO is responsible to the Managing Director for operational and day-to-day management.

The ILH finance team manage the financial control and reporting needs of the business. The ILH Finance team are supported by a central Group Financial Control (GF) team who act as a second line of defence. The GF team review and oversee data provided before adopting it for financial reporting and performance management.

Through the CFO, the Board and Board Audit Committee are given periodic financial and performance updates. The CFO also provides detail that helps the Board assess and approve the annual statutory financial statements and regulatory returns.

B.2 FIT AND PROPER REQUIREMENTS

B.2.1 POLICIES AND PROCESSES IN PLACE TO MEET FIT AND PROPER REQUIREMENTS

ILH is committed to ensuring that all of the fit and proper requirements are met by the Company and in this regard, ensures that all persons who effectively run the undertaking or have other key functions have the requisite qualifications, knowledge, skills and experience required to carry out their role (fitness assessment) and are honest, ethical, act with integrity and are financially sound (probity assessment).

There are documented HR processes in place for recruitment into roles subject to Fitness and Probity requirements.

The Irish Life Group Company also has in place a Fit and Proper Policy (the F&P Policy) which is reviewed and approved annually by the ILH Board.

The F&P Policy sets out the process for fit and proper assessments to be conducted to determine a person's fitness, probity and financial soundness.

Before an appointment is made in respect of persons who effectively run ILH or have other key functions within ILH, a due diligence process is undertaken to ensure that the person is fit and proper for the role. The due diligence checks for assessing whether a person is fit and proper and is financially sound are set out in the F&P Policy. These checks align to the Central Bank of Ireland's Guidance on Fitness and Probity Standards 2015 as follows:

- Evidence of compliance with Minimum Competency Code (where relevant);
- Evidence of professional qualifications where relevant;
- Evidence of CPD where relevant;
- Record of interview and application;
- Reference checks;
- Record of previous experience;
- Record of experience gained outside the State;
- Confirmation of directorships held; and
- Record of other employments.

In relation to the probity and financial soundness checks, the due diligence is largely by way of self-certification with proposed appointees being requested to complete a questionnaire enquiring as to their probity and financial soundness. The Company then conducts independent directorship and judgements searches.

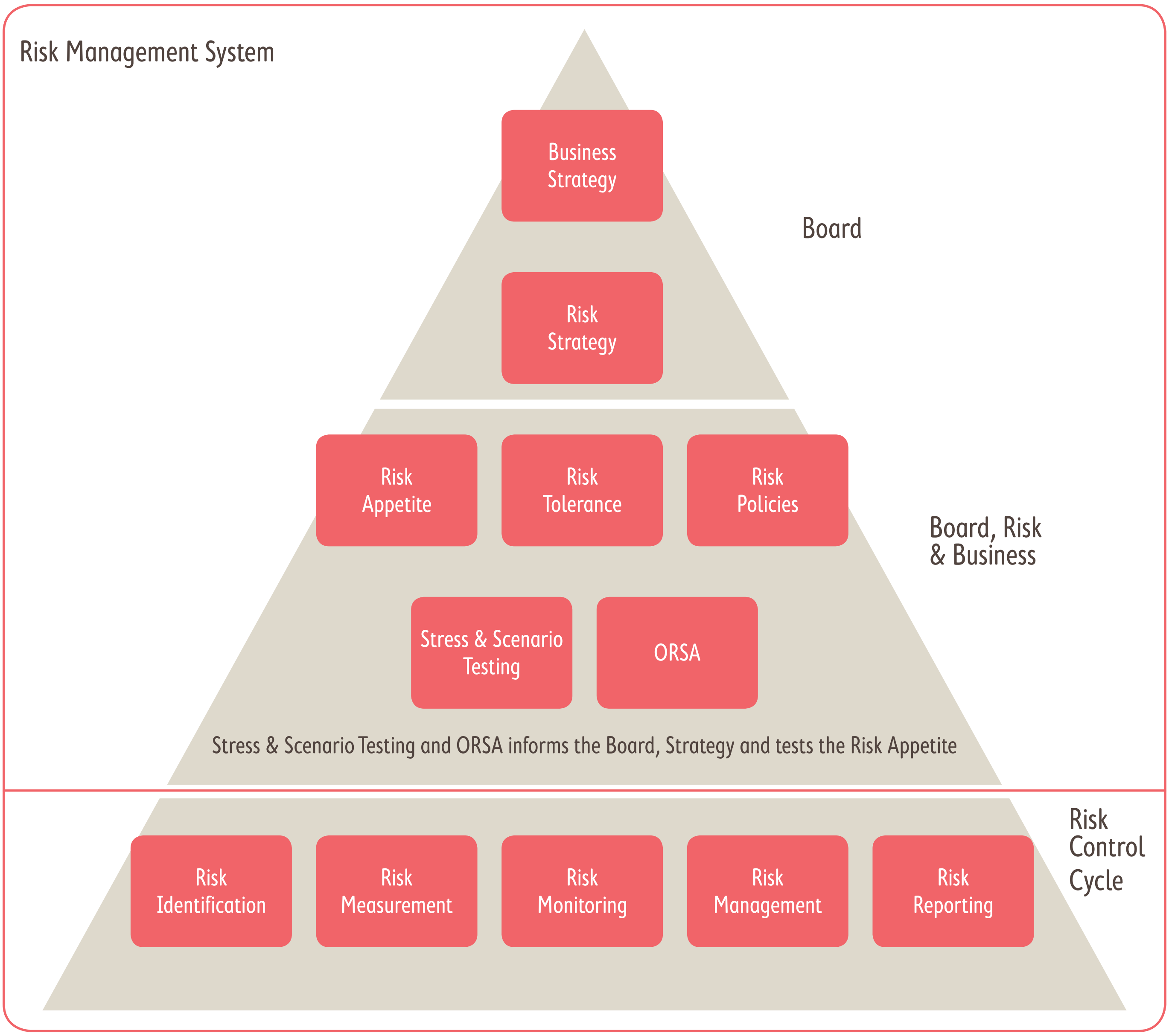
Most of the roles applicable to persons who effectively run the undertaking or have other key functions will be pre-approval controlled functions (PCFs) as defined in the Central Bank Reform Act 2010 (sections 20 and 22) Regulations. In addition to the internal due diligence conducted by ILH, in advance of appointments into these functions, there is also a requirement that they are pre-approved by the Central Bank.

Adherence to the F&P standards and requirements is subject to annual reconfirmation by persons occupying fit and proper roles. Where the Company becomes aware that there may be concerns regarding the fitness and probity of a person in a role subject to the F&P Policy, the Company will investigate such concerns and take action as appropriate without delay. The Company will notify the Central Bank of any such action taken where there has been a negative conclusion reached with regard to persons holding a role subject to fitness and probity.

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

The Board is responsible for the overall management of risk within the organisation. The objective of risk management is to ensure that there is a clear understanding of the risks facing ILH, to understand how much risk is acceptable to the company and to manage these risks in accordance with ILH's risk appetite.

As per the diagram below, ILH's risk management system is articulated through its Enterprise Risk Management (ERM) framework. This framework allows the Board and management to establish the risk strategy, to communicate and monitor adherence to the risk appetite and risk limits, and to identify, measure, monitor, manage and report on risks.



The following table explains how ILH is able to effectively carry out these tasks:

Identify	Risk identification is the structured analysis of any current and emerging risks which ILH faces so that risks can be understood and appropriately controlled. The key elements of the ERM framework which are relevant to risk identification are the formation and regular review of the risk classifications as well as the Emerging Risk and Risk Events processes.
Measure	Risk measurement relates to the quantification of ILH's risk profile. Measuring risk allows a comparison of the size of risk compared to agreed limits and appetite.
Monitor	Risk monitoring relates to overseeing and tracking the ILH risk profile on an ongoing basis. The key elements of the ERM framework relevant to risk monitoring are the risk function's oversight and assurance activities, as well as the Risk and Control Self-Assessment (RCSA) and Key Risk Indicator (KRI) processes.
Manage	Risk management relates to the selection and implementation of approaches to accept, reject, transfer, avoid or control risk. It includes risk mitigation, such as reinsurance and hedging. The key elements of the ERM framework which are relevant to management of risks are the risk mitigation strategies, the Policy and Internal Control frameworks as well as the governance and risk functions.
Report	Risk reporting gives an accurate and timely picture of any existing and emerging risk issues and exposures together with their potential impact on business activities. Risk reporting evidences that ILH manages its risks. The key elements of the ERM framework which are relevant to the reporting of risks are the annual Own Risk Self-assessment (ORSA) report and the quarterly risk management reports

B.3.1 IMPLEMENTATION OF RISK MANAGEMENT SYSTEM

The Risk Management System is underpinned by the Three Lines of Defence Model in ILH. This approach helps ILH to perform its risk activities on an integrated basis. Each "line of defence" has responsibility for the management of risk assigned to it as follows:

1. The First Line of Defence is the business within ILH. The business is responsible for:

> the day to day management of risk within their function in line with risk appetite, limits and policies

> the consideration of material risks and risk appetite in all decision making

> monitoring and reporting against the business division risk profile; and

> reporting of any risk incidents on a timely basis.

2. The Second Line of Defence is the Risk, Compliance, Actuarial and Finance Functions. These functions are responsible for the oversight of the Risk Management System. In particular, these functions undertake the independent review of risk identification, measurement, management, monitoring and reporting.

3. The Third Line of Defence is Internal Audit. The Internal Audit Function is responsible for performing the independent review of the design and operation of the Risk Management System.

Under the ILH governance structure, committees are set up to provide efficient and appropriate risk management and decision making. One of the key purposes of the risk committees is to review elements of the ERM framework for Board approval and regularly assess the implementation and compliance with the ERM framework.

The Chief Risk Officer (CRO), as the head of the Risk Function, is a member of several committees allowing them to keep abreast of developments across the business, enabling steer, contribution and challenge on a wide variety of risk related matters.

B.3.2 OWN RISK AND SOLVENCY ASSESSMENT

B.3.2.1 OWN RISK AND SOLVENCY ASSESSMENT METHODOLOGY

ILH embraces the Own Risk and Solvency Assessment (ORSA) process as a key part of the risk management system.

The ORSA is a forward looking evaluation of the risk profile and solvency position of the company in the context of its business operations, strategy and plan:

Own: Reflects the business model and corporate structure; integrated with business plan and strategy.

Risk: Evaluates risks, including emerging risks, relative to appetite and outlines the risk management techniques employed and risk governance structures.

Solvency: Forward looking review of solvency needs under normal and stressed conditions; evaluates capital available relative to requirements.

Assessment: Assessment of current and projected risk position and solvency needs.

The ORSA is a year-round collection of processes, integrating the ILH ERM Framework with capital management and business planning.

B.3.2.2 USE OF OWN RISK AND SOLVENCY ASSESSMENT IN DECISION MAKING

The annual ORSA process is an integral part of the ILH business planning process. The business plan sets out how the strategy will be delivered, the risks inherent in the business plan and their impact on the solvency position of ILH.

The ORSA, in particular the forward looking solvency assessment, feeds into the assessment of business plans, taking into account any present or future management actions and risk mitigation techniques. The assessments are supported by stresses, scenarios and reverse stress testing and assessed against the risk appetite framework (where applicable). The qualitative assessment of the non-quantifiable risks, including strategic risks is also captured.

Any recommendations from the ORSA process are adequately documented, monitored and addressed by the business in a timely fashion. Some of these recommendations may include improvements to the risk management and decision-making processes at ILH.

B.3.2.3 OWN RISK AND SOLVENCY ASSESSMENT GOVERNANCE

The ILH Board has put in place an ORSA Policy, which establishes roles and responsibilities in relation to completion of the ORSA. The ORSA is owned and directed by the Board, with significant support from the Board Risk Committee. The CRO is responsible for conducting the ORSA Process, producing the ORSA report and maintaining the ORSA record. The Board reviews and considers the ORSA report and approves the report.

The Actuarial Function supports the Risk Function in producing various aspects of the ORSA, in particular in producing capital projections and stress testing. The Head of Actuarial Function also provides an Opinion on the ORSA to the Board.

B.3.2.4 OWN SOLVENCY NEEDS

The Own Solvency Needs Assessment (OSNA) consists of two parts: a quantitative assessment of the Company's solvency position on a forward-looking basis, using both the regulatory view (Standard Formula) and using ILH's own view. Under the OSNA, an assessment is made as to whether ILH has a different view on its Available Capital and Required Capital compared to that calculation using the prescribed regulatory approach (Standard Formula). This includes assessing the appropriateness of the Standard Formula to calculating capital requirements taking into consideration the current risk profile of ILH.

B.3.2.5 CAPITAL MANAGEMENT

The ORSA provides the key link between the risk management system and capital management activities. The ORSA, in particular stress and scenario testing, is used to inform an appropriate level of capital for ILH to hold both to ensure that it has sufficient assets to cover its liabilities and Solvency Capital Requirement, even after a year of stressed conditions. Planned business strategies and proposed capital management activities are evaluated as part of the ORSA process and their impact on the ORSA are captured and reported. This information is then used to determine appropriate risk appetite limits against which risks can be measured, managed and monitored.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 INTERNAL CONTROLS SYSTEM

The Company maintains an internal control framework which is a set of processes effected by the Company's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives with regard to:

> effectiveness and efficiency of operations;

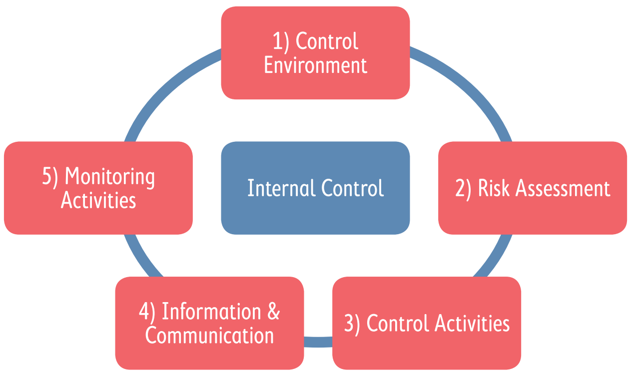
> reliability of financial reporting; and

> compliance with applicable laws and regulations.

The Company's system of internal control has a key role in the management of risks that are significant to the fulfilment of its business objectives.

The internal controls policy is determined by the Board (the Board) and is approved by the Board following recommendation by the Board Audit Committee (BAC).

The five components of internal control that underpin the internal control system are set out as follows:



1) Control environment. This is the set of standards, processes and structures that provide the basis for carrying out internal control. It is the foundation for all other components of internal control, providing discipline and structure.

2) Risk Assessment. Is the process for identifying and assessing relevant risks to the achievement of the company's objectives, and forming a basis for determining how the risks should be managed.

3) Control activities. These are the actions established through policies and procedures that help ensure that management's objectives are carried out.

4) Information and communications. This supports the identification, capture and exchange of internal and external information in a form and time frame that enables people to carry out their responsibilities.

5) Monitoring Activities. This is the ongoing evaluation to ascertain whether all components of the internal control system are present and functioning.

In relation to the company's internal control system, it is a requirement to have a combination of preventive, detective, directive and corrective control processes in place.

The internal controls policy is subject to annual review and approval by the CFO before it goes forward for approval. Board approval is required on an annual basis to ratify continued applicability even if no changes are required.

B.4.2 COMPLIANCE FUNCTION

Information regarding the Compliance function is described in Section B.1.4 above.

B.5 INTERNAL AUDIT FUNCTION

Information regarding the Audit function is described in Section B.1.4 above.

B.6 ACTUARIAL FUNCTION

The activities of the actuarial function in the reporting period included completion of its core tasks as described in Section B.1.4 above.

Additional activities include supporting the implementation of the risk management system by providing support to the risk function on the development of ILH's Own Solvency Needs Assessment and the ORSA process.

B.7 OUTSOURCING

ILH has appetite to outsource services such as customer services and I.T. solutions in a controlled manner. Where functions and activities of ILH are outsourced, the Board and its senior management retain ultimate responsibility for such outsourced functions and activities. The Board and senior management retain the necessary expertise to manage outsourcing risks and provide oversight of outsourcing arrangements.

ILH ensure that delegated authorities to the outsourcer are clear, that there are SLAs and controls in place and that these are monitored. Outsourcing of customer services is managed in line with the Procurement and Outsourcing standard and is monitored at the Management Risk Forum.

The risks associated with outsourcing are identified and managed. All arrangements undergo a risk assessment and are categorised as 'material', 'notable', or 'immaterial'. All outsourcing arrangements for critical or important operational services are deemed to be 'material'.

The materiality assessment for all outsourcing arrangements is reviewed annually. ILH maintains a register of outsourcing arrangements.

All material outsourcing arrangements must be approved by the Group Operational Risk Committee (GORC) prior to implementation. Proposed service providers for material outsource arrangements are subject to due diligence procedures to evaluate their capability to perform the service. Material outsourcing arrangements must be notified to the CBI 6 weeks in advance.

Written outsourcing agreements are established for all outsourcing arrangements. A dedicated member of management is identified as the 'owner' for each arrangement, and has specific responsibilities for the review and monitoring of the arrangement under the Outsourcing policy.

The GORC reviews material arrangements and compliance with the Outsourcing policy annually and reports to the BRC.

ILH has 3 material outsourcing arrangements. Two of these are external to the wider Irish Life group.

Outsourcing Service Provider	Service Provided	Internal / External	Jurisdiction
Abtran	Customer management solutions	External	Ireland
Xuber	IT solutions	External	Wales
ILGL	Internal Audit	Internal	Ireland

B.8 ANY OTHER INFORMATION

As part of the ORSA Process, ILH assesses the appropriateness of using the Standard Formula for calculating the Pillar 1 capital requirement for the business. The assessment conducted during 2016 concluded that overall the Standard Formula provides for a sufficient level of capital to cover the risks to which the company is exposed, and thus the use of the Standard Formula is appropriate for ILH to determine its regulatory capital requirements.

C. Risk Profile

C. RISK PROFILE

As explained in section B.3.2, the Company has established a number of policies and standards focusing on the management of financial and non-financial risks.

The Company also monitors a set of specific risks on a regular basis through the Company risk monitoring framework. This enables the Company to assess the overall risk to define which risks and what level risk the Company is prepared to accept and the adequacy of planned mitigating actions.

C.1 UNDERWRITING RISK

Insurance (underwriting) risk is associated with contractual promises and obligations made under insurance contracts. As a registered undertaking under the Health Insurance Act 1994, the Company is obliged to comply with "Open Enrolment", so must accept all applicants for insurance cover, regardless of their risk status, age or gender, subject to prescribed waiting periods. Due to this legislation, the Company does not have an "Underwriting Policy" governing the acceptance of risks. The Company considers insurance risk within its health insurance activity to be comprised of the following:

I. The assessment and pricing of risk. The Company has a 'Pricing Policy' which is approved by the Board and defines the Company's risk appetite for pricing risk.

II. The adequacy of exposure management through the use of reinsurance tools. The Company's Reinsurance Strategy is agreed with the Board annually.

III. The management of claims and adequacy of reserving. The Company has a 'Reserving Policy' which is approved by the Board and defines the Company's risk appetite for reserving risk.

All of the health insurance business written by the Company is of a short tail nature.

Risk mitigation techniques employed

The Company's management risk committee monitors and develops the management of the risks within the health insurance business.

Reinsurance strategy

ILH utilises reinsurance to reduce premium and reserve risk under the standard formula.

An objective of the reinsurance strategy is to ensure that the level of risk retained within the Company is within its risk appetite. Reinsurance contracts are reviewed annually to verify that the levels of protection are commensurate with any developments in exposure and equate with the risk appetite of the Company. The reinsurance is placed with providers who meet the Company's counterparty security requirements.

Concentrations of insurance risk

Underwriting concentration risk can arise in a number of forms:

> ILH operates exclusively within Ireland, and a significant portion of the Irish population resides in the greater Dublin area. Therefore, ILH's insurance risk exposure is relatively concentrated in a global geographical sense. This is an on-strategy risk for ILH and ILH does not seek to reduce this risk.

> ILH actively manages underwriting concentration risk by using reinsurance. A proportion of the benefits of all policies is reinsured.

> ILH also actively writes group business and so site concentration risk can arise for certain corporate schemes.

> ILH's exposure to hospital claims in the event of a mass accident in Ireland is capped at the capacity in public and private hospitals. At any time, ILH pays for a proportion of hospital beds in Ireland according to its market share. In the event of a mass accident/pandemic, urgent patients would replace elective patients, but as ILH's overall claims are largely related to a "per night" charge for hospital beds, our view is that mass accident within Ireland would not materially increase claims. For mass accident abroad, ILH is liable to accident and emergency medical costs overseas (up to either €55,000 or €100,000 depending on the product) and for the cost of repatriation to Ireland (or return of the remains). Reinsurance is in place to mitigate the risk of overseas accident and emergency.

Actuarial Management

The adequacy of the claims provisions is ultimately confirmed by the Board. Actuarial claims reserving is conducted according to the Company Reserving Policy.

Asset/liability management (ALM)

The Company has established a business standard on asset liability management for the technical provisions to manage the key ALM risks to which the Company is exposed.

The business standard sets out the framework for matching liabilities with appropriate assets, the approaches to be taken when liabilities cannot be matched, and the monitoring processes which are required. The Company has established strict criteria for matching assets and liabilities in order to minimise the financial risk from the mismatching of assets and liabilities as investment markets change. In addition the local regulatory environment stipulates how asset and liabilities are to be matched.

The ALM framework covers a number of areas which are discussed in more detail below.

Some results of sensitivity testing for long-term business and health insurance business are set out in section C.7.

C.2 MARKET RISK

Market risk is the risk of adverse financial impact due to changes in fair values of financial instruments from fluctuations, interest rates, property prices and equity prices. Market risk arises due to fluctuations in the value of liabilities and the value of investments held.

Investment of all assets is subject to the ILH Investment Policy which is designed to ensure that investment activity is carried out in a prudent and controlled manner, and in line with the Prudent Person Principle as required by Solvency II regulations. This policy addresses investment principles and strategy, ALM, liquidity risk management and credit and currency risk management.

The ILH Investment Policy details the governance arrangements in place and sets out the principles for the investment of ILH assets. The Board of Directors of ILH retains overall responsibility for the policy, and the Executive Risk Committee, via the Board Risk Committee, is responsible for monitoring compliance with the policy.

Interest rate risk

The Company's investments are exclusively in cash and short-term bank deposits, only interest rate risk is relevant to the business.

The Company manages this risk by adopting close asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

The impact of exposure to sustained low, or negative, interest rates is regularly monitored.

Risk Concentration and Risk Mitigation

The short duration of assets and liabilities limits the Company's exposure to this risk.

Risk Sensitivities

Some results of sensitivity testing for long-term business and health insurance business are set out in section C.7.

C.3 CREDIT RISK

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

ILH is exposed to two main sources of credit risk; defaulting banks and defaulting customers. The Standard Formula defines this as Type 1 and Type 2 exposures in its Counterparty Default risk module.

o Type 1 exposures: ILH's banking and reinsurance counterparties are Type 1 exposures. The company is exposed to a range of Irish and other European banks, which we believe is in accordance with the exposure of an average European insurer.

o Type 2 exposures: these exposures comprise overdue premium and address the risk of policyholders defaulting on due premiums.

Management of credit risk includes monitoring exposures and implementing credit risk standards.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside of this range are classified as speculative grade. Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty concerned.

The following table provides information regarding the aggregated credit risk exposure of the Company's largest counterparties at 31 December 2016 and 31 December 2015. There has been no material change in credit risk in the period.

31 December 2016	Credit rating					
	AAA	AA	A	BBB	Not Rated	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Fixed deposit	-	-	90,406	14,478	-	104,884
Reinsurance assets	-	179,678	-	-	-	176,678
Cash and cash equivalents	-	-	-	34,932	-	34,932

31 December 2015	Credit rating					
	AAA	AA	A	BBB	Not Rated	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Fixed deposit	-	-	137,606	-	-	137,606
Reinsurance assets	-	186,028	-	-	-	186,028
Cash and cash equivalents	-	-	9,178	14,578	-	23,758

The following table provides information regarding the aging of financial assets that are past due but not impaired.

31 December 2016	Financial assets that are past due but not impaired					
	Neither past due or impaired	0 – 3 months	3 – 6 months	6 months – 1 year	Greater than 1 year	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Reinsurance assets	179,678	-	-	-	-	179,678
Receivables	173,761	2,237	136	32	62	176,318

31 December 2015	Financial assets that are past due but not impaired					
	Neither past due or impaired	0 – 3 months	3 – 6 months	6 months – 1 year	Greater than 1 year	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Reinsurance assets	186,028	-	-	-	-	186,028
Receivables	161,831	2,162	91	46	139	164,269

Risk Mitigation

The Company has a low appetite for credit risk. With the exception of funds held in banking current accounts, all counterparties have a credit rating of A or higher.

Investment Credit Risk will be further mitigated in 2017 following implementation of the new investment management approach.

Reinsurance Credit Risk is significantly mitigated because the Company withholds the funds that back the Reinsurer's share of the claims provision.

Concentrations of credit risk

The health insurance business is not generally individually exposed to significant concentrations of general credit risk due to the regulations limiting investments in individual assets and asset classes.

Reinsurance credit exposures

The Company is likely to be exposed to concentrations of risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that the Company deal with which have acceptable credit ratings. The Company operates a standard to manage its reinsurance counterparty exposures.

Counterparty exposures

In Q1 2017 the company reviewed its approach to Investment Management in order to leverage the broader Great West Life Group expertise.

A new investment approach will be adopted in 2017 to:

- Reduce investment risk through creating a more diversified portfolio across multiple asset classes
- Optimise capital requirements under Solvency II Standard Formula without materially impacting investment returns
- Ensure the overall capital and governance benefits are sufficient to offset the additional cost of engaging an Investment Manager and Custodian.

Risk Sensitivities

ILH's solvency ratio is sensitive to the risk of credit rating downgrades of its counterparties. A sensitivity test was performed on the YE2016 solvency position by reducing the credit rating of the largest deposit counterparty by one credit quality step. This reduced the baseline Solvency Ratio by 18.9% from 140.5% to 121.6%. The new investment management approach that will be implemented in 2017 will significantly reduce ILH's sensitivity to the risk of credit rating downgrades. Results of this sensitivity testing is set out in section C.7

C.4 LIQUIDITY RISK

The Company has a strong liquidity position and through the application of a liquidity management business standard which seeks to determine that it has sufficient financial resources available to meet its obligations as they fall due.

An overdraft facility is available to the Company. In additional to this rate, surcharge interest will apply to any unauthorised or excess borrowings if permitted by the Bank. This facility was not used in the period.

Maturity periods

The following table provides an analysis of assets into their relevant maturity groups based on the remaining period at the statement of financial position date to their contractual maturities.

At 31 December 2016				
€'000	Total	Within 1 year	1-5 years	5-10 years
Fixed Deposits	104,833	104,883	-	-
Reinsurance Assets	179,678	171,723	7,896	59

At 31 December 2015				
€'000	Total	Within 1 year	1-5 years	5-10 years
Fixed Deposits	137,606	137,606	-	-
Reinsurance Assets	186,028	176,851	9,133	44

Analysis of expected maturity of insurance liabilities

The following table shows the gross insurance liability at 31 December analysed by duration. The total liability is split by duration in proportion to the present value of cash flows estimated to arise during that period.

€'000	Total	Within 1 year	1-5 years	5-10 years
31 December 2016	278,453	266,124	12,237	92
31 December 2015	288,364	274,246	14,050	68

Risk Sensitivities

Given that ILH's exposure to liquidity risk is considered to be low since it maintains a high level of liquid assets to meet its liabilities, no specific risk sensitivity is provided.

The expected profit included in future premiums (calculated on an earned basis) as at YE2016 is €17.3m. This comprises of expected profits from UPR and from "legally obliged" premiums which are within Solvency II's definition of contract boundaries.

31 December 2016	€'000
Impact of allowing for expected profits on the UPR	13,510
Impact of allowing for profits on "legally obliged" premiums	3,753
Total expected profit included in future premiums	**17,263**

C.5 OPERATIONAL RISK

Operational risk arises as a result of inadequate or failed internal processes, people or systems, or from external events. This definition is intended to include all risk exposures to which the Company is exposed, other than the financial risks described above, and strategic and Company risks that are considered elsewhere. Hence operational risks include, for example, IT, information security, project, outsourcing, legal, fraud and compliance risks.

As with other risk categories, line management of business areas have primary responsibility for the effective identification, management, monitoring and reporting of risks to the business unit executive and the Company. This is in accordance with Risk Management Framework. The risk management team is responsible for implementing the Company risk management methodologies and frameworks to assist line management in this work. They also provide support and independent challenge on the completeness, accuracy and consistency of risk assessments and the adequacy of mitigating action plans. In this way, the directors satisfy themselves that material risks are being mitigated and reported to an acceptable level.

Operational risks are assessed according to the potential impact and probability of the event concerned. These impact assessments are made against financial, operational and reputational criteria.

An accurate and effective categorisation of operational risks and risk events is a critical step to drive useful management information and produce robust operational risk reporting. To facilitate this, ILH has developed a common risk categorisation to classify and allocate operational risks to the SCR charge. These categories are consistent with the Basel II operational risk categories and those used by the Operational Risk Insurance Consortium (ORIC). Effective categorisation also assists us in comparing our risk and risk event data with the peer group (external data provided by ORIC) to perform trend analysis and establish appropriate benchmarking.

A holistic view of the Company's financial and operating risk profile is assessed at the company Financial Reporting and Reinsurance Committee and the Management risk forum.

Material Operating Risks:

ILH's operational risk profile as of 31 December 2016 was dominated by:

- Integration of the new ILH control framework;
- Reliance on key outsourcing partnerships;
- Unknown Government intervention.

Risk Sensitivities

If operational risk was to increase by 10% the SCR ratio would reduce by 3.1% from 140.5% to 137.4%. Results of this sensitivity testing is set out in section C.7.

C.6 OTHER MATERIAL RISKS

Brand Value Risk

The company recognises that its long-term sustainability depends upon the protection of its brand and relationship with customers. Customers are always treated fairly and with integrity.

The company seeks to maintain brand value risk at the lowest degree possible so it will not take action that will materially impair the reputation of the Irish Life brand in Ireland. Consideration of brand value is a key element of the decision making process.

C.7 ANY OTHER INFORMATION

Sensitivity analysis and capital management

The Company uses a number of sensitivity test based risk management tools to understand the volatility of earnings, the volatility of the Company's capital requirements, and to manage the Company's capital more efficiently. Primarily, the Company completes medium term projections of the financial health of the business under a variety of economic and operating scenarios. However, sensitivities to economic and operating experience are regularly produced on all of the key financial performance indicators (KPIs) as part of the decision-making and planning process and to set the framework for identifying and quantifying the risks to which the Company is exposed.

Some results of sensitivity testing are set out below. For each sensitivity test the impact of a change in a single factor is shown, with other assumptions left unchanged.

Sensitivity factor	Risk Type	Description of sensitivity factor applied
Interest rate and investment return	Market Risk	The impact of a change in market interest rates by ± 1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4% and 6%). The test allows consistently for similar changes to investment returns and movements in the market value of backing fixed interest securities.
Policy Lapse Rate	Underwriting Risk	The impact of a change in policy lapse rates by ± 10% (i.e. renewal rates of 79% and 99% from a baseline of 89%).
Credit Rating	Credit Risk	The impact of a one credit quality step downgrade to the largest deposit counterparty
Gross claims ratio	Underwriting Risk	The impact of an increase in gross claims ratio for health insurance business by 5%.
Net Earned Premium	Operational Risk	The impact of a 10% increase to operational risk

The above sensitivity factors are applied using actuarial and statistical models, with the following impacts on Solvency Ratio:

Impact as at 31 December 2016

Impacts on Solvency ratio (%)		
Scenario	Solvency Ratio	Change in Solvency Ratio
Baseline (YE2016 position)	140.5%	
0.5% increase in interest rates	141.1%	0.6%
0.5% fall in interest rates	139.8%	-0.7%
10% increase in policy lapse rates	140.3%	-0.2%
10% reduction in policy lapse rates	141.2%	0.7%
5% deterioration in claims experience	113.1%	-27.4%
Credit downgrade	121.6%	-18.9%
10% increase to Ops Risk	137.4%	-3.1%

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption whilst other assumptions remain unaffected. In reality, such an occurrence is unlikely, due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The interest rate sensitivities only affect profit and equity where explicit assumptions are made regarding interest /discount rates or future inflation.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent our view of reasonably possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

D. Valuation for Solvency Purposes

D.1 ASSETS

Presented below is information regarding the Company's valuation of assets for Solvency II purposes including (for each material class of assets):

> A quantitative explanation of any material differences between the asset values for Solvency II purposes and those used for financial reporting bases.

> A description of the assets valuation bases, methods and main assumptions used for solvency purposes and those used for financial reporting in the financial statements.

D.1.1 VALUATION DIFFERENCES - SOLVENCY II V IFRS

For each material class of assets, the value of the assets as reported in the Company's Solvency II balance sheet and comparison with the values reported in the Company's financial statements for financial reporting purposes.

Asset Description €000s	Notes (see Valuation bases, methods and main assumptions)	Solvency II basis 31.12.2016	Financial Statements 31.12.2016	Difference 31.12.2016
Investments	Note 1	104,818	104,883	(65)
Deferred tax assets	Note 2	-	43	(43)
Deferred acquisition costs	Note 3	-	12,168	(12,168)
Reinsurance recoverables	Note 4	62,144	179,678	(117,534)
Insurance & intermediaries receivables	Note 5	3,329	176,299	(172,970)
Receivables (trade, not insurable)	Note 6	19	19	0
Cash and cash equivalents	Note 7	34,932	34,932	0
Any other assets, not elsewhere shown	Note 8	633	85,510	(84,877)
Total assets		**205,875**	**593,532**	**(387,657)**

D.1.2 VALUATION BASES, METHODS AND MAIN ASSUMPTIONS

For each material class of asset disclosed above, the Company presents below the valuation basis for Solvency II purposes and any material differences with the valuation bases, methods and main assumptions used for the IFRS statutory financial statements for the financial year ended 31 December 2016.

ILH's Solvency II Accounting policy changed at 31/12/2016 as balances arising from Risk Equalisation are now included in technical provisions, as these relate to insurance contracts.

There are no material assumptions and judgments including those about the future and other major sources of estimation uncertainty which would affect the value of the assets.

Note 1: Investments

All investments fall under the category 'Deposits other than cash equivalents'. Deposits other than cash equivalents include deposits held for investment purposes.

Solvency II purposes:	Financial Reporting purposes:
Investments are valued at their face value plus accrued interest.	There are no differences with the Solvency II recognition and valuation basis apart from the reclassification of Accrued Interest from Investments to Other Liabilities as outlined in section D.3.2 Note 5.

The requirement in the EIOPA Level 3 – Guidelines on reporting and public disclosure the requirement under 'Guideline 7 Content by material classes of assets' on assessing whether markets are active or inactive is not applicable to the investments held by ILH.

Note 2: Deferred Tax Asset

Deferred tax is recognised in respect of all timing differences that have originated, but not yet reversed, at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, a right to pay less tax or receive more tax.

Solvency II purposes:	Financial Reporting purposes:
Per Article 15 of the Delegated Act, deferred tax shall be accounted for by the Company as follows: > Recognise and value deferred taxes in relation to all assets and liabilities, including technical provisions. > Value deferred taxes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Article 82 of SI 485 of the European Union (Insurance and Reinsurance) Regulations 2015 and in the case of technical provisions in accordance with Articles 83 to 98 and the values ascribed to assets and liabilities as recognised and valued for tax purposes. > Only ascribe a positive value to deferred tax assets where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or the carry forward of unused tax credits.	There are no differences with the Solvency II recognition and valuation basis. The valuation differences noted in the table above arise due to the tax effects of the recognition or de-recognition of the assets and liabilities featuring on the Balance Sheet where applicable, as a result of the varying accounting differences between Solvency II and Financial Statements outlined in section D.2.4.

Note 3: Deferred Acquisition Costs

Solvency II purposes:	Financial Reporting purposes:
As per Article 12 of the Delegated Act, deferred acquisition costs are valued at nil for Solvency II purposes.	Acquisition costs for insurance contracts represent those costs directly associated with the acquisition of new business. These costs are deferred to the extent that they are expected to be recoverable out of future revenues to which they relate.

Note 4: Reinsurance recoverables

Reinsurance recoverables consist of reinsurer's share of Technical Provisions.

Solvency II purposes:	Financial Reporting purposes:
Amounts receivable from reinsurers are estimated in a manner consistent the reinsurers share of Technical Provisions.	The valuation differences noted in the table above arise as a result of the varying accounting differences between Solvency II and the Financial Statements outlined in Section D.2.1.1.

Note 5: Insurance & intermediaries receivables

Insurance & intermediaries receivables are made up of outstanding premiums due from policyholders.

Solvency II purposes:	Financial Reporting purposes:
Insurance & intermediaries receivables relate outstanding premiums which are overdue from policyholders.	Insurance & intermediaries receivables are made up of all outstanding premiums due from policyholders. It includes amounts which are: > currently due > overdue > relating to policies that have been written but for which the premium is not contractually due.

Note 6: Receivables (trade, not insurance)

Includes amounts receivables from employees.

Solvency II purposes:	Financial Reporting purposes:
Receivables are recorded at their fair value, net of any amounts deemed as doubtful debts.	There are no differences with the Solvency II recognition and valuation basis.

Note 7: Cash and cash equivalents

Cash and cash equivalents includes cash at bank, deposits held on call for operational use.

Solvency II purposes:	Financial Reporting purposes:
Cash and cash equivalents are valued at their face value.	There are no differences with the Solvency II recognition and valuation basis.

Note 8: Any other assets, not elsewhere shown

Any other assets, not shown elsewhere on the Balance Sheet.

Solvency II purposes:	Financial Reporting purposes:
Receivables are recorded at their fair value, net of any amounts deemed as doubtful debts.	The valuation differences noted in the table above arise as a result of the varying accounting differences between Solvency II and the Financial Statements outlined in Section D.2.4.

D.1.3 ITEMS NOT IN SCOPE

The following requirements in the EIOPA Level 3 - Guidelines on reporting and public disclosure the requirement under 'Guideline 7 Content by material classes of assets' are not applicable to ILH or apply to immaterial amounts.

> For material intangible assets: nature of the assets and information on the evidence and criteria used to conclude that an active market exists for those assets;

> For financial and operating leasings: describe in general the leasing arrangements in relation to each material class of assets subject to leasing arrangement, separately for financial and operating leases;

> For related undertakings: where related undertakings were not valued using quoted market prices in active markets or using the adjusted equity method, provide an explanation why the use of these methods was not possible or practical.

D.2 TECHNICAL PROVISIONS

Technical provisions represent the value of the Company's liabilities under policies which have been written at the valuation date or that the Company is legally obliged to accept.

Solvency II technical provisions include the following components:

> Best Estimate Technical Provisions

> Risk Margin

D.2.1 SOLVENCY II TECHNICAL PROVISIONS AND REINSURANCE RECOVERABLES: OVERVIEW

The value of technical provisions, reinsurance recoverable and risk margin at 31/12/2016 is shown below:

Liability Description €000s	Gross	Recoverable from Reinsurance	Net
Claims provisions	81,372	57,230	24,142
Premium provisions	(61,843)	4,914	(66,757)
Best Estimate Technical Provisions	19,529	62,144	(42,615)
Risk margin	2,506	0	2,506
Total Technical Provisions	22,035	62,144	(40,109)

The 2009 Solvency II Directive specifies that the value of the Technical Provisions shall be equal to the sum of a best estimate technical provisions (BETPs) and a risk margin (RM). Offsetting the gross BETPs is reinsurance recoverable. The methodology used in calculating Technical Provisions is described below.

D.2.1.1 BEST ESTIMATE TECHNICAL PROVISIONS

Best estimate technical provisions (BETPs), which are calculated in line with Solvency II regulations, represent the best estimate of the value of the Company's obligations under its policies.

The BETPs represent the probability weighted average of future cash-flows taking account of the time value of money (i.e. expected present value of future cash-flows), using the relevant risk-free interest rate.

The BETP is the sum of the Claims Provision and Premium Provision. The Claims Provision is held in respect of claims that have occurred on or before the valuation date while the Premium Provision includes all future expected cash-flows arising from policies in force and legally obliged but un-incepted (LOU) business at the valuation date

The Company only writes health insurance so has just one line of business.

D.2.1.2 BEST ESTIMATE REINSURANCE RECOVERABLE

The reinsurance recovery for both Claims Provision and Premium Provision has been calculated by applying the quota share in the reinsurance contract to premiums and claims cashflows net expected reinsurance costs and profit commission, calculated on a best estimate basis.

No allowance has been made for reinsurance credit risk in respect of best estimate reinsurance recoveries, as funds backing the reinsurer's share of the claims provision have been withheld by ILH.

D.2.1.3 RISK MARGIN

The risk margin is intended to represent the premium which another insurer would require for taking on ILH's insurance portfolio, and reflects the cost of holding the policy related capital for all policies. The risk margin is determined as the present value of the projected cost of capital on the underlying business, where the future cost of capital in any given year is equal to the projected Solvency Capital Requirement arising on ILH's underlying business in that year multiplied by a cost of capital rate. EIOPA has prescribed a cost of capital rate of 6%.

D.2.2 SOLVENCY II BEST ESTIMATE TECHNICAL PROVISIONS AND REINSURANCE RECOVERABLES: BASES, METHODOLOGY AND ASSUMPTIONS

D.2.2.1 CLAIMS PROVISION - BASES, METHODOLOGY AND ASSUMPTIONS

Overview

The Claims provision is the present value of expected future claims (including outstanding and incurred but not reported claims less hospital bed utilisation credit) and includes reserves for events not in data and the expected cost of claims handling.

- Outstanding Claims Reserve is held for all claims that are recorded on ILH's system but have not yet been paid. For hospital claims, this reserve is initially set at the amount invoiced by the hospital, and is amended during the claims handling process if elements of the invoice are declined or adjusted. Day to Day and Outpatient Claims are reserved at the amount claimed by the customer from the date the claim is processed.
- Incurred but Not Reported is the reserve for historic claims that have not yet been reported to ILH.
- Events not in Data Reserve (ENID) is an additional reserve in respect of reasonably foreseeable events that are not otherwise included in ILH's reserves as they have not occurred in the past and hence are not in the data.
- Claims Handling Expense Reserve is to cover the expected costs relating to the future handling of all outstanding claims.
- Hospital Bed Utilisation Credit (HBUC) is a recovery from the risk equalisation fund that depends on the number of overnight stays or day cases.

Methodology and Assumptions

ILH's reserving methodology is to estimate the claims frequency (number of claims/number of customers insured) and average cost of claim for each historic treatment month and then deduct total claims already paid for that month. Claims frequency and average cost of claim are estimated separately for each of 10 sub categories of claims that have broadly similar experience.

For all but the most recent 3 months, claims frequency and average cost are estimated using the "Chain Ladder method". For the most recent three months, frequency and average cost are estimated using the recent trend.

The fundamental assumption of the chain ladder method is that the claims development patterns seen in the past will be appropriate for the future.

Development factors are chosen based on the historic development exhibited by the data. The development factors represent the ratio of the cumulative claims in successive development periods. If development is expected to continue beyond the oldest development period for the earliest accident year, a tail is added to estimate this development.

ENID is an allowance for potential scenarios which typically are of a low probability, and consequently may not be observable in the claims data, but are potentially of high impact. Setting the ENID is an area where expert judgement has been applied.

The Claims Handling Expense includes an allowance for variable, fixed and share of overhead costs associated with claims handling.

HBUC is a recovery from the risk equalisation fund that depends on the number of overnight stays or day cases used by ILH customers. The HBUC recovery is based off the associated claims projection.

D.2.2.2 PREMIUM PROVISION - BASES, METHODOLOGY AND ASSUMPTIONS

Overview

Premium provisions relate to claims events occurring after the valuation date and during the remaining coverage period of in force policies. The cashflow projections comprise the best estimate of future claims and expenses and expected future premiums and risk equalisation cashflows on existing policies and LOU business, and take into account of the time value of money.

Methodology

The best estimate of premium provisions is calculated as the expected present value of future in- and outgoing cashflows, being a combination of:

i. Future premium receivable
ii. Cashflows resulting from future claims
iii. Cashflows arising from future risk equalisation costs
iv. Expected future maintenance expenses

The best estimate also includes all future cash-flows associated with LOU business, which are renewals for policies starting in January that were issued to customers in December, as well as the expected new business from January which is typically sold in December. The valuation of premium provisions takes account of future policyholder behaviour such as the likelihood of lapse.

Assumptions

The Premium Provision cashflows are derived from ILH's assessment of the profitability of business written in 2016. Future projected claims allow for ageing, medical inflation and utilisation trend for the remaining duration of written business.

The future maintenance expense assumption is derived from ILH's 2016 expense base. It includes administrative expenses, claims management expenses, reinsurance costs and overheads. Expenses are projected on the assumption that ILH continues to write new business.

D.2.2.3 LEVEL OF UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS

The main sources of uncertainty in the undiscounted provisions are as follows:

> The final settlement cost of notified claims will not be known until adjudication is complete.

> Change in product mix, profile of customers, medical inflation, newly emerging claim types may result in a different claims development pattern than assumed. The final settlement costs of incurred but not reported claims and future claims occurring after the valuation date (but during the future coverage period of in force policies) may therefore be higher or lower than expected.

> Future expenses may be higher or lower than expected.

> Future policyholder behaviour (e.g. in rates of mid-term cancellation) may be different to expected.

D.2.3 DIFFERENCES BETWEEN SOLVENCY II TECHNICAL PROVISIONS AND VALUATION OF LIABILITIES FOR THE FINANCIAL STATEMENTS

Liability Description €000s	Solvency II basis 31.12.2016	Statutory Reporting basis 31.12.2016	Difference 31.12.2016
Net premium provision	(66,757)	64,232	(130,988)
Gross premium provision	(61,843)	183,524	(245,366)
Premium provision recoverable from reinsurance	4,914	(119,291)	124,205
Net claims provision	24,142	34,541	(10,399)
Gross claims provision	81,372	94,928	(13,557)
Claims provision recoverable from reinsurance	57,230	(60,387)	117,617
Risk margin	2,506	-	2,506
Total Technical Liabilities - Gross	**22,035**	**278,452**	**(256,417)**
Total Technical Liabilities - Net	**(40,109)**	**98,775**	**(138,884)**

The Premium Provision on the Statutory Reporting basis is the Unearned Premium Reserve (which is set at 100% of the unearned portion of the premium for business written before the valuation date) and is balanced by a premium receivable asset. On the Solvency II basis the Premium Provision is set at best estimate and therefore takes account of expected profit to be earned in the future.

The Claims Provisions on the Statutory Reporting basis include a "margin for uncertainty" which brings the claims reserves from best estimate to the 75th percentile of potential outcomes. On the Solvency II basis, Claims Provisions are set at best estimate.

The Risk Margin is not held on the Statutory Reporting basis.

D.2.4 LONG-TERM GUARANTEE MEASURES

ILH does not apply the matching adjustment or the volatility adjustment for calculating technical provisions.

ILH does not apply the transitional interest rate risk free structure or the transitional measure on technical provisions.

D.2.5 MATERIAL CHANGES IN RELEVANT ASSUMPTIONS COMPARED TO PREVIOUS REPORTING PERIOD

For Claims Provisions, there has been no change to the material assumption that the claims development patterns observed in the past will be appropriate for the future.

The Premium Provision now includes Risk Equalisation Balances.

D.3 OTHER LIABILITIES

Set out below is information regarding the Company's valuation of each material class of other liabilities for Solvency II purposes, including:

a. Quantitative explanations of material differences in valuations between Solvency II and those use for statutory IFRS financial reporting; and

b. Valuation bases, methods and main assumptions used for Solvency II and those used for IFRS statutory financial statements for the financial year ended 31 December 2016.

D.3.1 VALUATION DIFFERENCES - SOLVENCY II V IFRS

For each material class of other liability, the value of the liability as reported in the Company's Solvency II balance sheet and comparison with the values reported in the Company's financial statements for financial reporting purposes.

Other Liability €000s	Notes (see Valuation bases, methods and main assumptions)	Solvency II basis 31.12.2016	Financial Statements 31.12.2016	Difference 31.12.2016
Deferred tax liabilities	Note 1	885	-	885
Bank overdraft	Note 2	684	684	0
Reinsurance payables	Note 3	67,045	181,740	(114,695)
Provision	Note 4	1,027	1,027	0
Other liabilities	Note 5	51,726	75,646	(23,920)
Total other liabilities		**121,367**	**259,097**	**(137,730)**

D.3.2 VALUATION BASES, METHODS AND MAIN ASSUMPTIONS

For each material class of Other Liability disclosed above, the Company presents below the valuation basis for Solvency II purposes and any material differences with the valuation bases, methods and main assumptions used for the IFRS statutory financial statements for the financial year ended 31 December 2016.

In ILH's Solvency II Accounting policy at 31/12/2016 Unearned Age Related Tax credits are included in the Premium Provisions part of the Technical Provisions, as these relate to insurance contracts.

There are no material assumptions and judgments including those about the future and other major sources of estimation uncertainty which would affect the value of the liabilities, other than those stated.

Liabilities are of a short term nature with most cash flows occurring within a 12 month period.

Note 1: Deferred Tax Liability

Deferred tax is recognised in respect of all timing differences that have originated, but not yet reversed, at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, a right to pay less tax or receive more tax.

When calculating a net deferred tax liability, deferred tax assets are offset only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The tax rate used in the calculation of the deferred tax balance is the rate that is expected to be in-force at the time the tax becomes payable. There is no expiry date of taxable temporary differences.

Solvency II purposes:	Financial Reporting purposes:
Per Article 15 of the Delegated Act, deferred tax shall be accounted for by the Company as follows: > Recognise and value deferred taxes in relation to all assets and liabilities, including technical provisions. > Value deferred taxes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Article 82 of SI 485 of the European Union (Insurance and Reinsurance) Regulations 2015 and in the case of technical provisions in accordance with Articles 83 to 98 and the values ascribed to assets and liabilities as recognised and valued for tax purposes. > Only ascribe a positive value to deferred tax assets where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or the carry forward of unused tax credit.	There are no differences with the Solvency II recognition and valuation basis. The valuation differences noted in the table above arise due to the tax effects of the recognition or de-recognition of the assets and liabilities featuring on the Balance Sheet where applicable, as a result of the varying accounting differences between Solvency II and the Financial Statements.

Note 2: Bank Overdraft

Solvency II purposes:	Financial Reporting purposes:
Bank Overdraft is valued at face value.	There are no differences with the Solvency II recognition and valuation basis.

Note 3: Reinsurance payables

Reinsurance payables represent the balance due to reinsurers in respect of outstanding reinsurance premiums and funds withheld by ILH which back the reinsurance asset.

Solvency II purposes:	Financial Reporting purposes:
Payables are recorded on an accruals basis.	The differences noted in the table above arise as a result of the varying accounting differences between Solvency II and Financial Statements outlined in section D.2.1.1.

Note 4: Provisions

Provisions relate to additional provisions in 2016 and reflect the best estimate of the expenditure required to settle any present legal obligations as at the 31st December 2016.

Solvency II purposes:	Financial Reporting purposes:
The value of each provision is derived through senior management review and evaluation of the expected outflow required to settle the liability to which the provision applies. These reviews are presented to the Board Audit Committee for approval and inclusion in the Annual Financial Statements. We do not believe the settlement value will differ significantly from the amount we have estimated.	There are no differences with the Solvency II recognition and valuation basis.

Note 5: Other Liabilities

Other liabilities include liabilities not elsewhere shown on the Balance Sheet, for example intercompany liabilities, other taxation balances (PAYE) and accruals.

Solvency II purposes:	Financial Reporting purposes:
Payables are recorded on an accruals basis.	There are no differences with the Solvency II recognition and valuation basis apart from: > the reclassification of Accrued Interest on Investments as outlined in section D.1.2, Note 1. > the treatment of Unearned Age Related Tax Credit in the Technical Provision as outlined above.

D.3.3 ITEMS NOT IN SCOPE

The following requirements in the EIOPA Level 3 - Guidelines on reporting and public disclosure, the requirement under 'Guideline 7 Content by material classes of assets' are not applicable to ILH or apply to immaterial amounts.

> describe in general the material liabilities arising as a result

of leasing arrangements, separately disclosing information on financial and operating leases;

> The nature of the liabilities for employee benefits and a breakdown of the amounts by nature of the liability and the nature of the defined benefit plan assets, the amount of each class of assets, the percentage of each class of assets with respect to the total defined benefit plan assets, including reimbursement rights.

D.4 ALTERNATIVE METHODS FOR VALUATION

All assets and liabilities, other than technical provisions, are valued in accordance with international financial reporting standards (IFRS).

D.5 ANY OTHER INFORMATION

There is no other material information regarding the valuation of assets and liabilities for solvency purposes that the Company wishes to disclose in this report.

E. Capital Management

Irish Life health

This section provides information regarding ILH's own funds as at 31 December 2016 and the policies and processes employed for managing own funds to meet all of ILH's regulatory capital requirements.

E.1 OWN FUNDS

Own funds are the excess of the value of the Company's assets over the value of its liabilities, where the value of the liabilities includes technical provisions and other liabilities.

All of ILH's Own Funds are tier 1.

ILH's capital management policy is supported by its capital management plan. The capital management plan is produced annually and forecasts the solvency ratio and dividend payments over a three year horizon using the business strategy set out in the annual business plan and detailed capital projections, sensitivity stresses and scenario tests on capital requirements from the ORSA.

ILH manages its own funds so that its solvency position stays within a targeted range as specified in its solvency risk appetite. The range targeted has sufficient coverage above the SCR to ensure the Company is able to meet all of its ongoing financial liabilities.

E.1.1 OWN FUNDS

Own Funds €000s	31.12.2016
Ordinary Share Capital	9
Share Premium Account	12,441
Reconciliation Reserve	50,023
Tier 1 Unrestricted	**62,473**
Tier 1 Restricted	0
Tier 2	0
Tier 3	**0**
Available and Eligible Own Funds	**62,473**

E.1.2 ELIGIBLE OWN FUNDS TO COVER SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

Own Funds €000s	31.12.2016
Tier 1 Unrestricted	62,473
Eligible own funds to meet SCR	**62,473**
Solvency Capital Requirement	44,469
Solvency Ratio	**140.5%**
Minimum Capital Requirement	11,117
Eligible own funds as a percentage of MCR	**561.9%**

E.1.3 EQUITY IN FINANCIAL STATEMENTS COMPARED TO SOLVENCY II OWN FUNDS

ILH prepares financial statements under IFRS rules. As at year-end 2016, the difference between the equity in the financial statements and the Solvency II own funds is as follows:

€000s	31.12.2016
IFRS Net Assets	**55,982**
Removal of Deferred Acquisition Costs	(12,168)
Addition of Profit in Written Business	17,263
Removal of margins for prudence in IFRS Reserves	4,761
Addition of Risk Margin	(2,506)
Impact of Deferred Tax	(1,009)
Other	150
Solvency II Eligible Own Funds	**62,473**

The key differences between the equity in the financial statements and the Solvency II own funds are:

> The financial statements allow for deferral of acquisition costs through a Deferred Acquisition Costs (DAC) asset

> The valuation of insurance contract liabilities in the financial statements differs from the valuation of technical provisions under Solvency II, as discussed in Section D.2 above.

> Due to the difference in valuation of insurance contract liabilities, there is a difference in the deferred tax

E.1.4 TRANSITIONAL ARRANGEMENTS

ILH does not avail of any Solvency II transitional arrangements.

E.1.5 ANCILLARY OWN FUNDS

ILH does not have any ancillary own fund items.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

ILH calculates the Solvency Capital Requirement (SCR) using the standard formula. The SCR includes the Basic Solvency Capital Requirement (BSCR) and the SCR for operational risk.

The BSCR is calculated using a correlation matrix approach and three risk modules:

> Health underwriting (non-Similar to Life, NSLT)

> Market;

> Counterparty (default);

The non-life underwriting, life underwriting and intangible assets risk modules are not applicable to ILH.

The Solvency Capital Requirement and Minimum Capital Requirement at year end 2016 is shown below:

€000s	31.12.2016
Solvency Capital Requirement	44,469
Minimum Capital Requirement	11,117

ILH is compliant with both the MCR and SCR.

E.2.1 SOLVENCY II CAPITAL REQUIREMENTS SPLIT BY RISK MODULE

The split of the SCR by risk module at 31 December 2016 is shown below:

€000s	31.12.2016
Market risk	9,151
Counterparty default risk	7,246
Life underwriting risk	0
Health underwriting risk	28,242
Non-life underwriting risk	0
Diversification	(10,019)
Intangible asset risk	0
Basic Solvency Capital Requirement	**34,620**
Operational Risk	9,849
Solvency Capital Requirement	**44,469**

E.2.2 USE OF SIMPLIFIED METHODS

Every stress used to calculate the overall SCR for ILH was calculated separately on a full calculation basis i.e. none of the simplifications allowed in the Delegated Acts to estimate the SCRs were used.

In the NSLT health lapse risk sub module, a simplified assessment of which discontinuing policies would most negatively affect the basic own funds was performed at product group level rather than a per policy basis.

E.2.3 UNDERTAKING SPECIFIC PARAMETERS

ILH does not use undertaking specific parameters.

E.2.4 CALCULATION OF THE MINIMUM CAPITAL REQUIREMENT

The Minimum Capital Requirement (MCR) at 31/12/2016 of €11.1m is 25% of the Solvency Capital Requirement of €44.5m.

E.2.5 MATERIAL CHANGES DURING THE REPORTING PERIOD

During 2016, the SCR increased by €6.5m and the MCR by €1.6m, mainly due to an increase in Health Underwriting Risk.

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

ILH is not exposed to equity risk and does not use the duration based equity risk sub-module.

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

ILH uses the standard formula to calculate the SCR and MCR and does not use any internal model to calculate these.

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

During 2016, ILH was in compliance with the SCR and MCR requirements.

E.6 ANY OTHER INFORMATION

No items to note.

Appendices

APPENDIX 1 LIST OF ABBREVIATIONS USED IN THE DOCUMENT

Asset/liability management (ALM)
Basic Solvency Capital Requirement (BSCR)
Best estimate technical provision (BETP)
Board Audit Committee (BAC)
Board Risk Committee (BRC)
Canada Life Ltd (CLL)
The Canada Life Group (U.K.) Limited (CLG)
Central Bank of Ireland (CBI)
Chief Risk Officer (CRO)
The Great-West Life Assurance Company (GWL)
Designated Activity Company (dac)
Deferred Acquisition Costs (DAC)
Enterprise Risk Management (ERM)
European Insurance and Occupational Pension Authority (EIOPA)
Events not in Data Reserve (ENID)
Executive Management Committee (EMC)
Executive Risk Management Committee (ERC)
Great-West Lifeco Inc. group of companies (Lifeco)
Group Financial Control (GF)
Group Operational Risk Committee (GORC)
Head of the Actuarial Function (HOAF)
Head of Internal Audit (HIA)
Hospital Bed Utilisation Credit (HBUC)
Irish Life Group Limited (ILGL)
ILH Chief Financial Officer (CFO)
Irish Life Health dac (the Company)
Irish Life Health dac (ILH)
ILH Board of directors (the Board)
International Financial Reporting Standards (IFRS)
Key financial performance indicators (KPIs)
Key Risk Indicator (KRI)
Legally obliged but un-incepted (LOU)
Managing Director (MD)
Minimum Capital Requirement (MCR)
Non Similar to Life or non-SLT (NSLT)
Operational Risk Insurance Consortium (ORIC)
Own Risk and Solvency Assessment (ORSA)
Own Solvency Needs Assessment (OSNA)
Pre-approved controlled function (PCF)
Prudential Regulation Authority (PRA)
Risk and Control Self-Assessment (RCSA)
Risk margin (RM)
Solvency and Financial Condition Report (SFCR)
Solvency Capital Requirement (SCR)
Supervisory Review Process (SRP)

APPENDIX 2 BALANCE SHEET

	Assets	Solvency II value
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0.00
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	104,818,131.52
R0080	Property (other than for own use)	0.00
R0090	Holdings in related undertakings, including participations	0.00
R0100	Equities	0.00
R0110	Equities - listed	0.00
R0120	Equities - unlisted	0.00
R0130	Bonds	0.00
R0140	Government Bonds	0.00
R0150	Corporate Bonds	0.00
R0160	Structured notes	0.00
R0170	Collateralised securities	0.00
R0180	Collective Investments Undertakings	0.00
R0190	Derivatives	
R0200	Deposits other than cash equivalents	104,818,131.52
R0210	Other investments	0.00
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0.00
R0240	Loans on policies	0.00
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	
R0270	Reinsurance recoverables from:	62,143,961.35
R0280	Non-life and health similar to non-life	62,143,961.35
R0290	Non-life excluding health	0.00
R0300	Health similar to non-life	62,143,961.35
R0310	Life and health similar to life, excluding index-linked and unit-linked	0.00
R0320	Health similar to life	
R0330	Life excluding health and index-linked and unit-linked	
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	0.00
R0360	Insurance and intermediaries receivables	3,329,187.61
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	19,328.91
R0390	Own shares (held directly)	0.00
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00
R0410	Cash and cash equivalents	34,931,585.30
R0420	Any other assets, not elsewhere shown	632,725.18
R0500	**Total assets**	**205,874,919.87**

APPENDIX 2 (CONTINUED)

	Liabilities	Solvency II value
R0510	Technical provisions - non-life	22,035,017.99
R0520	Technical provisions - non-life (excluding health)	0.00
R0530	TP calculated as a whole	0.00
R0540	Best Estimate	0.00
R0550	Risk margin	0.00
R0560	Technical provisions - health (similar to non-life)	22,035,017.99
R0570	TP calculated as a whole	0.00
R0580	Best Estimate	19,529,372.10
R0590	Risk margin	2,505,645.88
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0.00
R0610	Technical provisions - health (similar to life)	0.00
R0620	TP calculated as a whole	
R0630	Best Estimate	
R0640	Risk margin	
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	0.00
R0660	TP calculated as a whole	
R0670	Best Estimate	
R0680	Risk margin	
R0690	Technical provisions - index-linked and unit-linked	0.00
R0700	TP calculated as a whole	
R0710	Best Estimate	
R0720	Risk margin	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	1,026,549.27
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	884,759.09
R0790	Derivatives	
R0800	Debts owed to credit institutions	0.00
R0810	Financial liabilities other than debts owed to credit institutions	684,243.22
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	67,044,629.40
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0.00
R0860	Subordinated liabilities not in BOF	
R0870	Subordinated liabilities in BOF	0.00
R0880	Any other liabilities, not elsewhere shown	51,726,394.14
R0900	Total liabilities	143,401,593.11
R1000	**Excess of assets over liabilities**	**62,473,326.76**

Irish Life health

APPENDIX 3 PREMIUMS, CLAIMS, EXPENSES BY LINE OF BUSINESS

	S.05.01.02		
	Premiums, claims and expenses by line of business		
	Non-life	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	Total
		Medical expense insurance	
	Premiums written	C0010	C0200
R0110	Gross - Direct Business	341,612,828.84	341,612,828.84
R0120	Gross - Proportional reinsurance accepted		0.00
R0130	Gross - Non-proportional reinsurance accepted		0.00
R0140	Reinsurers' share	221,827,943.01	221,827,943.01
R0200	Net	119,784,885.83	119,784,885.83
	Premiums earned	C0010	C0200
R0210	Gross - Direct Business	328,312,572.64	328,312,572.64
R0220	Gross - Proportional reinsurance accepted		0.00
R0230	Gross - Non-proportional reinsurance accepted		0.00
R0240	Reinsurers' share	213,182,776.48	213,182,776.48
R0300	Net	115,129,796.16	115,129,796.16
	Claims incurred	C0010	C0200
R0310	Gross - Direct Business	243,375,285.41	243,375,285.41
R0320	Gross - Proportional reinsurance accepted		0.00
R0330	Gross - Non-proportional reinsurance accepted		0.00
R0340	Reinsurers' share	158,171,163.05	158,171,163.05
R0400	Net	85,204,122.37	85,204,122.37
	Changes in other technical provisions	C0010	C0200
R0410	Gross - Direct Business		0.00
R0420	Gross - Proportional reinsurance accepted		0.00
R0430	Gross - Non-proportional reinsurance accepted		0.00
R0440	Reinsurers' share		0.00
R0500	Net	0.00	0.00
R0550	Expenses incurred	75,080,408.95	75,080,408.95
R1200	Other expenses		
R1300	Total expenses		75,080,408.95

APPENDIX 4 PREMIUMS, CLAIMS, EXPENSES BY COUNTRY

	S.05.02.01							
	Premiums, claims and expenses by country	C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010	Non-life	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	Premiums written	C0080	C0090	C0100	C0110	C0120	C0130	C0140
R0110	Gross - Direct Business	341,612,828.84						341,612,828.84
R0120	Gross - Proportional reinsurance accepted							0.00
R0130	Gross - Non-proportional reinsurance accepted							0.00
R0140	Reinsurers' share	221,827,943.01						221,827,943.01
R0200	Net	119,784,885.83	0.00	0.00	0.00	0.00	0.00	119,784,885.83
	Premiums earned							
R0210	Gross - Direct Business	328,312,572.64						328,312,572.64
R0220	Gross - Proportional reinsurance accepted							0.00
R0230	Gross - Non-proportional reinsurance accepted							0.00
R0240	Reinsurers' share	213,182,776.48						213,182,776.48
R0300	Net	115,129,796.16	0.00	0.00	0.00	0.00	0.00	115,129,796.16
	Claims incurred							
R0310	Gross - Direct Business	243,375,285.41						243,375,285.41
R0320	Gross - Proportional reinsurance accepted							0.00
R0330	Gross - Non-proportional reinsurance accepted							0.00
R0340	Reinsurers' share	158,171,163.05						158,171,163.05
R0400	Net	85,204,122.37	0.00	0.00	0.00	0.00	0.00	85,204,122.37
	Changes in other technical provisions							
R0410	Gross - Direct Business							0.00
R0420	Gross - Proportional reinsurance accepted							0.00
R0430	Gross - Non-proportional reinsurance accepted							0.00
R0440	Reinsurers' share							0.00
R0500	Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0550	Expenses incurred	75,080,408.95						75,080,408.95
R1200	Other expenses							
R1300	Total expenses							75,080,408.95

APPENDIX 5 NON-LIFE TECHNICAL PROVISIONS

	S.17.01.02		
	Non-Life Technical Provisions	Direct business and accepted proportional reinsurance	Total Non-Life obligation
		Medical expense insurance	
		C0020	C0180
R0010	Technical provisions calculated as a whole	0.00	0.00
R0050	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		0.00
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	Gross - Total	-61,842,529.49	-61,842,529.49
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	4,914,356.06	4,914,356.06
R0150	Net Best Estimate of Premium Provisions	-66,756,885.56	-66,756,885.56
	Claims provisions		
R0160	Gross - Total	81,371,901.60	81,371,901.60
R0240	**Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default**	**57,229,605.29**	**57,229,605.29**
R0250	Net Best Estimate of Claims Provisions	24,142,296.31	24,142,296.31
R0260	Total best estimate - gross	19,529,372.10	19,529,372.10
R0270	Total best estimate - net	-42,614,589.25	-42,614,589.25
R0280	Risk margin	2,505,645.88	2,505,645.88
	Amount of the transitional on Technical Provisions		
R0290	TP as a whole		0.00
R0300	Best estimate		0.00
R0310	Risk margin		0.00
R0320	Technical provisions - total	22,035,017.99	22,035,017.99
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	62,143,961.35	62,143,961.35
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re-total	-40,108,943.37	-40,108,943.37

APPENDIX 6 NON-LIFE INSURANCE CLAIMS

S.19.01.21

Non-Life insurance claims
Total Non-life business

Z0010		Accident year / underwriting year	Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
	Year	Development year							Development year					In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											904		904	11,474,138
R0160	N-9	16,872,812	11,309,717	1,095,235	514,231	93,465	68,333	26,172	23,305	16,244	11,630			11,630	30,031,145
R0170	N-8	30,787,840	17,915,791	1,845,415	363,274	166,264	41,367	31,345	11,055	40,119				40,119	51,202,469
R0180	N-7	56,358,883	28,612,441	1,874,831	699,280	221,870	124,422	34,051	62,000					62,000	87,987,779
R0190	N-6	88,289,761	37,910,341	2,645,620	636,048	289,864	114,878	169,237						169,237	130,055,750
R0200	N-5	151,969,170	59,599,878	2,843,591	1,008,042	316,502	409,593							409,593	216,146,776
R0210	N-4	185,648,493	56,414,582	4,991,662	1,164,690	1,321,682								1,321,682	249,541,108
R0220	N-3	168,617,507	61,913,358	4,972,061	2,507,788									2,507,788	238,010,714
R0230	N-2	157,554,618	64,476,849	12,626,221										12,626,221	234,657,688
R0240	N-1	155,782,924	73,744,693											73,744,693	229,527,617
R0250	N	175,801,994												175,801,994	175,801,994
R0260													Total	**266,695,861**	1,654,437,177

APPENDIX 6 NON-LIFE INSURANCE CLAIMS CONTINUED

Gross undiscounted Best Estimate Claims Provisions (absolute amount)												
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Year	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											761	761
N-9	-	-	-	-	-	-	-	-	-	3,694		3,697
N-8	-	-	-	-	-	-	-	-	18,964			18,982
N-7	-	-	-	-	-	-	-	41,626				41,666
N-6	-	-	-	-	-	-	87,655					87,738
N-5	-	-	-	-	-	158,221						158,371
N-4	-	-	-	-	351,462							351,795
N-3	-	-	-	439,119								440,642
N-2	-	-	1,282,578									1,285,131
N-1	-	6,320,024										6,326,641
N	72,583,203											72,657,135
											Total	81,372,560

APPENDIX 7 OWN FUNDS

	S.23.01.01					
	Own Funds					
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	9,000.00	9,000.00		0.00	
R0030	Share premium account related to ordinary share capital	12,441,000.00	12,441,000.00		0.00	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0.00	0.00		0.00	
R0050	Subordinated mutual member accounts	0.00		0.00	0.00	0.00
R0070	Surplus funds	0.00	0.00			
R0090	Preference shares	0.00		0.00	0.00	0.00
R0110	Share premium account related to preference shares	0.00		0.00	0.00	0.00
R0130	Reconciliation reserve	50,023,326.76	50,023,326.76			
R0140	Subordinated liabilities	0.00		0.00	0.00	0.00
R0160	An amount equal to the value of net deferred tax assets	0.00				0.00
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0.00	0.00	0.00	0.00	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					
R0220	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	0.00	< Note: this deduction now included in R0290/C0020			
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0.00				
R0290	Total basic own funds after deductions	62,473,326.76	62,473,326.76	0.00	0.00	0.00
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0.00				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0.00				
R0320	Unpaid and uncalled preference shares callable on demand	0.00				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0.00				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0.00				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0.00				

APPENDIX 7 OWN FUNDS CONTINUED

	S.23.01.01					
	Own Funds					
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0390	Other ancillary own funds	0.00				
R0400	Total ancillary own funds	0.00			0.00	0.00
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	62,473,326.76	62,473,326.76	0.00	0.00	0.00
R0510	Total available own funds to meet the MCR	62,473,326.76	62,473,326.76	0.00	0.00	
R0540	Total eligible own funds to meet the SCR	62,473,326.76	62,473,326.76	0.00	0.00	0.00
R0550	Total eligible own funds to meet the MCR	62,473,326.76	62,473,326.76	0.00	0.00	
R0580	**SCR**	44,469,410.37				
R0600	**MCR**	11,117,352.59				
R0620	**Ratio of Eligible own funds to SCR**	140.49%				
R0640	**Ratio of Eligible own funds to MCR**	561.94%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	62,473,326.76				
R0710	Own shares (held directly and indirectly)	0.00				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	12,450,000.00				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0.00				
R0760	**Reconciliation reserve**	50,023,326.76				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	17,263,491.79				
R0790	Total Expected profits included in future premiums (EPIFP)	17,263,491.79				

APPENDIX 8 SOLVENCY CAPITAL REQUIREMENT - FOR UNDERTAKINGS ON STANDARD FORMULA

Note: this template does not show the gross scr with the allocation of the adjustment due to the aggregation of the nscr of the rff/map at entity level. This will be taken into account when the sfcr output process is performed and the correct figures for the sfcr will be calculated.

	S.25.01.21				
	Solvency Capital Requirement - for undertakings on Standard Formula				
		Net solvency capital requirement	Gross solvency capital requirement	USP	Simplifications
		C0030	C0040	C0080	C0090
R0010	Market risk	9,151,182.17	9,151,182.17		
R0020	Counterparty default risk	7,245,720.57	7,245,720.57		
R0030	Life underwriting risk				
R0040	Health underwriting risk	28,241,960.02	28,241,960.02		
R0050	Non-life underwriting risk		0.00		
R0060	Diversification	-10,018,829.58	-10,018,829.58		
R0070	Intangible asset risk		0.00		
R0100	Basic Solvency Capital Requirement	34,620,033.19	34,620,033.19		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	9,849,377.18
R0140	Loss-absorbing capacity of technical provisions	0.00
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	Solvency Capital Requirement excluding capital add-on	44,469,410.37
R0210	Capital add-ons already set	
R0220	Solvency capital requirement	44,469,410.37

	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0.00
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

APPENDIX 9 MINIMUM SOLVENCY CAPITAL REQUIREMENT - FOR UNDERTAKINGS ON STANDARD FORMULA

	S.28.01.01			
	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity			
	Linear formula component for non-life insurance and reinsurance obligations	C0010		
R0010	MCRNL Result	5,629,889.63	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		0.00	119,784,885.83
R0030	Income protection insurance and proportional reinsurance		0.00	
R0040	Workers' compensation insurance and proportional reinsurance		0.00	
R0050	Motor vehicle liability insurance and proportional reinsurance		0.00	
R0060	Other motor insurance and proportional reinsurance		0.00	
R0070	Marine, aviation and transport insurance and proportional reinsurance		0.00	
R0080	Fire and other damage to property insurance and proportional reinsurance		0.00	
R0090	General liability insurance and proportional reinsurance		0.00	
R0100	Credit and suretyship insurance and proportional reinsurance		0.00	
R0110	Legal expenses insurance and proportional reinsurance		0.00	
R0120	Assistance and proportional reinsurance		0.00	
R0130	Miscellaneous financial loss insurance and proportional reinsurance		0.00	
R0140	Non-proportional health reinsurance		0.00	
R0150	Non-proportional casualty reinsurance		0.00	
R0160	Non-proportional marine, aviation and transport reinsurance		0.00	
R0170	Non-proportional property reinsurance		0.00	
	Linear formula component for life insurance and reinsurance obligations	C0040		
R0200	MCRL Result	0.00	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
R0210	Obligations with profit participation - guaranteed benefits		C0020	C0030
R0220	Obligations with profit participation - future discretionary benefits			
R0230	Index-linked and unit-linked insurance obligations			
R0240	Other life (re)insurance and health (re)insurance obligations			
R0250	Total capital at risk for all life (re)insurance obligations			
	Overall MCR calculation	C0070		
R0300	Linear MCR	5,629,889.63		
R0310	SCR	44,469,410.37		
R0320	MCR cap	20,011,234.67		
R0330	MCR floor	11,117,352.59		
R0340	Combined MCR	11,117,352.59		
R0350	Absolute floor of the MCR	2,500,000.00		
R0400	**Minimum Capital Requirement**	11,117,352.59		

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