SOLVENCY AND FINANCIAL CONDITION REPORT 2017

Irish Life Health dac

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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 ("Irish Life Health", "ILH" or "the company"). The first SFCR was published 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 Irish Life Health'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 basis used for Irish Life Health's financial statements are explained.

This report is based on results and methodology used by Irish Life Health as at 31 December 2017. All numbers in this report are in €'000 unless otherwise stated.

INTRODUCING IRISH LIFE HEALTH

Irish Life Health became a member of the Irish Life Group in August 2016 when it was acquired by Irish Life Group Limited ("ILGL"). This acquisition led to a rebranding of two of Ireland's leading health insurers: Aviva Health Insurance Ireland Limited ("Aviva Health") and GloHealth Financial Services Limited ("GloHealth"), into a combined business known as Irish Life Health.

At the end of 2017 Irish Life Health has a 20% share of the Irish health insurance market and 411,000 customers. Irish Life Health's focus remains to create and enhance capabilities that enable us to continue to offer customers fresh options and innovation that's ahead of the market, reinforced by the strength and expertise of the Irish Life Group, a name trusted across Ireland for over 75 years.

WHAT WE DO

We aim 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 2,500 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 life stage 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 SFCR helps customers and key stakeholders understand Irish Life Health's regulatory capital and financial position. The report also covers how Irish Life Health is run, how the business has performed and the governance and risk management systems in place.

In 2016, EU regulations known as Solvency II came into force. As discussed above, one of the requirements of Solvency II is for insurance companies to publish an SFCR every year.

The Solvency II regulations also aim to ensure that insurance companies stay financially sound and can survive difficult periods, in order to protect policyholders.

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 also 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 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. Under the Supervisory Review Process, supervisors check how well insurers are following Solvency II regulations.

BUSINESS AND PERFORMANCE SUMMARY

In 2017, Irish Life Health produced a profit before taxation of €18.3m, an increase of €14.3m on 2016. This increase is mainly due to expense synergies achieved from the successful combination of the GloHealth and former Aviva Health businesses in 2017 and a decrease in the integration expenditure to complete the company's transition to Irish Life Group.

Claims experience, which can vary from year to year, has an impact on profits. The claims experience in 2017 was favourable in comparison to 2016. This was due in part to company-led claims savings initiatives.

All of Irish Life Health's business is written in Ireland and it is all classified as medical expense insurance under Solvency II.

More details on the Irish Life Health'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 2017 are outlined in section B.1.

In the year to 31 December 2017 there were no material changes to how Irish Life Health is governed.

RISK PROFILE SUMMARY

The principal risks and uncertainties that Irish Life Health faces include insurance risk, financial risk, market risk and credit 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 on 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, which are prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Section D.2 outlines the way we have calculated the amount required to meet our contractual obligations under the policies we have written, using the Solvency II regulations (our "technical provisions"). The main valuation difference between the Solvency II balance sheet and the financial statements relates to the valuation of technical provisions.

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 its requirements under the Solvency II regime.

The following table sets out the solvency position as at 31 Dec 2017:

	€000s
Eligible own funds to meet SCR	71,281
Solvency Capital Requirement (SCR)	47,508
Solvency Ratio	**150.0%**
Minimum Capital Requirement (MCR)	11,877
Eligible own funds as a percentage of MCR	**600.2%**

Irish Life Health does not use the volatility adjustment, the matching adjustment or transitional arrangements.

Irish Life Health is compliant with both the MCR and SCR.

REVIEW

This report was reviewed and approved by the Board on 30 April 2018.

A. Business and Performance

A.1 BUSINESS

A.1.1 COMPANY INFORMATION:

Company Name: Irish Life Health dac

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

Irish Life Health dac is a wholly owned subsidiary of The Canada Life Group (U.K.) Limited, via our immediate parent Irish Life Group Limited. The supervisory authority of The Canada Life Group (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 & Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Irish Life Health is a member of the Great-West Lifeco Inc. group of companies ("Lifeco"), one of the world's leading life assurance organisations. Lifeco is considered the ultimate insurance holding company.

Great-West Lifeco Inc. and its subsidiaries, including the Great-West Life Assurance Company ("GWL"), have approximately $1.35 trillion Canadian dollars in consolidated assets under administration.

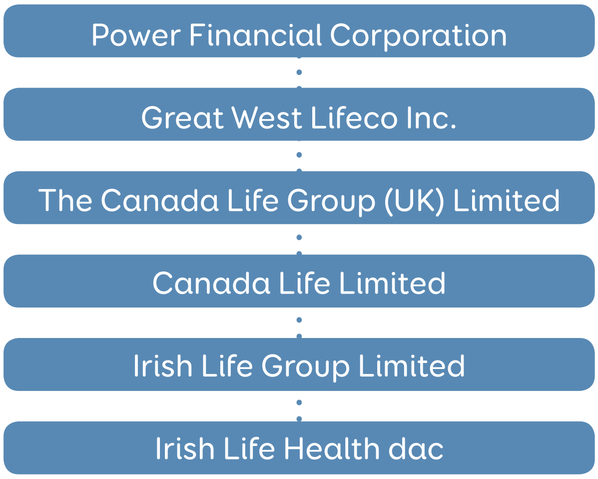
At the end of 2017 GWL had approximately 23,300 employees worldwide and are members of the Power Financial Corporation Group of companies.

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 ILGL in 2013. ILGL has a number of subsidiaries, including Irish Life Health.

The Power Financial Corporation, which is incorporated in Canada and listed on the Toronto Stock Exchange, is the ultimate owner of Lifeco and therefore ultimate owner of Irish Life Health.

Below is a simplified diagram of how our ultimate parent company, Power Financial Corporation, is organised:



Irish Life Health's principal activity is the transaction of health insurance business within the Republic of Ireland. Irish Life Health's aim is to give customers an innovative and compelling alternative to the other health insurance offerings in the marketplace.

Irish Life Health performed well in 2017 by continuing to offer innovative products, designed on the basis of extensive customer research while also focusing on claims cost containment initiatives. Affordability of health insurance remains a concern for many of our customers, so claims and expense management continue to be key focus areas for Irish Life Health.

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A.2 UNDERWRITING PERFORMANCE

In the year ending 31 December 2017, Irish Life Health's reported underwriting performance is shown in the table below. Irish Life Health's business is reported as medical expenses insurance under Solvency II.

Irish Life Health Underwriting Performance €000s	Financial Statements 2017	Financial Statements 2016	Difference
Gross Written Premium	456,317	341,613	114,703
Net Written Premium	108,925	119,785	(10,861)
Gross Earned Premium	385,128	328,313	56,815
Net Earned Premium	104,386	115,131	(10,745)
Gross claims incurred	256,974	245,917	11,055
Net claims incurred	71,038	87,746	(21,387)
Total expenses	102,260	72,539	29,722
Fees & Commission Income	87,868	49,407	33,782
Underwriting Result	**18,955**	**4,253**	**14,702**
Investment Return	(718)	(345)	(373)
Other Income	108	114	(6)
Profit before tax	**18,345**	**4,022**	**14,323**

Gross written premium of €456.3m increased by 33.6% from €341.6m in 2016. This increase is in line with the increase in lives insured, which increased from 306,000 at the end of 2016 to 411,000 at the end of 2017. Gross claims incurred of €257.0m increased by 4.5% from €245.9m in 2016.

The profit before tax of €18.3m increased by €14.3m compared to 2016.

The increase in profit before tax is mainly due to expense synergies achieved from the successful combination of the GloHealth and former Aviva Health businesses in 2017 and a decrease in integration spend to complete the company's transition to Irish Life Group.

Claims experience, which can vary from year to year, has an impact on profits. The claims experience in 2017 was favourable in comparison to 2016. This was due in part to company-led claims savings initiatives.

A.3 INVESTMENT PERFORMANCE

In October 2017, management of Irish Life Health's investments was outsourced to Canada Life Asset Management Limited ("CLAM"), a company owned by CLG. Irish Life Health's investment policy is monitored and controlled by senior management of Irish Life Health with oversight from the Board of Directors.

Irish Life Health's portfolio of assets consists of short-term investments. Based on current market conditions, this leads to a negative investment return. In 2017, Irish Life Health's investments returned a loss of €0.72m compared to €0.35m in 2016. The higher loss in 2017 was due to the fact that the assets held during 2017 had a shorter term, to allow for the transition of the assets to CLAM.

Irish Life Health makes no use of securitisations.

A.4 PERFORMANCE OF OTHER ACTIVITIES

No items to note.

A.5 ANY OTHER INFORMATION

No items to note.

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.

Irish Life Health's Board of Directors ("the Board") is in place to lead and control Irish Life Health. The objective of the Board is to maximise risk-adjusted returns and profitability while safeguarding Irish Life Health'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 controls in place that operate effectively at all levels of the organisation.

The Board is responsible for making key decisions for Irish Life Health, including all material strategic decisions. 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. The Board keeps its membership, range of qualifications, skills and experience under review.

The Chairman of the Board and the Finance Director of ILGL are non-executive directors ("NEDs"). Irish Life Health's Managing Director is an executive director. The Board also includes three independent non-executive directors ("INEDs"). The Board considers all of the INEDs 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 Irish Life Health's Board are listed below.

The current members of the Irish Life Health 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 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

The following member resigned during the year:

Director	Position	Member of Board	Date
David Harney	ILGL CEO	Yes	Resigned 13/09/2017

Irish Life Health'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.1.1.1 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 Irish Life Health has an appropriate governance structure in place which operates effectively. Furthermore, Irish Life Health has an Executive Committee for risk (the Management Risk Forum) and is subject to oversight from ILGL's Executive Committees 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 Charters 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 member present at their meetings.

B.1.1.2 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 of its oversight responsibilities of Irish Life Health's principal risks including, but not limited to, insurance, liquidity, market, credit, operational and brand 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 and for 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 Irish Life Health's Management Risk Forum.

B.1.1.3 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 also responsible for reviewing the company's Solvency II balance sheet and the capital requirements calculated in line with Solvency II requirements. The BAC is responsible for the external statutory audit and in coordination with the parent company advice 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.1.1.4 EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee ("EMC") of Irish Life Health is chaired by the Managing Director. 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.1.1.5 MANAGEMENT RISK FORUM

The Management Risk Forum ("MRF") is chaired by the Managing Director. It is responsible for managing all material risks arising for Irish Life Health, and in doing so identifies and implements appropriate mitigating strategies.

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

B.1.2 ADEQUACY OF AND REVIEW OF SYSTEMS OF GOVERNANCE

The adequacy and operation of the systems and governance in Irish Life Health 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.

B.1.3 REMUNERATION PRACTICES

Irish Life Health's Remuneration Policy is intended to attract, retain and reward qualified and experienced employees who will contribute to Irish Life Health's success. Irish Life Health uses 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
- align with sound risk management practices and regulatory requirements.

The Remuneration Policy is supported by Irish Life Health'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 Lifeco 'Code of Conduct' 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 and
- 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:

- relying on ILGL's 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 and
- publishing the remuneration policy on the employee intranet site.

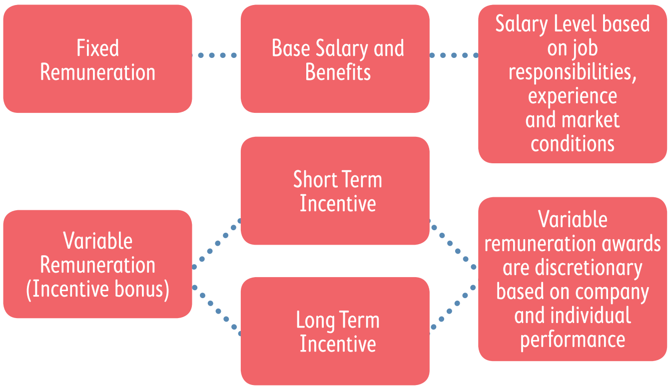
B.1.3.1 SHARE OPTIONS, SHARES OR VARIABLE COMPONENTS OF REMUNERATION

All remuneration packages consist of:

- a base salary
- annual incentive bonus
- retirement benefits and
- 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 the market rate for the role as defined by independent salary surveys.

Irish Life Health 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

Irish Life Health's remuneration policy does not include any supplementary pension or early retirement schemes for Board members or other key function holders.

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.

Irish Life Health plans to pay a dividend of €22.5m in respect of 2017 in Quarter 2 2018. No dividend was paid in 2017.

B.1.4 CONTROL FUNCTIONS

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

Each of the control functions reports to either the Board Audit or Risk Committee, and the relevant 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 Irish Life Health 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 review includes independent oversight of all forms of risk across all business divisions of Irish Life Health.

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 Irish Life Health 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, to the ILGL CRO for functional matters and to the Irish Life Health Managing Director for operating matters and day to day management.

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

The responsibilities of the Actuarial Function are set out in the Actuarial Function Mandate which is set by the Board Audit Committee and reviewed on an annual basis. The key 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 Irish Life Health'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 to the Irish Life Health 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 in Irish Life Health together with ILGL's Group Compliance Function.

The function is staffed by appropriately skilled and experienced compliance professionals. The Irish Life Health Compliance Officer is the PCF holder for the department. The Irish Life Health Compliance Officer has dual reporting lines to the ILGL Director of Group Compliance and to Irish Life Health management.

Irish Life Health's Compliance Officer also has a direct reporting line and responsibility to the Board Audit Committee for oversight matters.

The Compliance Function's key responsibilities are set out in the Compliance Function Mandate which is reviewed annually by the Board Audit Committee.

The Compliance Function's key responsibilities include:

> Establishing and maintaining a sound compliance framework for the independent oversight and management of Irish Life Health's regulatory compliance risks;

- Providing independent advice and guidance to Irish Life Health in relation to regulatory developments and other compliance matters including advice and oversight on new and changing regulatory requirements;
- Conducting compliance monitoring to assess the adequacy of and adherence to compliance requirements and procedures;
- Co-ordinating Irish Life Health's relationships with its prudential and conduct regulators;
- Reporting 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; and
- Providing training as required to Irish Life Health'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 Board Audit Committee on an annual basis.

Internal Audit prepares quarterly reports to the Board 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 Chief Internal Auditor ("CIA") for Irish Life Group has a direct reporting line and responsibility to the Chief Internal Auditor for Europe within the GWL group and to the Board Audit Committee for oversight matters. The Board Audit Committee has sufficient authority to promote independence and to ensure a broad audit coverage and adequate consideration of audit reports. The Board Audit Committee annually reviews and approves the mandate of the CIA, reviews and recommends the appointment/removal of the CIA to the board and annually assesses the performance of the CIA and the effectiveness of the Internal Audit function. The Board 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 Board Audit Committee, has the authority to communicate directly with the CIA. The CIA maintains direct and unrestricted access to the Board Audit Committee, and meets with the Chair of the Board Audit Committee on a regular basis, without management present. The CIA is responsible to the Managing Director of Irish Life Group for operating matters and day to day management.

The CIA mandate approved by the Board Audit Committee notes that the CIA 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 Irish Life Health Chief Financial Officer ("CFO") who reports to the Board Audit Committee on oversight matters and is a PCF for the Finance Function. The CFO is responsible to the Irish Life Health Managing Director for operational and day-to-day management.

The Irish Life Health Finance team report to the CFO and manage the financial control and reporting needs of the business. The Irish Life Health Finance team are supported by the ILGL Group Financial Control team.

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 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

Irish Life Health is committed to ensuring that all of the fit and proper requirements are met 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.

Irish Life Health also has in place a Fit and Proper Policy (the "F&P Policy") which is reviewed and approved annually by the 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 Irish Life Health or have other key functions within Irish Life Health, 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.

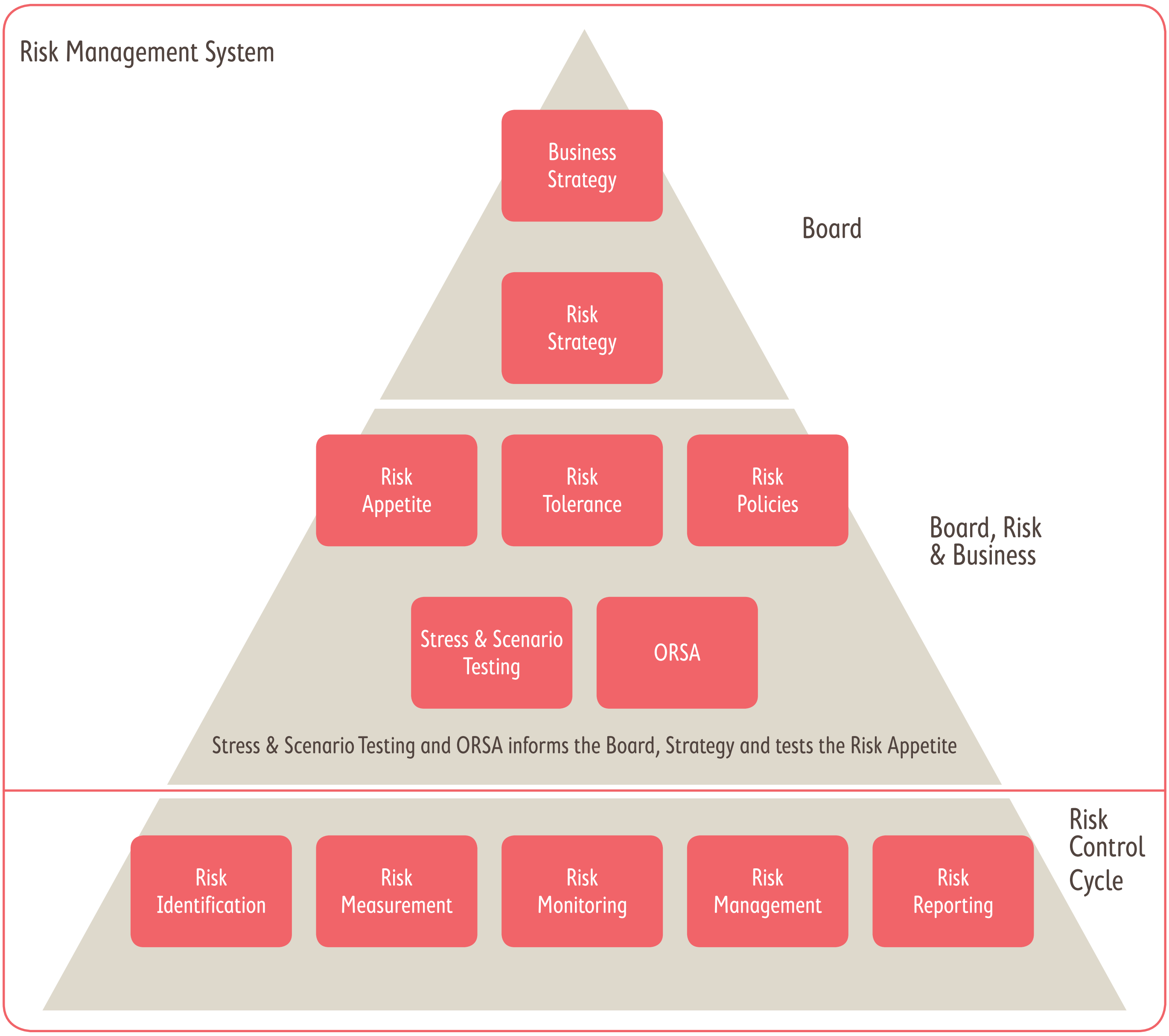
Most of the roles applicable to persons who effectively run the undertaking or have other key functions will be pre-approval controlled functions as defined in the Central Bank Reform Act 2010 (sections 20 and 22) Regulations. In addition to the internal due diligence conducted by Irish Life Health in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

Adherence to the Fitness and Probity standards and requirements is subject to annual reconfirmation by persons occupying roles which are subject to these requirements. If Irish Life Health becomes aware that there may be concerns regarding the fitness and probity of a person in a role subject to the F&P Policy, Irish Life Health will investigate such concerns and take appropriate action without delay. Irish Life Health will notify the Central Bank of Ireland 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 Irish Life Health, to understand how much risk is acceptable to the company and to manage these risks in accordance with Irish Life Health's risk appetite.

As per the diagram below, Irish Life Health'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 Irish Life Health is able to effectively carry out these tasks:

Identify	Risk identification is the structured analysis of any current and emerging risks which Irish Life Health 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 Irish Life Health'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 Irish Life Health's 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 and Key Risk Indicator 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 Irish Life Health manages its risks. The key elements of the ERM framework which are relevant to the reporting of risks are the annual Own Risk and Solvency 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 Irish Life Health. This approach helps Irish Life Health 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 Irish Life Health. 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 Irish Life Health's 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 Irish Life Health 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 CRO, as the head of the Risk Function, is a member of several committees. This allows the CRO to keep abreast of developments across the business, enabling steer, contribution and challenge on a wide variety of risk related matters.

B.3.2 RISK APPETITE

Irish Life Health's Risk Appetite Framework identifies risk strategy as a key driver in the development of business strategy. Irish Life Health achieves this by:

> Establishing a risk awareness culture that is ingrained in all business activities;
> - Based on a system of values and a strategy which reflects the company's collective sense of responsibility to fulfil customer promises and safeguard its financial strength and reputation while growing shareholder value;
> - Consistent tone from the top from the Board and senior management;
> - Embedded in a three lines of defence model;
> - Full accountability for all risk taking decisions.

> Employing a prudent approach to taking and managing risk with emphasis on:
> - Disciplined application of product and pricing standards and extensive testing of the risks involved in new products and offerings;
> - Conducting business to high standards of integrity based on the employee Code of Business Conduct and Ethics and sound sales and marketing practices to safeguard the group's reputation;
> - Diversification of suppliers and distribution channels and
> - Generating returns to maximise shareholder value and growing operations whilst maintaining a strong balance sheet.

Irish Life health

The key objectives constituting Irish Life Health's Risk Appetite Statement are:

> Strong capital position: Irish Life Health maintains a strong balance sheet and does not take risks that would jeopardise its solvency;
> Strong liquidity: Irish Life Health will maintain sufficient liquidity to pay claims and meet its financing obligations under normal and stressed conditions;
> Maintaining reputation: In all business activities, the potential impact on Irish Life Health's reputation is considered;
> Customers: Meeting customer needs and expectations is a core consideration in the design, distribution and administration of the Irish Life Health's products.

B.3.3 OWN RISK AND SOLVENCY ASSESSMENT

B.3.3.1 OWN RISK AND SOLVENCY ASSESSMENT

Irish Life Health embraces the 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.

A regular ORSA is carried out each year. A non-regular ORSA may be performed following the occurrence of a material event at an interim date between annual ORSA reports or following a significant change in the company's risk profile or appetite.

B.3.3.2 USE OF OWN RISK AND SOLVENCY ASSESSMENT IN DECISION MAKING

The annual ORSA process is an integral part of Irish Life Health's 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 Irish Life Health.

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 Irish Life Health.

B.3.3.3 OWN RISK AND SOLVENCY ASSESSMENT GOVERNANCE

The Board has put in place an ORSA Policy, which establishes roles and responsibilities in relation to completion of the ORSA. The Board, with significant support from the Board Risk Committee, owns and directs the ORSA, and reviews and approves the ORSA Policy annually. The CRO conducts the ORSA process, producing the ORSA report and maintaining the ORSA record. The Board and the Board Risk Committee steer this process.

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.3.4 KEY STEPS IN THE ORSA PROCESS

B.3.4.1 DEVELOP THE BUSINESS STRATEGY

The CFO presents the business strategy to the Board to be challenged and approved. The business plans are informed by the findings of the ORSA. This presentation includes a review of the key assumptions underlying the plan, including projected sales, expenses and new business margins. The Board considers the risks associated with the business strategy. Where the proposals include changes that may materially impact the risk profile of the business, those will be reviewed and analysed through an ORSA lens.

B.3.4.2 ASSESS THE APPROPRIATENESS OF THE STANDARD FORMULA

Irish Life Health use the Standard Formula to calculate the Solvency Capital Requirement ("SCR"), which is the amount of capital the company must hold under Solvency II regulations. As part of the annual ORSA process the Board evaluates the risk profile of the business based on the assumptions the underlying Standard Formula. This tests whether the use of the Standard Formula is appropriate for Irish Life Health's business. The assessment carried out in 2017 indicated that the Standard Formula is appropriate for Irish Life Health.

B.3.4.3 OWN SOLVENCY NEEDS ASSESSMENT

The Own Solvency Needs Assessment ("OSNA") is a quantitative assessment of the company's solvency position on a forward-looking basis, using both the Solvency II regulations and using Irish Life Health's own view.

B.3.4.4 SELECT STRESS TESTS

The Board, supported by the Risk Function, sets the stress and scenario tests to be considered as part of the ORSA. The stress tests will be forward looking while also taking experience in to account. Irish Life Health considers the impact of the stress tests on the business strategy.

B.3.4.5 PRODUCE THE ORSA REPORT

The Risk Function produces an ORSA report and the CRO and the Head of Actuarial Function present it to the Board. The report includes a solvency projection under the base assumptions as well as the result of the stress tests and an analysis of the results. The base assumptions will be consistent with the Board-approved business plans. The report will note any material changes in the company's risk profile since the previous ORSA and will analyse the projected changes in the company's risk profile over the projection period. The Board reviews and challenges the report. Irish Life Health submits the final report approved by the Board to the Central Bank of Ireland.

B.3.4.6 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 Irish Life Health to hold 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.3.4.7 ADDRESSING ORSA FINDINGS

The ORSA may generate recommendations such as risk mitigation initiatives or adjustments to business plans. Irish Life Health assign these actions as appropriate and the Risk Function reports to the Board regularly on our progress in addressing them.

B.3.4.8 COMMUNICATING ORSA RESULTS

The Risk Function communicates the results from the ORSA to the business as appropriate.

B.3.4.9 EMBEDDING THE ORSA WITHIN DECISION MAKING

Any significant new initiatives planned by Irish Life Health, such as product development or acquisitions, must be brought to the Board for approval. As part of the assessment of significant new initiatives, Irish Life Health Management analyses the impact of these on the ORSA and presents their findings to the Board for consideration as part of the approval process.

B3.4.10 REVIEWING RISK POLICIES

The Board reviews and approves all risk policies each year. The review considers any relevant outcomes from the ORSA process.

B.4 INTERNAL CONTROL SYSTEM

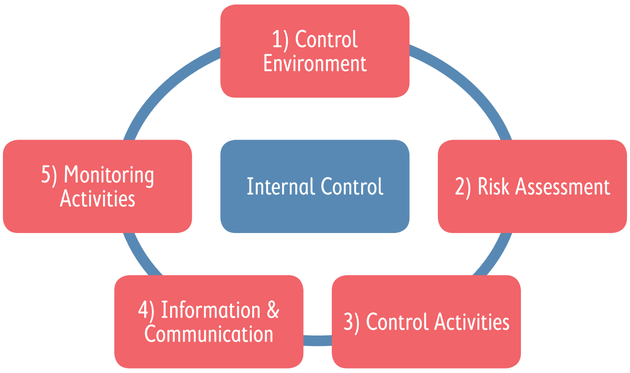
B.4.1 INTERNAL CONTROLS SYSTEM

Irish Life Health maintains an internal control framework which is a set of processes defined by the Board, 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 and management reporting and
> compliance with applicable laws and regulations.

Irish Life Health'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 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.

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 Internal 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 Irish Life Health's Own Solvency Needs Assessment and the ORSA process.

B.7 OUTSOURCING

Irish Life Health outsources services such as I.T. solutions and investment management in a controlled manner. Outsourcing allows Irish Life Health to increase, and decrease, operational capacity based on cyclical business cycles when needed. Where functions and activities of Irish Life Health 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.

Irish Life Health ensures that delegated authorities to the outsourcer are clear, that there are service level agreements 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. Irish Life Health maintains a register of outsourcing arrangements.

All material outsourcing arrangements must be approved by the ILGL Group Operational Risk Committee ("GORC") prior to implementation. Proposed service providers for material outsourcing 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 of commencement.

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.

The Outsourcing Policy is a Board-approved policy that sets out the principles and requirements for managing outsourcing arrangements.

This Policy sets out the following general principles for identifying and managing outsourcing risks:

> outsourcing arrangements must be identified and assessed based on their materiality outsourcing arrangements must be appropriately approved

> the capability of proposed service providers for material outsourcing must be thoroughly evaluated

> outsourcing contracts for material outsourcing must contain certain mandatory terms and conditions

> material outsourcing arrangements must be effectively monitored and controlled by senior management and the GORC, with oversight from the Board Risk Committee.

Irish Life Health has five material outsourcing arrangements in place. Three of these are external to the wider Irish Life group.

Outsourcing Service Provider	Service Provided	Internal / External	Jurisdiction
Abtran ULC	Customer management solutions	External	Ireland
Xchanging Software Europe Limited	IT solutions	External	Wales
Irish Life Group Limited	Internal Audit	Internal	Ireland
Canada Life Asset Management Limited	Investment management	Internal	UK
Forward Emphasis International	Customer management solutions	External	Ireland

B.8 ANY OTHER INFORMATION

No items to note.

C. Risk Profile

C. RISK PROFILE

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

Irish Life Health also monitors a set of specific risks on a regular basis through the risk monitoring framework. This enables Irish Life Health to assess its risks, to define which risks and what level risk it is prepared to accept and to assess the adequacy of planned mitigating actions.

Irish Life Health controls the way it accept risks, using its expertise to manage its risks and create shareholder value from them. The Board approves Irish Life Health's risk appetite at least once a year.

C.1 UNDERWRITING RISK

Insurance (underwriting) risk arises from Irish Life Health's obligations to customers from their health insurance policies. The risk to Irish Life Health is the risk of loss due to higher than expected claims on health insurance policies.

As a registered undertaking under the Health Insurance Act 1994, Irish Life Health complies with Open Enrolment. This means that Irish Life Health must accept all applicants, 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.

Irish Life Health assesses and mitigates its insurance risk using the following approaches:

> Irish Life Health has a Pricing Policy which is approved by the Board and defines the company's risk appetite for pricing risk.

> Irish Life Health uses reinsurance to reduce its exposure to insurance risk. The Reinsurance Strategy is agreed with the Board annually.

Irish Life Health's Management Risk Forum monitors the risks within Irish Life Health.

Reinsurance strategy

Irish Life Health operates exclusively within Ireland, and a significant portion of the Irish population resides in the greater Dublin area. Therefore, Irish Life Health's insurance risk exposure is relatively concentrated in a global geographical sense.

Other than this geographical concentration, Irish Life Health's risks are not considered to be concentrated as the company's exposure relates to 411,000 lives requiring hospital treatment or incurring other medical expenses covered by their plans.

Overall, Irish Life Health does not consider concentration risk to be a significant risk.

Risk sensitivities

Results of sensitivity testing 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 in 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 Irish Life Health's 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, asset liability matching, liquidity risk management and credit and currency risk management.

The Investment Policy details the governance arrangements in place and sets out the principles for the investment of Irish Life Health's assets. The Board retains overall responsibility for the policy, and the Finance Function and the investment manager are responsible for monitoring compliance with the policy and reporting to the EMC and BRC.

Interest rate risk

Irish Life Health's investments are in cash, short-term bank deposits, short-term fixed interest assets and other short term investments. Of the market risks listed above, only interest rate risk is relevant to the business.

Risk concentration and risk mitigation

While the short duration of assets and liabilities limits Irish Life Health's exposure to this risk, Irish Life Health manages interest rate risk by adopting asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Risk sensitivities

Results of sensitivity testing 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.

Irish Life Health is exposed to three main sources of credit risk: default of its bank and reinsurance counterparties, default of its customers where premiums are overdue, and default of issuers of fixed interest investments which it has invested in.

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 Irish Life Health's aggregated credit risk exposure to its largest counterparties at 31 December 2017 and 31 December 2016. During 2017 management of investments was outsourced to CLAM resulting in a more favourable credit risk position at year end.

31 December 2017						
	AAA	AA	A	BBB	Not Rated	Total
Reinsurance Asset	-	253,327	-	-	-	253,327
Cash and Cash Equivalent	20,077	12,539	2,299	7,334	-	42,249
Debt Instruments	60,787	35,645	13,446	-	-	109,878

31 December 2016						
	AAA	AA	A	BBB	Not Rated	Total
Fixed Deposits	-	-	90,406	14,478	-	104,884
Reinsurance Assets	-	179,678	-	-	-	179,678
Cash and Cash Equivalent	-	-	-	34,932	-	34,932

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

31 December 2017	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
Reinsurance Asset	253,327	-	-	-	-	253,327
Receivables	223,867	21,987	2,709	1,239	250	250,052

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
Reinsurance assets	179,678	-	-	-	-	179,678
Receivables	173,761	2,237	136	32	62	176,318

Risk Mitigation

Irish Life Health has a low appetite for credit risk. With the exception of funds held in bank current accounts, all counterparties have a credit rating of A or higher.

Concentrations of credit risk

Irish Life Health is not generally individually exposed to significant concentrations of general credit risk due to its Investment Policy which limits investments in individual assets and asset classes.

Reinsurance credit exposures

Irish Life Health operates on a funds withheld basis (i.e. any net balance owed to the reinsurer is held by the company) with its primary reinsurer which significantly reduces any potential credit exposure.

Counterparty exposures

In 2017 Irish Life Health reviewed its approach to investment management in order to leverage the broader Great-West Life Group expertise.

A new investment approach has been adopted in order to:

> Reduce investment risk through creating a more diversified portfolio across multiple asset classes.

> Ensure the overall capital and governance benefits are sufficient to offset the additional cost of engaging an Investment Manager and Custodian.

Risk Sensitivities

Results of sensitivity testing are set out in section C.7.

C.4 LIQUIDITY RISK

Irish Life Health 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 Irish Life Health.

Maturity periods

The following table provides an analysis of assets into their relevant maturity groups based on the remaining period at 31 December 2017 (or 31 December 2016 for the second table) to their contractual maturities.

At 31 December 2017				
€'000	Total	Within 1 year	1-5 years	5-10 years
Cash and Cash Equivalent	42,249	42,249	-	-
Debt Instruments	109,878	109,878	-	-
Reinsurance Assets	253,327	240,449	12,866	11

At 31 December 2016				
€'000	Total	Within 1 year	1-5 years	5-10 years
Cash and Cash Equivalent	34,932	34,932	-	-
Fixed Deposits	104,833	104,883	-	-
Reinsurance Assets	179,678	171,723	7,896	59

Analysis of expected maturity of insurance liabilities

The following table shows the gross insurance liability as reported in the financial statements at 31 December 2017 and 31 December 2016 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 2017	351,705	328,910	22,780	15
31 December 2016	278,453	266124	12,237	92

Expected Profit Included in Future Premiums

The expected profit included in future premiums (calculated on an earned basis) as at 31 December 2017 is €35.5m.

The expected profit included in future premiums contributes to Irish Life Health's own funds and therefore increases the amount of assets available to cover SCR. The SCR also increases as a result of recognising these future profits, as the Standard Formula SCR calculation allows for the impact stress events on the future profits.

The expected profit included in future premiums is not considered in Irish Life Health's assessment of its liquidity position as it is not a liquid asset.

C.5 OPERATIONAL RISK

Operational risk arises as a result of inadequate or failed internal processes, people or systems, or from external events. Operational risk includes all risks the company is exposed to, other than the financial risks described above, and other risks such as strategic risks that are considered elsewhere. This means that 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 Managing Director. This is in accordance with the 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, Irish Life Health 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.

Material Operating Risks:

Irish Life Health's operational risk profile as of 31 December 2017 was dominated by:

> Taking steps to ensure compliance General Data Protection Regulation (GDPR) when it comes into effect in 2018;
> Reliance on key outsourcing partnerships;
> Unknown Government intervention.

Risk Sensitivities

Results of sensitivity testing are set out in section C.7.

C.6 OTHER MATERIAL RISKS

Brand Value Risk

Irish Life Health recognises that its long-term sustainability depends upon the protection of its brand and relationship with customers. Irish Life Health aims to always treat customers 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 Health 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

Irish Life Health uses sensitivity testing to understand the volatility of earnings and the volatility of the company's capital position.

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. The sensitivity tests are set out below:

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 ± 0.5% (e.g. if a current interest rate is 5%, it is the impact of an immediate change to 4.5% and 5.5%). The test allows for the impact on the value of Irish Life Health's assets and liabilities.
Policy Lapse Rate	Underwriting Risk	The impact of a change in mid-term cancellation rates by ± 10% (i.e. the sensitivity is assessed by stressing the mid-term cancellation rate to 90% and 110% of the best estimate rate).
Gross claims ratio	Underwriting Risk	The impact of an increase in gross claims ratio for health insurance business by 5% (i.e. the sensitivity is assessed by stressing the gross claims ratio to 105% of the best estimate rate).
Credit downgrade	Credit Risk	The impact of a one credit quality step downgrade to the largest deposit counterparty.
Operational Risk SCR	Operational Risk	The impact of a 10% increase to the operational risk SCR.
Credit spread risk	Market risk	The impact of a 0.5% increase in market credit spreads (e.g. if a current spread rate is 2%, it is the impact of an immediate change to 2.5%).

The sensitivity results are calculated using Irish Life Health's financial models. The results of the sensitivity tests are shown below, compared (where possible) to the results published in the 2016 SFCR.

	Sensitivity impacts on Solvency Ratio, Own Funds, and SCR as at 31 December 2017				Comparison to 2016 sensitivity	
	Solvency Ratio	Impact on Solvency Ratio	Impact on Own Funds (€'000)	Impact on SCR (€'000)	Impact on Solvency Ratio 2017	Impact on Solvency Ratio
Baseline (31 December position)	150.0%					
0.5% increase in interest rates	151.2%	1.2%	440	(74)	1.2%	0.6%
0.5% fall in interest rates	148.8%	-1.2%	(459)	77	-1.2%	-0.7%
10% increase in policy lapse rates	149.8%	-0.3%	(109)	15	-0.3%	Not comparable to last year due to change in how the sensitivity is applied
10% reduction in policy lapse rates	150.3%	0.3%	100	(14)	0.3%	
5% deterioration in claims experience	126.1%	-24.0%	(9,660)	1,375	-24.0%	
Credit downgrade	149.7%	-0.4%	0	112	-0.4%	-18.90%
10% increase in operational risk SCR	146.5%	-3.6%	0	1,155	-3.6%	-3.10%
0.5% increase in credit spreads	149.7%	-0.3%	(133)	19	-0.3%	No spread risk in 2016

The sensitivity of the company to a downgrade of its largest deposit counterparty has reduced significantly since 31 December 2016 due to the diversification of investments as a result of the new investment strategy implemented in 2017.

The company's most significant risk exposure is to claims experience. Acceptance of this risk is in line with the company's business strategy and risk appetite.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while 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.

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D. Valuation for Solvency Purposes

D.1 ASSETS

The Sections below include information regarding the Irish Life Health's valuation of assets for Solvency II purposes including (for each material class of assets). The information provided includes:

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

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

D.1.1 VALUATION DIFFERENCES - SOLVENCY II V FINANCIAL STATEMENTS

The table below shows the value of the assets as reported in the company's Solvency II balance sheet as at 31 December 2017 compared to the values reported in the company's financial statements for each material class of asset.

Asset Description €000s	Notes (see Valuation bases, methods and main assumptions)	Solvency II basis 31.12.2017	Financial Statements 31.12.2017	Difference 31.12.2017
Property and Equipment		549	549	-
Investments	Note 1	133,290	109,878	23,412
Deferred acquisition costs	Note 2	-	14,243	(14,243)
Deferred tax assets		-	33	(33)
Reinsurance recoverable	Note 3	67,725	253,327	(185,601)
Insurance and intermediaries receivables	Note 4	7,878	250,052	(242,174)
Receivables (trade, not insurance)	Note 5	58	-	58
Cash and cash equivalents	Note 6	18,541	42,249	(23,708)
Any other assets, not elsewhere shown	Note 7	-	118,138	(118,138)
Total assets		**228,042**	**788,469**	**(560,427)**

The table below shows the equivalent values as at 31 December 2016.

Asset Description €000s	Solvency II basis 31.12.2016	Financial Statements 31.12.2016	Difference 31.12.2016
Investments	104,818	104,883	(65)
Deferred tax assets	-	43	(43)
Deferred acquisition costs	-	12,168	(12,168)
Reinsurance recoverable	62,144	179,678	(117,534)
Insurance and intermediaries receivables	3,329	176,299	(172,970)
Receivables (trade, not insurance)	19	19	-
Cash and cash equivalents	34,932	34,932	-
Any other assets, not elsewhere shown	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 shown in Section D.1.1 further information is included in the notes below on the valuation basis for Solvency II purposes. Any material differences between the valuation bases, methods and main assumptions used for Solvency II and those used for the financial statements are also discussed below. There are no material assumptions or judgements used in the valuation of assets and no significant sources of estimation uncertainty which would affect the value of the assets.

Note 1: Investments

Investments consist of a portfolio of government and corporate bonds (85%) and holdings in money market funds (15%). In 2016 all investments held fell under the category of 'Deposits other than cash equivalents'.

As required under IFRS 13 (Fair Value Measurement), our annual audited statutory financial statements disclose how we value assets and liabilities across level 1, 2 and 3. This is the fair value hierarchy.

- Level 1: fair value measurements based on quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: fair value measurements based on inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements based on valuation techniques that include inputs for the asset and liability that are based on unobservable market data.

Irish Life Health deposits with credit institutions, cash and cash equivalents and bank overdrafts are classified under level 1, with debt instruments classified under level 2. There are no level 3 assets held.

Solvency II purposes:	Financial Reporting purposes:
Investments are valued at their face value plus accrued interest.	There are no valuation differences between Solvency II and the financial statements. However there are a number of reclassifications, which result in a difference between the Solvency II and the financial statements.

Solvency II purposes:	Financial Reporting purposes:
Investments are valued at their face value plus accrued interest.	The main classification differences are: > Accrued Interest from 'Investments' under Solvency II to 'Other Assets' in the financial statements. > Holdings in Money Market Funds from 'Investments' under Solvency II to 'Cash and Cash Equivalents' in the financial statements. > Commercial Paper from 'Investments' under Solvency II to 'Cash and Cash Equivalents' in the financial statements.

Note 2: Deferred Acquisition Costs ("DAC")

Solvency II purposes:	Financial Statements purposes:
In line with Solvency II regulations, DAC is 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 3: Reinsurance Recoverable

The reinsurance recoverable consists of reinsurers' share of technical provisions. The valuation of the reinsurance recoverable is discussed in Section D.2.

Note 4: Insurance & intermediaries receivables

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

Solvency II purposes:	Financial Statements purposes:
Insurance and intermediaries receivables relate to outstanding premiums which are overdue from policyholders.	Insurance and 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 5: Receivables (trade, not insurance)

Includes amounts receivables from group entities.

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

Note 6: Cash and cash equivalents

Cash and cash equivalents includes investment bank account and cash at bank.

Solvency II purposes:	Financial Statements purposes:
Cash and cash equivalents are valued at their face value.	There are no differences with the Solvency II valuation basis. There are, however, a number of recognition differences with the following reclassifications: > Holdings in Money Market Funds from 'Investments' under Solvency II to 'Cash & Cash Equivalents' in the financial statements. > Commercial Paper from 'Investments' under Solvency II to 'Cash and Cash Equivalents' in the financial statements. > Bank Overdraft from 'Cash and Cash Equivalents' under Solvency II to 'Liabilities' in the financial statements.

Note 7: Any other assets, not elsewhere shown

Any other assets, not shown elsewhere on the Statement of Financial Position.

Solvency II purposes:	Financial Statements purposes:
Recorded as part of technical provisions.	Valued based on the amount expected to be received or earned in the future.

D.1.3 ITEMS NOT IN SCOPE

The following requirements in the EIOPA Level 3 - Guidelines on reporting and public disclosure as outlined in 'Guideline 7 Content by material classes of assets' are not applicable to Irish Life Health 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 leases: 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 an 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

Technical provisions are calculated before allowing for reinsurance and the impact of reinsurance is separately allowed for in the reinsurance recoverable.

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

Irish Life Health only writes health insurance so has just one line of business. All of Irish Life Health's policies are classified as medical expenses insurance under Solvency II.

The value of technical provisions and reinsurance recoverable is shown below as at 31 December 2017:

Liability Description €000s	Gross	Recoverable from Reinsurance	Net
Claims provisions	82,556	62,218	20,338
Premium provisions	(104,166)	5,507	(109,672)
Best estimate technical provisions	(21,609)	67,725	(89,335)
Risk margin	4,052	0	4,052
Total technical provisions	(17,557)	67,725	(85,282)

The technical provisions and reinsurance recoverable as at 31 December 2016 are shown in the table 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)

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The movement in technical provisions over 2017 has been impacted by factors including claims payments, changes in business volumes and changes in claims and risk equalisation experience over the period.

The methodology used in calculating technical provisions is described in the sections 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 Irish Life Health's obligations under its policies.

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

The BETPs include the claims provision and the 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 business at the valuation date.

D.2.1.2 BEST ESTIMATE REINSURANCE RECOVERABLE

The reinsurance recoverable in respect of both claims provisions and premium provisions has been calculated by applying the quota share in the reinsurance contract to the best estimate of premium and claims cash flows and allowing for expected reinsurance costs and profit commission, on a best estimate basis.

Irish Life Health does not have any reinsurance arrangements with special purpose vehicles.

D.2.1.3 RISK MARGIN

The risk margin is intended to represent the premium which another insurer would require for taking on Irish Life Health'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 Irish Life Health'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 RECOVERABLE: BASES, METHODOLOGY AND ASSUMPTIONS

D.2.2.1 CLAIMS PROVISIONS - BASES, METHODOLOGY AND ASSUMPTIONS

Overview

Claims provisions include the present value of expected future claim costs in respect of claim events which have already occurred. Irish Life Health's claims provisions include the following components:

- Outstanding Claims Reserve: This reserve is held for all claims that are recorded on Irish Life Health's system but have not yet been paid.
- Incurred but not Reported ("IBNR") Reserve: This is a reserve for historic claims that have not yet been reported to the company.
- Events not in Data Reserve ("ENID"): This is an additional reserve in respect of reasonably foreseeable events that are not included in the company's data because they have not occurred in the past, and are not otherwise considered in the company's calculation of technical provisions.
- Claims Handling Expense Reserve: This is a reserve to cover the expected expenses relating to the future handling of all outstanding and IBNR claims.
- Hospital Bed Utilisation Credit ("HBUC"): This is a recovery from the risk equalisation fund that depends on the number of overnight stays or day cases in hospitals. The claims provisions reflect the expected recovery of this credit from the risk equalisation fund.

Outstanding Claims Reserve

This reserve is based on the expected amount payable based on the amount invoiced by the hospital (allowing for any elements that have been declined or adjusted) or claimed by the customer.

Incurred but not Reported Reserve

This reserve is calculated by estimating the claims frequency (number of claims/number of customers insured) and average cost of claim for each historic treatment month and then deducting total claims already incurred (including claims already paid and claims included within the outstanding claims reserve) for that treatment month.

The reserve is calculated separately for different sub-categories of claims that have broadly similar experience.

Claims frequency and average cost are estimated using assumptions about future claims development which are determined by considering historical claims development patterns and other relevant information.

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.

Claims Handling Expense Reserve

The Claims Handling Expense Reserve is calculated by estimating the expected expenses associated with claims handling, including both expenses directly related to claims handling and a share of overhead expenses.

HBUC

The expected HBUC cash flow is calculated based on the expected claims.

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 in-force coverage period of in force policies. The cash flow projections comprise the best estimate of future claims and expenses and expected future premiums on existing policies, and take into account the time value of money.

Methodology

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

> Future premium receivable;

> Cash flows resulting from future claims;

> Cash flows arising from future risk equalisation costs and credits; and

> Expected future maintenance expenses.

The best estimate includes all future cash-flows associated with legally obliged but not incepted business. The valuation of premium provisions takes account of future policyholder behaviour such as the likelihood of mid-term cancellation.

Assumptions

The premium provision cash flows are derived from Irish Life Health's assessment of the profitability of business written in 2017. 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 Irish Life Health's current expense base. It includes administrative expenses, claims management expenses, reinsurance costs and overheads. Expenses are projected on the assumption that Irish Life Health continues to write new business.

D.2.3 LEVEL OF UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS

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

(a) Change in product mix, profile of customers, medical inflation, newly emerging claim types which 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;

(b) Future expenses may be higher or lower than expected;

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

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

D.2.4 DIFFERENCES BETWEEN SOLVENCY II TECHNICAL PROVISIONS AND VALUATION OF LIABILITIES FOR THE FINANCIAL STATEMENTS

Liability Description €000s	Solvency II basis 31.12.2017	Financial Statements 31.12.2017	Difference 31.12.2017
Premium provisions	(109,672)	68,772	(178,445)
Gross	(104,166)	254,713	(358,878)
Total recoverable from Reinsurance	5,507	185,941	(180,434)
Claims provisions	20,338	29,606	(9,268)
Gross	82,556	96,992	(14,436)
Total recoverable from Reinsurance	62,218	67,386	(5,168)
Risk margin	4,052	-	4,052
Total Technical Liabilities – Gross	(17,557)	351,705	(369,262)
Total Technical Liabilities – Net	(85,282)	98,378	(183,661)

The premium provision on the financial statements 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 on a best estimate basis and allows for expected future cash in-flows (premiums and risk equalisation credits) and cash out-flows (claims, risk equalisation costs and expenses), as discussed in Section D.2.2.2 above. As discussed in Sections D.1 and D.3, there are also differences in the valuation of some other assets and liabilities between IFRS and Solvency II, to reflect that some of the cash flows allowed for in the Solvency II technical provisions are reflected in other assets and liabilities in the IFRS financial statements. The difference in the premium provision combined with these other differences results in future profits being recognised on the Solvency II basis. However, under Solvency II the value of expected future profit recognised must be stressed within the calculation of the Solvency Capital Requirement (as discussed in Section E.2 below).

The claims provision on the financial statements basis includes 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.

In addition, the expected HBUC recoveries are included in claims provisions under Solvency II and in other assets in IFRS.

The risk margin is not held on the financial statements basis.

D.2.5 LONG-TERM GUARANTEE MEASURES

Irish Life Health does not apply the matching adjustment or the volatility adjustment for calculating technical provisions.

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

D.2.6 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 seen in the past will be appropriate for the future.

For premium provisions, the assessment of expected future profit from business written prior to the valuation date has been updated to reflect Irish Life Health's latest best estimate assessment of future claims and expense levels taking into account recent experience, historical trends and other relevant information.

D.3 OTHER LIABILITIES

Set out below is information regarding Irish Life Health'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 used for the financial statements; and

b. Valuation bases, methods and main assumptions used for Solvency II and those used for financial statements for the financial year ended 31 December 2017.

D.3.1 VALUATION DIFFERENCES - SOLVENCY II V FINANCIAL STATEMENTS

The table below shows the value of the liabilities as reported in the company's Solvency II balance sheet compared to the values reported in the company's financial statements for each material class of liability.

Other Liability €000s	Notes (see Valuation bases, methods and main assumptions)	Solvency II basis 31.12.2017	Financial Statements 31.12.2017	Difference 31.12.2017
Deferred tax liabilities	Note 1	3,078	-	3,078
Bank overdraft	Note 2	-	1,331	(1,331)
Reinsurance payables	Note 3	75,857	258,029	(182,171)
Provision	Note 4	423	447	(24)
Other liabilities	Note 5	72,459	104,957	(32,498)
Total Other Liabilities		**151,818**	**364,764**	**(212,945)**

D.3.2 VALUATION BASES, METHODS AND MAIN ASSUMPTIONS

For each material class of liability shown in Section D.3.1, further information is included in the notes below on the valuation basis for Solvency II purposes. Any material differences between the valuation bases, methods and main assumptions used for Solvency II and those used for the financial statements are also discussed below. There are no material assumptions or judgements used in the valuation of these liabilities and no significant sources of estimation uncertainty which would affect the value of these liabilities.

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

Note 1: Deferred Tax Liability

Solvency II purposes:	Financial Statements purposes:
The company's net assets under Solvency II are higher than on the financial statements, due to the valuation differences described above. Irish Life Health is subject to tax on profits as calculated in its financial statements. This means that the additional profits recognised on the Solvency II basis have not yet been subject to tax, but will be taxed when they emerge in the future on the financial statements basis. The deferred tax liability reflects the future tax expected to be payable based on the Solvency II valuation.	No deferred tax liability arises on the financial statements balance sheet.

Note 2: Bank Overdraft

Solvency II purposes:	Financial Statements purposes:
Bank Overdraft is valued at face value.	The approach is the same as that described for Solvency II. There are no differences with the Solvency II recognition and valuation basis apart from the following: > Cash & Cash Equivalents is shown net of bank overdraft for Solvency II.

Note 3: Reinsurance payables

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

Solvency II purposes:	Financial Statements purposes:
Reinsurance payables represent the balance due to reinsurers in respect of outstanding reinsurance premiums and funds withheld by Irish Life Health which back the reinsurance recoverable.	The approach is similar to that described for Solvency II. The difference in the value noted in the table above arises as a result of the reinsurance impact of the varying accounting differences for technical provisions between Solvency II and Financial Statements outlined in section D.2.4.

Note 4: Provisions

Provisions relate to existing and additional provisions in 2017 and reflect the best estimate of the expenditure required to settle any present legal obligations as at the 31 December 2017.

Solvency II purposes:	Financial Statements 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. We do not believe the settlement value will differ significantly from the amount we have estimated.	The approach is similar to that described for Solvency II. There are no material differences with the Solvency II recognition and valuation basis.

Note 5: Other Liabilities

Other liabilities include liabilities not elsewhere shown on the Statement of Financial Position, for example intercompany liabilities, other taxation balances (PAYE) and accruals.

Solvency II purposes:	Financial Statements purposes:
Payables are recorded on an accruals basis. The unearned portion of the risk equalisation premium credit is removed for Solvency II purposes.	There are no material differences with the Solvency II recognition and valuation basis.

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 Irish Life Health 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

The valuation of assets and liabilities is discussed in Sections D.1, D.2 and D.3 above. There are no alternative methods to note.

D.5 ANY OTHER INFORMATION

No items to note.

E. Capital Management

E.1 OWN FUNDS

This Section provides information regarding Irish Life Health's own funds as at 31 December 2017 and the policies and processes employed for managing own funds to meet all of Irish Life Health's regulatory capital requirements.

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. Own funds are divided into three tiers based on their permanence, and how well they can absorb losses. Tier 1 own funds are of the highest quality. All of Irish Life Health's own funds are tier 1.

Irish Life Health manages its own funds so that its solvency position stays within a targeted range as specified in its risk management framework. The range targeted has sufficient coverage above the SCR to ensure the company is able to meet all of its ongoing financial liabilities. Irish Life Health'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.

There have been no material changes in Irish Life Health's approach to managing its own funds over the reporting period.

E.1.1 COMPONENTS OF OWN FUNDS

The table below sets out the approach Irish Life Health takes to valuing its own funds and Irish Life Health's assessment of each component of own funds.

Solvency II Own Funds item	How Own Funds item is valued (according to Solvency II rules)	Assessment
Ordinary share capital	Valued in accordance with Article 75 of the Solvency II Directive.	This is the share capital and share premium, based on the company's financial statements.
Share premium account related to ordinary share capital		All of the company's share capital and share premium is classed as tier 1 unrestricted.
Reconciliation Reserve	Valued in accordance with Article 70 of the Delegated Act.	The reconciliation reserve equals the excess of assets over liabilities from the company's Solvency II balance sheet. For Irish Life Health, the reconciliation reserve is reduced by the following amounts: · Planned dividends · The basic own funds item listed above (ordinary share capital and share premium) In line with Article 69 of the Delegated Act, all of the reconciliation reserve is classified as tier 1 unrestricted. The reconciliation reserve will vary over time based on the experience of the company, including the claims experience, expense levels, risk equalisation impact and the impact of writing new business in the future.

The table below shows the company's own funds as at 31 December 2017 and as at 31 December 2016.

Own Funds €000s	31.12.2017	31.12.2016
Ordinary Share Capital	9	9
Share Premium Account	**12,441**	**12,441**
Reconciliation Reserve	58,831	50,023
Tier 1 Unrestricted	71,281	62,473
Tier 1 Restricted	0	0
Tier 2	0	0
Tier 3	**0**	**0**
Available and Eligible Own Funds	71,281	62,473

Changes in own funds in 2017

Overall, own funds have increased by €8.8m in 2017. This increase in own funds allows for the planned dividend payment of €22.5m.

The increase in own funds is mainly due to profits which emerged from Irish Life Health's business, partly offset by the planned dividend payment.

Future own funds movements

Movements in the company's own funds in the future will depend on a number of factors including the company's experience and the dividends that the company decides to pay. Irish Life Health intends to manage its own funds so that its solvency position stays within a targeted range, as discussed at the beginning of Section E.1.

Deductions and Restrictions

There are no deductions from own funds. There are no significant restrictions on the transferability of own funds.

Limits on eligibility of capital

The limits on eligible Tier 2 capital, Tier 3 capital and restricted tier 1 capital have no impact on Irish Life Health's eligible own funds to cover the SCR.

Irish Life Health's own funds are all unrestricted Tier 1 capital and are fully eligible to cover the SCR and the Minimum Capital Requirement ("MCR").

E1.2 ELIGIBLE OWN FUNDS TO COVER SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The table below shows Irish Life Health's eligible own funds to cover the SCR and MCR as at 31 December 2017 and 31 December 2016.

Own Funds €000s	31.12.2017	31.12.2016	Difference
Tier 1 Unrestricted	**71,281**	**62,473**	**8,808**
Eligible own funds to meet SCR	71,281	62,473	8,808
Solvency Capital Requirement	47,508	44,469	3,039
Solvency Ratio	150.0%	140.5%	9.5%
Minimum Capital Requirement	11,877	11,117	760
Eligible own funds as a percentage of MCR	600.2%	561.9%	38.3%

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

Irish Life Health prepares financial statements under IFRS rules. As at year-end 2017, the difference between the equity in the financial statements and the Solvency II own funds is as follows:

€000s	31.12.2016
Net Assets as per financial statements	72,000
Removal of DAC	(14,243)
Addition of Future Profits	35,479
Removal of margin for uncertainty in financial statements	7,185
Addition of Risk Margin	(4,052)
Impact of Deferred Tax	(3,078)
Other	490
Allow for assumed dividend in Solvency II own funds	(22,500)
Solvency II Eligible Own Funds	71,281

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 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 and DAC, there is a difference in the deferred tax.

> These impacts are then offset by the fact that the Solvency II annual return allows for the assumed dividend in own funds as a foreseeable dividend, whereas this dividend is not reflected in the financial statements.

E.1.4 TRANSITIONAL ARRANGEMENTS

Irish Life Health does not avail of any Solvency II transitional arrangements relating to own funds.

E.1.5 ANCILLARY OWN FUNDS

Irish Life Health does not have any ancillary own fund items.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

Irish Life Health calculates the 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 are relevant for Irish Life Health:

> Health underwriting (non-SLT)

> Market;

> Counterparty (default).

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

The SCR and MCR at 31 December 2017 and 31 December 2016 are shown below:

€000s	31.12.2017	31.12.2016	Difference
Solvency Capital Requirement	47,508	44,469	3,038
Minimum Capital Requirement	11,877	11,117	760

Irish Life Health 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 2017 and 31 December 2016 is shown below:

€000s	31.12.2017	31.12.2016
Market risk	974	9,151
Counterparty default risk	3,346	7,246
Life underwriting risk	0	0
Health underwriting risk	40,122	28,242
Non-life underwriting risk	0	0
Diversification	(3,087)	(10,019)
Intangible asset risk	0	0
Basic Solvency Capital Requirement	41,354	34,620
Operational Risk	11,554	9,849
Loss-absorbing capacity of deferred taxes	(5,401)	0
Solvency Capital Requirement	47,508	44,469

E.2.2 USE OF SIMPLIFIED METHODS

Every stress used to calculate the overall SCR for Irish Life Health 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 health underwriting risk lapse risk sub module, a simplified method was used and the calculation was performed at product group level rather than on an individual policy level.

E.2.3 UNDERTAKING SPECIFIC PARAMETERS

Irish Life Health does not use undertaking specific parameters.

E2.4 CALCULATION OF THE MINIMUM CAPITAL REQUIREMENT

Under Solvency II, the MCR is calculated using a formula set out in the Delegated Act and is subject to a minimum of 25% of the SCR and a maximum of 45% of the SCR. For Irish Life Health, the minimum value of the MCR of 25% of the SCR applies.

> As at 31 December 2017 the MCR of €11.9m is 25% of the Solvency Capital Requirement of €47.5m.

> As at 31 December 2016 the MCR of €11.1m is 25% of the Solvency Capital Requirement of €44.5m.

E2.5 MATERIAL CHANGES DURING THE REPORTING PERIOD

During 2017, the SCR increased by €3.0m. The increase in the SCR was mainly due to an increase in Health Underwriting Risk partly offset by a reduction in Market Risk and Counterparty Risk due to diversification of the company's asset holdings and including an allowance for the loss absorbing capacity of deferred tax.

During 2017, the MCR increased by €0.8m due to the increase in the SCR.

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

Irish Life Health does not use the duration based equity risk sub-module.

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

Irish Life Health 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 2017, Irish Life Health 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

Basic Solvency Capital Requirement (BSCR)
Best estimate technical provision (BETP)
Board Audit Committee (BAC)
Board Risk Committee (BRC)
Canada Life Asset Management Limited (CLAM)
Canada Life Ltd (CLL)
Chief Internal Auditor (CIA)
The Canada Life Group (U.K.) Limited (CLG)
Central Bank of Ireland (CBI)
Chief Risk Officer (CRO)
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)
The Great-West Life Assurance Company (GWL)
Great-West Lifeco Inc. group of companies (Lifeco)
Group Operational Risk Committee (GORC)
Hospital Bed Utilisation Credit (HBUC)
Irish Life Group Limited (ILGL)
Irish Life Health Chief Financial Officer (CFO)
Irish Life Health dac (the Company)
Irish Life Health dac (ILH)
Irish Life Health Board of directors (the Board)
Incurred but not Reported (IBNR)
Independent Non-Executive Director (INED)
International Financial Reporting Standards (IFRS)
Minimum Capital Requirement (MCR)
Non-Executive Director (NED)
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)
Solvency and Financial Condition Report (SFCR)
Solvency Capital Requirement (SCR)

APPENDIX 2 BALANCE SHEET

	SE.02.01.16	Solvency II value
	Assets	C0010
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	549,006.61
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	133,290,482.12
R0080	Property (other than for own use)	-
R0090	Holdings in related undertakings, including participations	-
R0100	Equities	-
R0110	Equities - listed	-
R0120	Equities - unlisted	-
R0130	Bonds	110,914,113.93
R0140	Government Bonds	68,311,520.72
R0150	Corporate Bonds	42,602,593.21
R0160	Structured notes	-
R0170	Collateralised securities	-
R0180	Collective Investments Undertakings	20,077,271.84
R0190	Derivatives	-
R0200	Deposits other than cash equivalents	2,299,096.35
R0210	Other investments	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	-
R0240	Loans on policies	-
R0250	Loans and mortgages to individuals	-
R0260	Other loans and mortgages	-
R0270	Reinsurance recoverables from:	67,725,271.16
R0280	Non-life and health similar to non-life	67,725,271.16
R0290	Non-life excluding health	-
R0300	Health similar to non-life	67,725,271.16
R0310	Life and health similar to life, excluding index-linked and unit-linked	-
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	-
R0360	Insurance and intermediaries receivables	7,877,587.24
R0370	Reinsurance receivables	-
R0380	Receivables (trade, not insurance)	57,885.19
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	18,541,304.32
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	**228,041,536.64**

APPENDIX 2 (CONTINUED)

	Liabilities	Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	-17,557,199.49
R0520	Technical provisions – non-life (excluding health)	-
R0530	TP calculated as a whole	-
R0540	Best Estimate	-
R0550	Risk margin	-
R0560	Technical provisions – health (similar to non-life)	-17,557,199.49
R0570	TP calculated as a whole	-
R0580	Best Estimate	-21,609,301.28
R0590	Risk margin	4,052,101.79
R0600	Technical provisions – life (excluding index-linked and unit-linked)	-
R0610	Technical provisions – health (similar to life)	-
R0620	TP calculated as a whole	-
R0630	Best Estimate	-
R0640	Risk margin	-
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	-
R0660	TP calculated as a whole	-
R0670	Best Estimate	-
R0680	Risk margin	-
R0690	Technical provisions – index-linked and unit-linked	-
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	446,890.99
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	3,078,198.67
R0790	Derivatives	-
R0800	Debts owed to credit institutions	-
ER0801	Debts owed to credit institutions resident domestically	-
ER0802	Debts owed to credit institutions resident in the euro area other than domestic	-
ER0803	Debts owed to credit institutions resident in rest of the world	-
R0810	Financial liabilities other than debts owed to credit institutions	-
ER0811	Debts owed to non-credit institutions	-
ER0812	Debts owed to non-credit institutions resident domestically	-
ER0813	Debts owed to non-credit institutions resident in the euro area other than domestic	-
ER0814	Debts owed to non-credit institutions resident in rest of the world	-
ER0815	Other financial liabilities (debt securities issued)	-
R0820	Insurance & intermediaries payables	-
R0830	Reinsurance payables	75,857,300.72
R0840	Payables (trade, not insurance)	13,356,297.43
R0850	Subordinated liabilities	-
R0860	Subordinated liabilities not in BOF	-
R0870	Subordinated liabilities in BOF	-
R0880	Any other liabilities, not elsewhere shown	59,079,368.74
R0900	Total liabilities	134,260,857.06
R1000	Excess of assets over liabilities	93,780,679.58

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	456,316,179.58	456,316,179.58
R0120	Gross - Proportional reinsurance accepted		0.00
R0130	Gross - Non-proportional reinsurance accepted		0.00
R0140	Reinsurers' share	347,391,688.99	347,391,688.99
R0200	Net	108,924,490.59	108,924,490.59
	Premiums earned	C0010	C0200
R0210	Gross - Direct Business	385,127,917.19	385,127,917.19
R0220	Gross - Proportional reinsurance accepted		0.00
R0230	Gross - Non-proportional reinsurance accepted		0.00
R0240	Reinsurers' share	280,742,294.97	280,742,294.97
R0300	Net	104,385,622.22	104,385,622.22
	Claims incurred	C0010	C0200
R0310	Gross - Direct Business	253,498,559.01	253,498,559.01
R0320	Gross - Proportional reinsurance accepted		0.00
R0330	Gross - Non-proportional reinsurance accepted		0.00
R0340	Reinsurers' share	185,934,775.05	185,934,775.05
R0400	Net	**67,563,783.96**	67,563,783.96
	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**	**105,734,040.08**	**105,734,040.08**

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	456,316,179.58						456,316,179.58
R0120	Gross - Proportional reinsurance accepted							0.00
R0130	Gross - Non-proportional reinsurance accepted							0.00
R0140	Reinsurers' share	347,391,688.99						347,391,688.99
R0200	Net	108,924,490.59	0.00	0.00	0.00	0.00	0.00	108,924,490.59
	Premiums earned							
R0210	Gross - Direct Business	385,127,917.19						385,127,917.19
R0220	Gross - Proportional reinsurance accepted							0.00
R0230	Gross - Non-proportional reinsurance accepted							0.00
R0240	Reinsurers' share	280,742,294.97						280,742,294.97
R0300	Net	104,385,622.22	0.00	0.00	0.00	0.00	0.00	104,385,622.22
	Claims incurred							
R0310	Gross - Direct Business	253,498,559.01						253,498,559.01
R0320	Gross - Proportional reinsurance accepted							0.00
R0330	Gross - Non-proportional reinsurance accepted							0.00
R0340	Reinsurers' share	185,934,775.05						185,934,775.05
R0400	Net	67,563,783.96	0.00	0.00	0.00	0.00	0.00	67,563,783.96
	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	105,734,040.08						105,734,040.08
R1200	Other expenses							
R1300	Total expenses							105,734,040.08

APPENDIX 5 NON-LIFE TECHNICAL PROVISIONS

	S.17.01.02		
	Non-Life Technical Provisions	Direct business and accepted proportional reinsurance Medical expense insurance	Total Non-Life obligation
		C0020	C0180
R0010	Technical provisions calculated as a whole	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	-104,165,549.50	-104,165,549.50
	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	5,506,826.71	5,506,826.71
	Net Best Estimate of Premium Provisions	-109,672,376.21	-109,672,376.21
	Claims provisions		
R0160	Gross	82,556,248.22	82,556,248.22
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	62,218,444.45	62,218,444.45
R0250	Net Best Estimate of Claims Provisions	20,337,803.77	20,337,803.77
R0260	Total Best estimate - gross	-21,609,301.28	-21,609,301.28
R0270	Total Best estimate - net	-89,334,572.44	-89,334,572.44
R0280	Risk margin	4,052,101.79	4,052,101.79
	Amount of the transitional on Technical Provisions		
R0290	Technical Provisions calculated as a whole		
R0300	Best estimate		
R0310	Risk margin		
	Technical provisions - total		
R0320	Technical provisions - total	-17,557,199.49	-17,557,199.49
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	67,725,271.16	67,725,271.16
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-85,282,470.65	-85,282,470.65

APPENDIX 6 NON-LIFE INSURANCE CLAIMS

	S.19.01.01	
	Non-Life insurance claims	
Z0010	Line of business	Medical expense insurance
Z0020	Accident year / underwriting year	Accident year
Z0030	Currency	Total
Z0040	Currency conversion	Reporting currency

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130		C0170	C0180
	Year	Development year														In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10	11	12			
R0100	Prior															0.00	0.00
R0110	N-14															0.00	0.00
R0120	N-13															0.00	0.00
R0130	N-12	0.00	0.00	1,670,003.56	24,426.13	17,359.60	9,210.46	5,957.63	909.53	30.00	760.00	115.00	-2,038.30	2,038.30		2,038.30	1,728,771.91
R0140	N-11	0.00	8,851,404.83	672,564.07	104,966.45	61,229.06	24,801.56	17,213.17	9,306.63	1,396.65	1,579.06	2,942.59	0.00			0.00	9,747,404.07
R0150	N-10	16,872,812.08	11,309,717.05	1,095,235.25	514,230.86	93,464.87	68,333.14	26,171.98	23,305.43	16,243.95	11,630.31	310.00				310.00	30,031,454.92
R0160	N-9	30,787,839.75	17,915,791.08	1,845,414.97	363,273.91	166,263.93	41,367.08	31,345.09	11,054.85	40,118.68	613.00					613.00	51,203,082.34
R0170	N-8	56,358,883.45	28,612,441.44	1,874,831.36	699,279.56	221,870.47	124,421.91	34,051.21	61,999.60	1,735.42						1,735.42	87,989,514.42
R0180	N-7	88,289,760.96	37,910,340.61	2,645,619.61	636,048.26	289,864.23	114,878.48	169,237.45	17,446.59							17,446.59	130,073,196.19
R0190	N-6	151,969,169.61	59,599,878.34	2,843,591.26	1,008,041.53	316,501.67	409,593.46	56,533.64								56,533.64	216,203,309.51
R0200	N-5	185,648,492.74	56,414,581.58	4,991,661.92	1,164,690.48	1,321,681.53	64,895.62									64,895.62	249,606,003.87
R0210	N-4	168,617,507.27	61,913,357.59	4,972,060.74	2,507,788.05	280,525.79										280,525.79	238,291,239.44
R0220	N-3	157,554,618.42	64,476,848.68	12,626,220.67	232,400.03											232,400.03	234,890,087.80
R0230	N-2	155,782,924.14	73,744,692.57	1,938,974.02												1,938,974.02	231,466,590.73
R0240	N-1	175,801,993.96	55,885,767.82													55,885,767.82	231,687,761.78
R0250	N	192,574,099.52														**192,574,099.52**	192,574,099.52
R0260															Total	**251,055,339.75**	1,905,492,516.50

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	C0310	C0360
Year	Development year												Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10	11	
Prior													
N-14													
N-13													
N-12													
N-11											760.63	453.29	453.83
N-10										3,693.70	347.49		347.90
N-9									18,963.92	2,122.29			2,124.78
N-8								41,626.30	3,429.34				3,433.37
N-7							87,655.12	6,300.60					6,308.00
N-6						158,221.34	15,641.65						15,660.01
N-5					351,462.08	83,464.62							83,562.61
N-4				439,119.08	113,188.11								113,320.99
N-3			1,282,577.75	1,687,279.04									1,689,312.11
N-2		6,320,024.03	3,588,907.20										3,592,995.29
N-1	72,583,203.48	7,350,960.52											7,360,149.91
N	69,598,774.33												69,688,579.43
												Total	82,556,248.22

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	58,830,679.58	58,830,679.58			
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	71,280,679.58	71,280,679.58	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	71,280,679.58	71,280,679.58	0.00	0.00	0.00
R0510	Total available own funds to meet the MCR	71,280,679.58	71,280,679.58	0.00	0.00	
R0540	Total eligible own funds to meet the SCR	71,280,679.58	71,280,679.58	0.00	0.00	0.00
R0550	Total eligible own funds to meet the MCR	71,280,679.58	71,280,679.58	0.00	0.00	

R0580	**SCR**	47,507,538.67
R0600	**MCR**	11,876,884.67
R0620	**Ratio of Eligible own funds to SCR**	150.04%
R0640	**Ratio of Eligible own funds to MCR**	600.16%

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	93,780,679.58
R0710	Own shares (held directly and indirectly)	0.00
R0720	Foreseeable dividends, distributions and charges	22,500,000.00
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**	58,830,679.58

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	35,479,004.00
R0790	Total Expected profits included in future premiums (EPIFP)	35,479,004.00

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	C0090	C0120
R0010	Market risk	973,605.26	973,605.26	9	
R0020	Counterparty default risk	3,345,855.17	3,345,855.17	9	
R0030	Life underwriting risk	0.00	0.00	9	
R0040	Health underwriting risk	40,121,920.64	40,121,920.64	9	
R0050	Non-life underwriting risk	0.00	0.00	9	
R0060	Diversification	-3,086,907.73	-3,086,907.73		
R0070	Intangible asset risk	0.00	0.00		
R0100	Basic Solvency Capital Requirement	41,354,473.34	41,354,473.34		

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	11,553,837.52
R0140	Loss-absorbing capacity of technical provisions	0.00
R0150	Loss-absorbing capacity of deferred taxes	-5,400,772.18
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	Solvency Capital Requirement excluding capital add-on	47,507,538.67
R0210	Capital add-ons already set	
R0220	Solvency capital requirement	47,507,538.67
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
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	
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment
R0460	Net future discretionary benefits	

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	5,119,451.06	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		-89,334,572.44	108,924,490.59
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	5,119,451.06		
R0310	SCR	47,507,538.67		
R0320	MCR cap	21,378,392.40		
R0330	MCR floor	11,876,884.67		
R0340	Combined MCR	11,876,884.67		
R0350	Absolute floor of the MCR	2,500,000.00		
R0400	**Minimum Capital Requirement**	11,876,884.67		

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