UTMOST IRELAND DESIGNATED ACTIVITY COMPANY

This is a Solvency and Financial Conditions Report (SFCR) for Utmost Ireland DAC (UI). This report will enable Utmost Ireland DAC to meet their statutory reporting requirements under Solvency II.

UI was previously named Harcourt Life International DAC. During 2017, UI acquired a portfolio of business from AXA Life Europe and consequently re-opened to new business.

SFCR Report for
Utmost Ireland DAC

Effective Date of Report
31 December 2017

Prepared
April 2018

Abbreviations

ALAP	Aviva Life and Pensions Ltd.
ALE	AXA Life Europe DAC
ALI	Augura Life International DAC[1]
BEL	Best Estimate Liabilities
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLPSI	Capita Life and Pensions Services (Ireland) Limited
CRO	Chief Risk Officer
CRR	Consolidated Risk Report
DAC	Designated Assurance Company
DAC	Deferred Acquisition Cost
DAM	Discretionary Asset Manager
DIR	Deferred Income Revenue
EFSF	European Financial and Stability Fund
EIOPA	European Insurance and Occupational Pensions Authority
FATCA	Foreign Account Tax Compliance Act
FINCEN	Financial Crimes Enforcement Network
FUM	Funds under Management
FX	Foreign Exchange
HLA	Harcourt Life Assurance DAC[2]
HLI	Harcourt Life Ireland DAC
HLSL	Harcourt Life Services Limited[3]
HOAF	Head of Actuarial Function
HOC	Head of Compliance
HOIA	Head of Internal Audit
IFRS	International Financial Reporting Standards
LCCG	Life Company Consolidation Group
LCCGI	Life Company Consolidation Group Ireland[4]
MI	Management Information
MSA	Management Services Agreement
ORSA	Own Risk and Solvency Assessment
PCF	Preapproved Control Function
PRISM	Probability Risk and Impact System
RAS	Risk Appetite Statement
RMS	Risk Management System
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SLA	Service Level Agreement
TCR	Target Capital Requirement
TPA	Third Party Administrator
UAL	Utmost Administration Limited
UHL	Union Heritage Life DAC[5]

[1] Please note that the name of ALI was changed after the reporting date to Augura Ireland DAC.
[2] Please note that the name of HLA was changed after the reporting date to Harcourt Life Corporation DAC.
[3] Please note that the name of HLSL was changed after the reporting date to Utmost Services Ireland Limited.
[4] Please note that the name of LCCGI was changed after the reporting date to Utmost Holdings Ireland Limited.
[5] Please note that the name of UHL was changed after the reporting date to Union Heritage DAC.

UI	Utmost Ireland DAC

1 Overview

This report has been produced for the following main purposes:

- To adhere to Utmost Ireland Designated Activity Company's (UI, the Company) Solvency II disclosure requirements (Pillar 3) for both public and private disclosure; and

- To demonstrate the Company's commitment to improve the quality, reliability and timeliness of management information following the implementation of Solvency II.

This report meets all requirements expected of the Company under the Solvency and Financial Condition Report (SFCR) requirements under the Solvency II regime; these requirements are outlined throughout this report.

This report was commissioned by and is approved by the Board of Directors of the Company in order to fulfil its Regulatory obligations.

1.1 Solvency II Reporting

This report has been produced in accordance with Solvency II reporting requirements. The key legislative and regulatory elements are set out below:

- The European Union (Insurance and Reinsurance) Regulations 2015 (the 2015 Regulations), Regulations 34, 52, 53 and 55-58.

2 Executive Summary

This report is produced at the request of the Board of Directors of Utmost Ireland (UI) Designated Activity Company's (the Company) to comply with their reporting requirements under the Solvency II regulatory reporting regime.

The report covers the Business and Performance of the Company, System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. It has a wide audience and is designed to be accessible and understandable to policyholders as well as investors and regulators.

2.1 Company Background

During 2017, the Company was renamed to Utmost Ireland DAC (from Harcourt Life International DAC "HLI"), and acquired by scheme of transfer the AXA Life Europe (ALE) open book of overseas life assurance policies.

Simultaneously, UI was transferred by way of in-specie dividend from HLA to Life Company Consolidation Group Ireland - LCCGI. UI forms part of the open book of companies in the LCCGI group. The transferred-in business from ALE has products similar in nature to the existing book, and the impact on Own Funds and Solvency Capital Requirement has been marginal.

The Company produced an ad-hoc ORSA with an effective date of 31 March 2017 to illustrate the main financial and risk related impacts of the transfer. The overall solvency needs of UI were not materially impacted, and the transfer became effective on 30 June 2017. Consequently, a new Management Services Agreement ("MSA") with the Group's service company (Harcourt Life Services Limited ("HLSL")) has been developed and approved by the Board.

2.2 Business and Performance

The Company's strategy focusses on retaining existing business and growing the portfolio through new sales which have restarted subsequent to the ALE acquisition.

There were no significant issues raised by the most recent Own Risk and Solvency Assessment (ORSA) that needed to be brought to the Board's attention in respect of the business plan which has been revised to reflect the fact that the Company's is writing new business of the type acquired through the ALE portfolio acquisition.

The Company made a loss before tax of (€1.1m) (2016: loss €3m), driven by costs arising from portfolio transfer and the rebranding of the business to Utmost Wealth.

2.3 System of Governance

The Board of the Company is collectively responsible for the long term success of the Company and for providing leadership to the Company within an effective control framework. A number of committees exist, outlined below, which monitor the Company's performance and ensure compliance with regulatory requirements:

- Audit Committee – responsible for oversight of the Company's financial reporting.
- Risk & Compliance Committee – responsible for the oversight of the Company's risk management environment and ensuring full regulatory and legal compliance.

- Investment Committee – responsible for the oversight of shareholder and policyholder investments

- New-Product Governance Committee – responsible for governance and oversight process for the approval of new or significantly amended products. This is a committee established during 2017 in response to the acquisition of the open book of business from ALE.

Full details of the governance system are outlined in the System of Governance section.

2.4 Risk Profile

Prior to the Company reopening to new business, the primary sources of risk for the company related to the operational risk and the effective management of expenses and lapse rates. With the reopening to new business, the risk profile has been altered to incorporate new business related risks including repricing risk. These risks are managed within the context of the overall risk management framework and the company policies have been revised to reflect the altered risk profile

2.5 Valuation for Solvency Purposes

The Company adopts the Standard Formula model for Solvency II reporting and valuation purposes. The interest rate curve and volatility adjustment are those published by EIOPA.

2.6 Capital Management

There were no significant issues from a Capital Management perspective raised from the 2017 ORSA process. The Company continues to enjoy a strong capital position at the end of 2017 with solvency coverage above its Target Capital Requirement (TCR) of 133% Solvency Capital Requirement (SCR).

The capital position was further strengthened in March 2017 in anticipation of the Company move from a closed to an open book of business with the acquisition of ALE.

The table[6] below details the SCR and MCR of the Company at the reporting date:

Own Funds and Solvency Requirements	31/12/2017 € million
Own Funds	**47.6**
Tier 1	47.6
Tier 2	-
Tier 3	-
SCR	**27.9**
Solvency Ratio	**171%**
MCR	**12.0**
Eligible funds as part of MCR	**395%**

[6] Numeric, tabular data has been rounded to one decimal place. Consequently, column totals may not exactly match total of elements summed.

A Business and Performance

A.1 Business Overview

Utmost Ireland Designated Activity Company (DAC) is incorporated in Ireland and is a company limited by shares. The address of the registered office is:

Utmost Ireland DAC
Harcourt Building
Block 2, Harcourt Centre
Harcourt St
Dublin 2
Ireland

Responsibility for the financial supervision of the Company rests with the Central Bank of Ireland:

Central Bank of Ireland
North Wall Quay
Spencer Dock
PO Box 11517
Dublin 1
Ireland

The Company's External Auditor is Deloitte:

Deloitte
29 Earlsfort Terrace
Dublin 2
Ireland

The Company is wholly owned by the Life Company Consolidation Group through its Irish holding company LCCGI. Group Head office is Tallis House, 2 Tallis Street, London, EC4Y 0AB. Its registered office is:

Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

A.1.1 Current Business

UI is part of the Life Company Consolidation Group (LCCG) a Guernsey incorporated company specialising in the acquisition and consolidation of books of life assurance business in Europe, combined with a targeted approach towards new business opportunities. LCCGI is the 100% owner of Utmost Ireland which also owns HLSL and HLA.

Book of Business

The ex-Aviva book of business consists of a range of unit-linked bonds, open architecture portfolio bonds and with-profits bonds denominated in UK Sterling, Euro and US Dollars.

The newly acquired ALE business and the ongoing sales within this business line consist of a range of open architecture portfolio bonds in UK Sterling, Euro and US Dollars.

A.1.1.1 Ex-Aviva with-profits Business

This business is 100% reinsured with ALAP. The With-profits product type only exists within the ex-Aviva portfolio. Due to the reinsurance arrangement, the only material risk that the Company is directly exposed from this book of business is counterparty credit risk.

The With-profits business is 100% reinsured into ALAP and the Company agreed a floating charge with ALAP in 2016 on the with-profits assets of the business as part of the acquisition by HLA. The floating charge operates for the benefit of the Company by ranking its policyholders "pari passu" with ALAP direct policyholders in the event of an insolvency. This counterparty exposure risk is rated as extremely remote based on the credit strength of ALAP and allowing for the floating charge that is in place.

A.1.1.2 Ex-Aviva unit-linked Business

Within the ex-Aviva portfolio, the following unit linked product types exist:

- Premier Portfolio

  The product can be further split into two types of holdings:

  - an open architecture external fund offering. These holdings relate to Discretionary Asset Management holdings, and
  - externally priced Unit-Linked fund holdings.

- UK & Italian Unit-Linked

  The funds available for investment are mirrored funds which are priced internally by CLPSI on behalf of the Company.

  Both product types allow for asset selection directly by the policyholder or the delegation of this activity through the use of a Discretionary Asset Manager (DAM) arrangement.

For both product types, investment risk is borne by the policyholder.

A.1.1.3 Ex-ALE unit-linked Business

The ex-ALE portfolio, consists of products that continue to be marketed under the brand Delegation and Selection. Both are open architecture, unit-linked bonds allowing for asset selection directly by the policyholder or delegation of the selection through a DAM arrangement. All investment risk is borne by the policyholder.

A.2 Underwriting Performance

A.2.1 Overview of Underwriting Performance

Given the nature of the Business, the Company has limited exposure to underwriting risks. The Company adopts a series of risk mitigation techniques, which are discussed in the next section.

A.2.2 Overview of Underwriting Risk Mitigation Techniques

With-profits

The Company reinsures 100% of the with-profits business within the ALAP with-profits funds. The reinsurance arrangement between the Company and ALAP has been maintained following the sale of the business to HLA.

Persistency risk, Expense risk and New Business risk

Although the Company has recently started writing new business, its risk profile retains many of the risk features of a closed book i.e. it is exposed to the risk of increased rate of policy run off (Persistency risk) together with variations in expense experience. Both types of risk remain material. These risks are being effectively managed by management and the reopening of the book provides some opportunity to mitigate this risk.

Management are aware of the importance of managing persistency risk and this continues to be a key focus for the Company.

The Company produces regular operational reports which track the actual expenses incurred against plan. Management continue to manage the costs of running the business on a regular basis.

Risks related to the writing of new business are monitored through the New Product Governance Committee which was established in 2017 in response to the reopening to new business through the ALE acquisition.

Except for lapse risk, the products offered do not contain any embedded options or guarantees that represent a material risk for the Company. The policyholder continues to bear the investment risk, the guaranteed death benefit cost is marginal and there is no commission to be pre-financed by the Company.

A.3 Investment Performance

A.3.1 Overview of Investment Performance

Policyholders and shareholder funds are invested to generate returns. The financial strength of the Company, the operating results and performance are therefore dependent on the quality and performance of our investment portfolios.

The Company aims to optimise investment returns whilst ensuring that sufficient assets are held to meet future liabilities and regulatory requirements. The Company has an investment strategy that complies with the 'prudent person' principle that underpins Solvency II. As different types of business vary in their cash flows and in the expectations placed upon them by policyholders, the Company holds different types of investments to meet these different cash flows and expectations.

Investment performance on policyholder assets is driven by policyholder choices. The Company does not manage the investment strategy and performance of underlying funds rather it offers access to a range of externally managed funds to suit policyholder needs and risk appetite.

A.3.2 Analysis of Overall Performance and by Asset Class

The Company's investments are predominately held in European Sovereign debt and cash or cash equivalent holdings. A breakdown of income sources is outlined below.

In addition, assets are held to back its unit linked liabilities. Over the reporting period, these yielded an income of €4.2m and a realised gain of €28.0m. The market consistent value of these assets increased by €54.0m during the reporting period.

Asset Category	Dividends € million	Interest € million	Net gains and losses € million	Unrealised gains and losses € million
Government Bonds	0.0	1.3	0.0	-1.7
Cash and deposits	0.0	0.03	0.0	0.0
Collective Investment Undertakings	3.8	0.4	28.0	54.0

The investment performance at the previous reporting period is as follows:

Asset Category	Dividends € million	Interest € million	Net gains and losses € million	Unrealised gains and losses € million
Government Bonds	0.0	1.3	0.7	-1.4
Cash and cash equivalents	0.0	0.1	0.0	0.0
Assets held for index-linked and unit-linked contracts	4.8	0.7	24.7	31.3

The primary driver for the change in investment income relates to the unrealised gain acquired through the ALE acquisition.

A.4 Any Other Information

A.4.1 Other Material Information relating to Insurance Undertaking

Outcome of 2017 ORSA

In accordance with the Company's policy on ORSA, an ad-hoc ORSA report was produced in September 2017 to report on the impact of the acquisition of the ALE business. Following the completion of that ORSA process, no material issues were required to be brought to the Board's attention.

The current business plan for the Company is to create in Ireland a successful life insurance business specialising in consolidating life assurance business and in writing new overseas life assurance bonds.

Any change in the Business plan/strategy may change the risk profile and outlook of the business and it is noted that such an event may trigger a need to carry out an ad-hoc ORSA. The Board are aware of this and this is covered under ORSA trigger events contained within the ORSA policy.

B System of Governance

B.1 General Information on the System of Governance

The Board is responsible for promoting the long-term success of the Company for the benefit of shareholders. This includes ensuring that an appropriate system of governance is in place throughout the Company.

To discharge this responsibility, the Board has established frameworks for risk management and Internal Control using a "three lines of defence" model and apply these principles when setting the Company's risk appetite going forward. The Company is classified as 'medium / low' under the Central Bank of Ireland's risk based framework for the supervision of regulated firms known as PRISM (Probability Risk and Impact System).

B.1.1 Outline of Main Roles and Responsibilities of Key Functions

The Board have delegated the day to day running of the Company to their senior management team. The senior management team consist of experienced professionals, who undertake key roles within the Company and they are able to approve specific issues within certain limits, above which matters must be escalated to the Board for determination.

The persons who are responsible for key functions are the following:

- Chief Executive Officer
- Chief Financial Officer
- Head of Actuarial Function
- Chief Risk Officer
- Head of Compliance
- Head of Internal Audit

Chief Executive Officer

As the senior executive officer, the Chief Executive Officer (CEO) has overall responsibility for the business and its profitable operation in accordance with the policies and objectives set by the Board. The CEO must (i) lead effective strategic planning to enhance long-term total shareholder return and direct the business through the provision of a clear strategy and associated business goals, operating principles and core values, (ii) ensure that the Company meets its statutory, financial, regulatory and corporate governance obligations, (iii) ensure that the appropriate policies and systems are in place to attract, retain, deploy and develop high quality, motivated staff across the Company, (iv) represent and promote the Company to shareholders, customers and regulators, (v) set the corporate standards on business ethics and integrity, ensuring that these standards are promulgated in an effective way throughout the Company and (vi) ensure that the appropriate culture and governance arrangements are in place to manage the risks facing the Company.

The CEO is the key decision maker subject to the policies of the Company, the statutory and legal environment in which the Company operates and the Board, its terms of reference and its constituent bodies and committees and has the authority to approve transactions and expenditure within the authority limits set out by the Board.

Chief Financial Officer

The Chief Financial Officer (CFO) has responsibility, together with the CEO, for the Company and its profitable operation in accordance with the policies, risk appetite and objectives set by the Board. The CFO must (i) lead and direct the finance function of the Company through the provision of a clear strategy and associated business goals, operating principles and core values, (ii) ensure that the appropriate systems and policies are in place to lead, champion and maintain the financial, strategic and governance discipline of the Company, (iii) represent and promote the Company to shareholders, investors, analysts, regulators, customers and Government, (iv) empower members of the Finance function, to ensure individuals understand their accountabilities and work collaboratively to deliver the Company's goals and strategy, (v) ensure that the appropriate policies, programmes and systems are in place to attract, retain, deploy and develop high quality, motivated staff across the Finance function, (vi) set the corporate standards on business ethics and integrity, ensuring that these standards are promulgated in an effective way throughout the Company and (vii) ensure that the Company operates within the approved risk appetite framework and that the appropriate culture, governance and oversight arrangements are in place to effectively manage the financial risks to the Company.

Head of Actuarial Function

The Head of Actuarial Function (HoAF) is responsible for sign off of internal reserving, capital & associated performance reports, any external sign off required in a reserving context, and the calculation of required and available economic capital. The HoAF must: (i) support the achievement of the Company's business plans and goals through ensuring the provision of effective and timely actuarial input and advice to the business and appropriate committees and functions as necessary, (ii) explain and communicate findings in decisive and business-relevant terms and (iii) provide actuarial services and/or share actuarial best practice across the Company.

Chief Risk Officer

The Chief Risk Officer (CRO) has responsibility together with other key stakeholders for the business, its profitable operation and contribution to shareholder value creation, in accordance with the policies and objectives set by the Board. The CRO must (i) successfully articulate and champion the risk vision for the Company, and lead the execution of the vision across the Company, (ii) provide challenge to the management to ensure that risk has been evaluated and considered in all operational, financial and strategic decisions in the context of the Company's risk appetite, (iii) provide assurance on the effectiveness of risk management across the Company, through the development and implementation of company policy on risk management, (iv) report on and provide assurance to other committees and the Board on the effectiveness of risk management across the Company, (v) advise and assist the

Board in developing and reviewing the Company's risk appetite and risk tolerances, and in maintaining the Company's position at an optimal level within appetite, (vi) Monitor the use of the Standard Formula for the Company's economic capital and drive the use of economic capital results in business decision making.

Head of Compliance

The Head of Compliance (HoC) has responsibility, together with the CEO, for the ensuring the Company and its operations act and trade in accordance with the regulatory and legal requirements. The HoC must (i) ensure the Company's operating principles and processes are in compliance with applicable laws and regulations, (ii) ensure that the appropriate systems and policies are in place to lead, champion and maintain the compliance discipline of the Company, (iii) represent and promote the Company to shareholders, investors, analysts, regulators, customers and Government, (iv) empower members of the Compliance function, to ensure individuals understand their accountabilities and work collaboratively to deliver the Company's goals and strategy, (v) ensure that the appropriate policies, programmes and systems are in place to attract, retain, deploy and develop high quality, motivated staff in the Compliance function, and (vi) oversee the corporate standards on business ethics and integrity, ensuring that these standards are promulgated in an effective way throughout the Company.

Head of Internal Audit

The Head of Internal Audit (HoIA) has responsibility for reviewing and reporting on the adequacy of the Company's control environment. The HoIA must (i) give assurance to the leadership team, Audit Committee and the Board on the control environment including risk management and Internal Controls (ii) provide objective challenge on business processes and systems (iii) act as a positive catalyst for internal change, championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.

The HoIA is outsourced to Mazars via a formal arrangement approved by the Audit Committee and Board. The Audit Committee oversees a 'risk based' Internal Audit Plan. Internal Audit reports highlight any control failings and weaknesses and contain requirements and recommendations to improve the control environment. These are monitored for implementation by the Audit Committee.

B.1.2 Outline of Internal Committees

Whilst the Board retains ultimate responsibility for the governance of the Company it has implemented assurance and governance structures commensurate with the nature scale and complexity of the organisation, including board committees that are tasked with ensuring appropriate expertise and attention is given to assurance matters. Each committee operates under defined terms of reference and reports to the Board at each meeting.

An outline of the key Board committees applicable going forward is set out below

B.1.2.1 Audit Committee

The Audit Committee is primarily responsible for ensuring the efficacy of the Company's financial reporting & statements, including associated controls and governance. It meets on a quarterly basis or more frequently if required.

The Audit Committee assists the Board in discharging its responsibilities for;

- The integrity of the Company's Financial Reporting and Statements;
- The effectiveness of the Company's Internal Controls;
- The effectiveness of the Company's Internal Audit Function;
- Monitoring the effectiveness, independence, and objectivity of the External Auditor;

B.1.2.2 Risk & Compliance Committee

The Risk & Compliance Committee is primarily responsible for the Company's risk management environment and ensuring full regulatory and legal compliance. It meets on a quarterly basis or more frequently if required. The purpose of the Committee is to harness all risk & regulatory related practices and procedures to ensure the company is protecting what's important to shareholders and customers, effectively managing the risk profile against risk appetite and meeting applicable legal and regulatory requirements. The committee reports to the Board on all risk and regulatory activity, ensuring alignment of cross-departmental activities. The committee provides recommendations and direction to the Board and provides such detail as needed to assist the Board in making any risk related decisions.

The Risk & Compliance Committee assists the Board in discharging its responsibilities for:

- The effectiveness of the Company's risk management and compliance management systems;
- The implementation of the Company's risk strategy and risk appetite and compliance therewith;
- The oversight of Solvency II developments and implementation of tools and processes;
- The timely reporting of and deviations against appetite; and
- Ensuring effective identification, measurement, monitoring and management of risks and recording via the risk register and risk profile.

B.1.2.3 Investment Committee

The Investment Committee assist the Board to discharge its responsibilities in respect of both shareholder and policyholder investments. It meets quarterly and is chaired by William Finn.

The key responsibilities of the Investment Committee are to:

- identifying, monitoring, reporting and controlling Company's investment activities;
- recommending the overall strategic investment policy for the Board's consideration and the procedures and controls in place in respect of the following;

a) The overall asset sector allocation and balance of the shareholder's / policyholders' funds;

b) Determination of any sector risk, currency risk, geographical risk, fund manager risk, specific stock risk;

c) Quarterly performance of all funds and specifically any variances from relevant benchmarks;

d) The selection and choice of the standard funds;

e) Specific counterparty exposure(s);

f) The (in)appropriateness of any type of asset or fund for life assurance and pension assets;

g) Funds liquidity;

h) Operational issues concerning the management and administration of the Company assets

i) Potential changes in life assurance and tax legislation relevant to policyholders' funds.

B.1.3 Material Changes in Governance over the Reporting Period

The system of governance has been strengthened in response to the ALE acquisition and the reopening to new business by the formation of the New Product Governance Committee. There have been no other material changes in the system of governance during the reporting period. The Company remains committed to strengthening corporate governance in line with business needs.

B.1.2.3 New-Product Committee

The committee was formed during the reporting period in response to the ALE acquisition and the consequent reopening to writing new business. It consists of representatives from the areas of Risk, Finance, Actuarial, Customer Operations and Compliance. It is responsible for:

- The approval of New Products or material amendments to existing products
- Ensuring that New or Amended Products align with the Strategic objectives of the Company and where applicable, the Group
- Ensuring that the risks associated with the new products are accepted as being within the Company's risk appetite and are managed and controlled by the Company in a professional and sustainable manner and the Company does not enter into activities containing unintended forms of risks
- Ensuring that the New or Amended Products comply with all local or territorial legal and regulatory requirements, including any applicable general good requirements of the jurisdiction(s) in which the product is being written

B.1.4 Remuneration Policy

The Company (through HLSL) provides a range of benefits to employees including salary, pension, paid holidays, and bonuses based on performance. The Company has a Remuneration Policy (approved by the Board annually) which will apply on an ongoing basis.

This policy is designed to ensure that the overall reward philosophy and remuneration governance framework of the Company:

- Complies with legislation, regulation, and best practice in the area in terms of having a robust governance structure for goal setting and performance management; supports the Company in its future and specific strategic objectives and evolving business focus;
- Assists the Company in its ability to attract, retain talent and reward good performance;
- Promotes effective risk management;
- Enhances staff engagement and motivation; and,
- Promotes consistency of approach and transparency across the business.

The Remuneration Policy therefore details appropriate remuneration structures, policies and practices that align to the applicable regulatory framework, codes and guidelines.

The core principles that underpin the remuneration strategy and policy of the Company are:

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

The annual aggregate remuneration of non-executive Directors shall be a matter for the executive directors of the Board of the Company (and LCCG where a shareholder resolution is required). No Director shall be involved in the approval of any proposal relating to his or her own remuneration.

The Company's policy is to reward its CEO competitively having regard to comparable companies, having regard to the nature and responsibilities of the role being undertaken and the level of experience required to achieve the objectives and the need to ensure that he is properly rewarded and motivated to perform in the best interests of the Company and the Shareholder. The remuneration package consists primarily of a base salary, a benefits payment, performance related pay and contributions to a defined contribution pension scheme.

B.1.5 Material Transactions

On 31 March 2017, the Company received €6m capital contribution from its parent company Harcourt Life Assurance in advance to the acquisition of the offshore life business of AXA Life Europe purchased on 30 June 2017.

On 30 June 2017 the Company became a direct subsidiary of LCCG Ireland Limited ('LCCG'), a Guernsey incorporated company specialising in the run-off of life businesses

On 30 June 2017, following receipt of the approval of the High Court of Ireland for a transfer of Insurance Business pursuant to the requirements of the Assurance Companies Act 1909, The Insurance Act 1989 (Each as Amended) and the European Union (Insurance and Reinsurance) Regulations 2015, the Company acquired a portfolio of offshore bond business from AXA Life Europe DAC.

Harcourt Life International DAC was re-named Utmost Ireland DAC with effect from 30 June 2017 and subsequently re-opened to writing new business thereafter.

B.2 Fit and Proper Requirements

B.2.1 Overview of Assessing Fitness & Probity of Key Staff

The Company is committed to having processes in place to ensure that individuals employed within the Company or acting on behalf of the Company are both "fit" and "proper". In assessing "fit" and "proper" the Company applies the following principles:

- **Fitness** - As part of recruitment and employee screening, an individual's career history will be assessed and validated to establish whether an individual's skills and knowledge are appropriately matched to the role.
- **Probity** – checks are in place to ensure that an individual is honest, of good reputation, has integrity and is financially sound.

In essence, the Company seeks to comply with the CBI Fitness and Probity Guidance and standards (2011), not only to ensure compliance with regulations but because the Board believes proper application of honesty and integrity form part of the corporate culture and the right way to do things, including proper application of professional standards and obligations and a prudent approach to business in the long term interests of shareholders, customers and wider stakeholders.

The governance over the Fitness and Probity (F&P) of individuals cuts across several areas of the employee lifecycle for example; recruitment, performance management and training however, to ensure that the Company protects itself against employing individuals who potentially could threaten our people, customers, properties, facilities or reputation, the majority of F&P activities take place within recruitment and more specifically in pre-employment screening.

Once key staff have been appointed they are encouraged to avail of further training and development opportunities. This further training and development is in addition to any continuous professional development requirements of any professional qualification held by key staff.

B.3 Risk Management System Including Own Risk and Solvency Assessment (ORSA – Projection of Future Solvency Position)

B.3.1 Overview of Risk Management system

The Company operates a standardised Enterprise Risk Framework that is appropriate for the nature scale and complexity of the business. This framework ensures the Company applies the risk strategy, risk policy categorisation and enterprise-wide approach to managing risk, including ensuring the Company identifies, measures, manages, monitors and reports on the risks to which it is, or could be, exposed.

An effective Risk Management Framework must establish processes to ensure that risks are identified, measured, monitored, managed and reported on a continuous basis and incorporate the relevant feedback loops. The Risk Management Framework is supported by the Risk function, but operated by the first line and supports risk based decision making. There are underlying processes and procedures that ensure regular risk monitoring and reporting through to the Executive Management and Risk Committee, including monitoring of performance against risk appetite. The Company has developed a comprehensive set of risk policies, frameworks, and guidelines to ensure that processes and procedures are in place to manage all types of risk.

Risk governance components for UI include:

- A risk governance structure which is based on the three lines of defence model which facilitates orderly escalation of risks from teams to risk management and further escalation as appropriate;

- Ownership of the internal control framework by the first line (the business), with the risk function providing advice regarding its design and assisting assess its effectiveness;

- A risk function resourced appropriately in line with the nature, scale and risk profile of the business concerned and which covers all types of risk (e.g. strategic, financial, operational and regulatory risks). Accordingly, regulatory risk or compliance functions will have a common reporting line with the risk function in order to avoid duplication and/or gaps in coverage between regulatory and other risks;

- Defined roles, responsibilities and delegated authorities for executives, members of the risk function and the risk management committee. There are clear boundaries between the risk function and first and third lines of defence (the business and internal audit respectively) and arrangements are established for managing these boundaries to avoid duplication and/or gaps in coverage (e.g. there are arrangements for co-ordinating the coverage of risk monitoring and internal audit reviews);

- A series of underlying processes and tools designed to identify, record, manage, monitor, mitigate and report risks to the business.

Some of the risks in the Risk Universe are fundamental to the Company's business model and the strategy is based on its belief that it can manage those risks to generate value.

Other risks are a consequence of taking on these fundamental risks to generate value and are generally unwanted but unavoidable risks. The Company distinguishes these consequential risks between those that it actively manages and those that are passively managed.

Qualitative risk assessments are produced on a quarterly basis and reported to the Board in the Consolidated Risk Report ("CRR"). This is important because not all risk exposures are quantified and capitalised, and a qualitative assessment can therefore evidence the Board's understanding of those risks. Even where risks are quantified, a qualitative assessment is helpful for a complete understanding of those risks and assists in ensuring the active management and proper operational mitigation.

The risk management system for UI is supported by the outsourced service providers whose risk functions provide operational services under the terms of written service level agreements (SLA) between the companies.

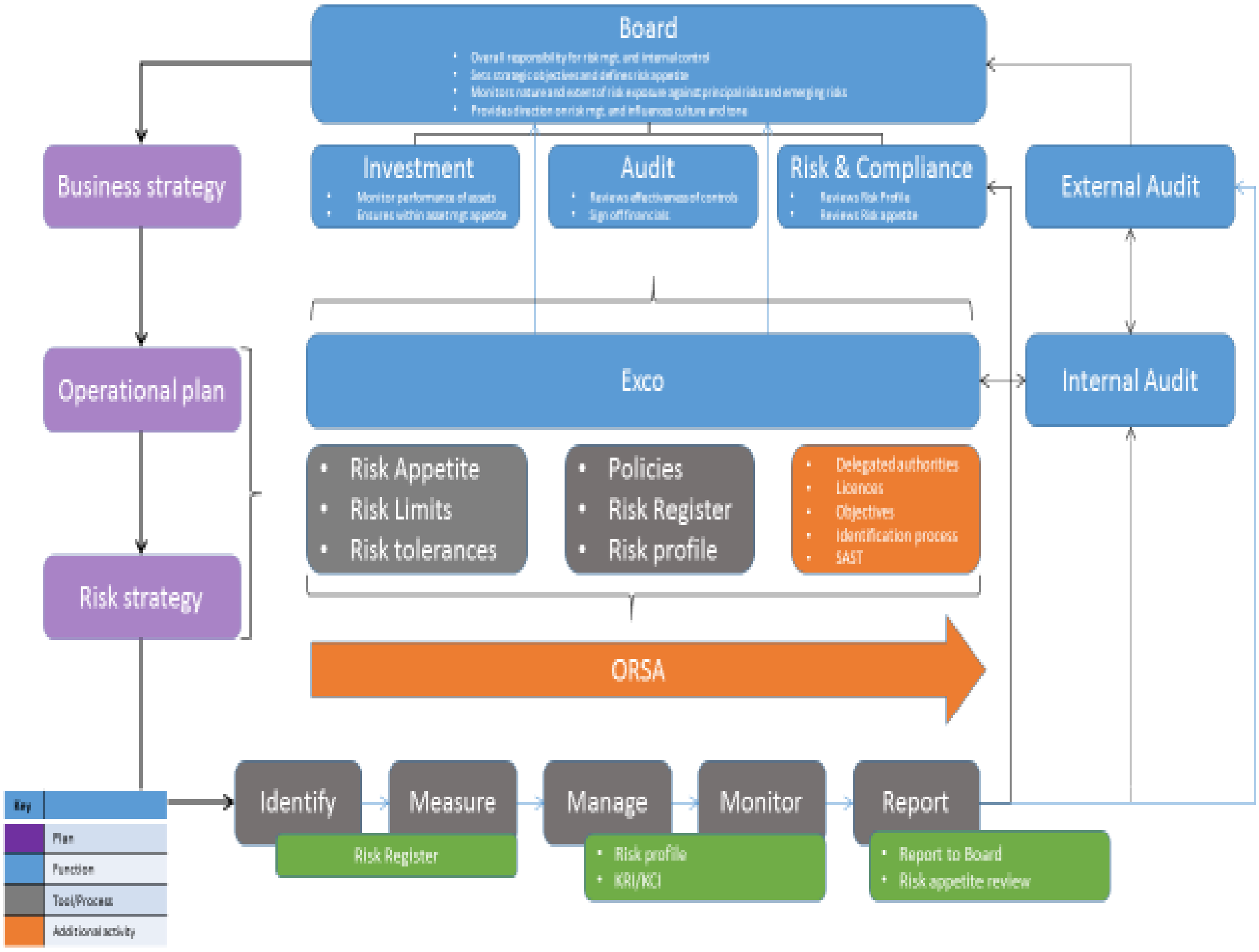
B.3.2 Integration and Implementation of Risk Management System

The Risk Management System (RMS) is a key component in the governance structure of the business. The Risk Function is responsible for the design and implementation of the RMS. The RMS feeds into Risk & Compliance Committee. The RMS and associated tools and processes have been developed to enable the Board and management to understand and appropriately manage and mitigate the risks associated with the Company's strategy and operations, on an ongoing basis.

The Board is responsible for taking key decisions, but delegates some review and monitoring responsibilities to the Executive Management and supporting committees of the Company. The Risk function reports through the CRO to the Risk & Compliance Committee, though the Executive Management Committee actively reviews the outputs of the RMS and its processes on a more frequent basis..

The main tools and processes available to the Company as part of the RMS are the RAS, the Risk Profile (diagrammatic representation of the main risks i.e. bubble map), Risk Register and Risk Policies.

The attached diagram demonstrates the interactions and information flow within the RMS.



B.3.3 Overview of Policy Adopted to Conduct ORSA

The Company's Own Risk and Solvency Assessment (ORSA) comprises all processes and tools that underpin the consideration of risk and capital implications in key decisions. The goal of the ORSA is to provide a continuous and forward-looking assessment of the short-term and long-term risks that the business faces, or may face, and ensuring that the Company's solvency requirements are met at all times.

The main purpose is to ensure the Company assesses all the risks inherent in the business and determines either the corresponding capital needs, or identifies other means needed to mitigate the risks. It particularly considers situations under which conditions may combine to create financial stresses on the business, to ensure the capital needs are sufficient to withstand such scenarios or stresses.

The Risk function plays a core role in the ORSA process; the CRO is the owner of the ORSA report and the Risk function is a key player in the identification of the underlying risks along with the more extreme stresses and scenarios used to test the robustness of the capital position.

The ORSA comprises a number of elements of the Risk Management Framework reflected in the requirements of supporting Risk policies and Business standards, specifically:

- **The risk strategy and risk appetite,** which are used to inform business planning.

- **The capital allocation process and associated capital and liquidity management information** which enables the monitoring of up-to-date capital levels across the company in relation to expected coverage ratios.

- **The identification, measurement, monitoring, managing and reporting principles** (outlined in the Risk Management Framework Policy), which communicate the requirements for each of these activities to those who have responsibility for carrying them out.

- **Stress and scenario testing**, which helps simulate the likely impact of risks on the business.

- **The explicit consideration of risk in the** development **of the business plans and strategy**, and in **performance reporting**.

- **The risk register and risk spectrum**, which record all quantifiable and non-quantifiable risks identified via top-down and bottom-up processes.

- The **use of appropriate data.**

In combination, these elements create a holistic overview of the elements of risk that may impact the business, and which should be taken into account by the management of business units in day-to-day decision-making. These ORSA processes provide the Board with insights on the key risks and current and future capital requirements of the group and legal entities.

The ORSA reporting processes help to connect the strategy and business plans with the forward-looking assessment of risks as well as capital and liquidity requirements over the business planning horizon. They also provide the Board and senior management with the means to assess and challenge the risks and capital requirements associated with the execution of the business plan and key decision-making, including under stressed conditions.

The manner in which the main areas of risk are considered in the overall Solvency needs is clearly evidenced in the forward looking assessments and in the identification of business critical scenarios. This involves a focussed assessment of the likely development of the Company over the planning horizon and the quantification of how that base scenario will impact on the solvency situation. It also involves assessment of the risks that the particular Company is subject to and the derivation of realistic, relevant and business critical scenarios that then form the basis of an assessment of future solvency. The outcome of this scenario analysis feeds into the prioritisation of future management actions.

The Board approved the decision for the Company to adopt the EIOPA Standard Formula (SF) for the purposes of the calculation of the SCR and other Solvency II reporting requirements. As part of the process significant variations from the underlying SF model are identified and accounted for in the calculation of the SCR (if warranted).

The Company completed the previous ORSA with an effective date of 30 September 2017. This ORSA was subsequently reviewed and approved by the Board of Directors. The Board reviews the ORSA annually unless a material event triggers an ad hoc ORSA and an additional assessment as was the case in 2017 as a consequence of the ALE acquisition.

Whilst the process will be completed annually, in accordance with ORSA policy , an additional or ad hoc ORSA may be required if:

- There is a request from the Board or HoAF
- On receipt of an instruction from the CBI
- There is a shift in company's focus (e.g. restart sale of new business) that has a material impact on the risk profile.

The process for an ad hoc ORSA will be dependent on the exact circumstances but in any event will require input from across the Company depending on the nature of the matter that has triggered the ORSA.

B.4 Internal Control System

B.4.1 Overview of Internal Control System

Internal control is an integral part of the Risk Management Framework developed and implemented across the Company, and hence constitutes a key part of the Company's corporate governance. It is a critical contributor to the "safe and sound" operation of the business and underpins the achievement of the company's strategy and business goals. A key outcome is for internal control to be seen as everyone's responsibility, fully embedded in the day to day operations and an integral part of the Company's values, behaviours and business practices.

Internal controls facilitate effective and efficient business operations, the development of robust and reliable internal reporting and compliance with laws and regulations. The Company's system of internal control is built up through the elements of the Risk Management Framework including:

- Board and delegated authorities and management committees;
- The "three lines of defence" model;
- Company risk policies and business standards; and
- Risk appetite frameworks.

A series of requirements have been developed as part of the Internal Controls policy. As part of these requirements, the Company reviews and tests these requirements regularly as part of the governance evaluation. As part of the process the Company ensures that the business adheres to these requirements and discloses any material issues identified.

The majority of roles retained within the Company are focused on financial management and oversight of the business. Within a smaller organization, there is an increased requirement to focus on maintaining continuity of skills and knowledge while managing the business. Key person risk is more pronounced within a small organisation as the performance of the entity is broadly driven by a small number of key staff.

B.4.2 Overview of Compliance Function

The Compliance function, under the supervision of the Head of Compliance (HoC), is an integral part of the Risk Management Framework and constitutes a key part of the Company's corporate governance. The function is a critical contributor to the prudent and effective operation of the business and underpins the achievement of the Company's strategy and business goals.

The HoC is responsible for identifying and evaluating compliance and regulatory risk and overseeing the implementation of controls for risks identified.

The Company's compliance activity can be split into the following key processes:

- Regulatory risk management
- Legal developments monitoring
- Regulatory developments monitoring

The primary purpose of the Compliance function is to assess and manage the business's exposure to regulatory and compliance risk. This activity can be divided between prudential and conduct regulatory risk. The former, concerns the regulations that ensure the business is being run in a prudent manner, consistent with the stability of the financial system and policyholder protection. Conduct risk, by contrast, concerns the regulations that ensures the Company is delivering fair outcomes to customers. Typically, this requires assessment of the fairness of a product, service standards and financial crime risk (e.g. sanction controls, anti-money laundering, external fraud etc.).

Complementing the oversight of regulatory risk, the Compliance function also monitors and assesses the impact of changes in the legal environment on the operations of the business. The HoC will report any developments through to the Risk & Compliance committee and, when material changes in the law are identified, liaise directly with the applicable first line teams to ensure action is taken.

Regulatory development monitoring involves maintaining a prospective view and overseeing the implementation of any new guidance or regulation.

The Company's ongoing policy towards compliance with relevant financial services sector regulation is set out in the Compliance Policy. This states that regulatory compliance (i.e. ensuring that all applicable financial services regulation is complied with) is the responsibility of the first line of defence. Senior management in the first line of defence are required to establish and maintain appropriate systems and controls to meet the requirements of applicable financial services regulation and legislation (including both: conduct / customer protection regulation; and prudential / financial regulation). The second line of defence is responsible for overseeing all aspects of the first line of defence's compliance responsibilities. The Policy is reviewed annually, and all elements of the business are required to adhere to this standard, while the HoC retains overall responsibility for the implementation of the standard.

B.5 Internal Audit Function

B.5.1 Overview of Internal Audit Function

The Internal Audit Function provides independent and objective assessment on the robustness of the Risk Management Framework and the appropriateness and effectiveness of Internal Control to the Audit and the Risk & Regulatory Management Committees and the Board.

Internal Audit reports to the Board (primarily via the Audit Committee) and to management on the effectiveness of the Company's system of Internal Controls and the adequacy of this system to manage business risk and to safeguard the Company's assets and resources.

B.5.2 Internal Audit Policy

The Internal Audit policy sets out the purpose, activities, scope and responsibilities of the Internal Audit Function applicable to the Company and the arrangements for the management of the function, including ensuring its independence from first and second line management of the Company. The four principal activities of Internal Audit, as set out in the policy are:

- Assessing and reporting (to the Audit Committee and to management as appropriate) on the effectiveness of the design and operation of the framework of controls which enable risk to be assessed and managed.
- Assessing and reporting (to the Audit Committee and executive management as appropriate) on the effectiveness of management actions to address deficiencies in the framework of controls.
- Investigating and reporting on cases of suspected financial crime and employee fraud and malpractice.
- Undertaking designated advisory projects for management, provided that they do not threaten Internal Audit's actual or perceived independence from management.

The Internal Audit policy sets out the controls and control objectives for senior management to implement in order to support Internal Audit in achieving its objectives and obligations. It requires the business to design and operate processes and controls to satisfy the mandatory requirements in the standard based on the size and complexity of the business and the nature of the risks and challenges it faces. Any breaches of the policy must be reported management.

The application and the content of the Internal Audit Policy is reviewed and approved on an annual basis by the Audit Committee and Board.

B.5.3 Overview Independence of Internal Audit

The Head of Internal Audit (HoIA) function for the Company is outsourced to Mazars. This ensures effective access to the range of skills needed to deliver full audit coverage to the business and that the Internal Audit Function acts independently of line management. Internal Audit must be independent from management at all times in order to be effective in performing its activities. The Internal Audit Function provides an annual confirmation of its independence to the Audit Committee.

An audit report is prepared and issued by the HoIA immediately following the conclusion of each audit. This report includes management responses to the control improvement recommendations. The report is presented to the following Audit Committee meeting. A log of all action points is maintained and monitored.

B.6 Actuarial Function

B.6.1 Overview of Actuarial Function

The Actuarial Function is accountable for actuarial methodology, reporting to the relevant regulator on the adequacy of reserves and capital requirements, and on the adequacy of any underwriting and reinsurance arrangements.

The Actuarial Function has authority to review all areas of the Company and has full, free and unrestricted access to all activities, records, property and personnel necessary to complete its work.

The Head of Actuarial Function (HoAF) leads the Actuarial function. All persons employed by the Actuarial function in a defined 'actuarial' role, are subject to the Company's Fit and Proper minimum requirements to ensure they have the requisite skills and knowledge to complete the responsibilities outlined as part of their role.

B.6.2 Actuarial Function Independence and Objectivity

As part of the system of governance required for Solvency II, the Actuarial Function (together with the other control functions set out in the Risk Management Framework) are operationally independent of risk-taking and any other activities which could compromise their control activities. Any conflicts of interest are disclosed and documented as part of the governance structure in place.

B.7 Outsourcing

B.7.1 Overview of Outsourcing Policy

As part of the strategic decision to close to new business, a decision was made to outsource policy administration, fund and payment administration, customer and adviser handling, and supporting IT services to CLPSI, Montague House, Adelaide Road, Dublin 2. through a third party agreement for agency services. This operating strategy is unchanged since closure to new business in 2010. As the Company moves closer to expiry of the current third part administration contract with CLPSI in early 2020, management will consider the optimal business model for the business post 2020.

The Company has established an Outsourcing Policy that determines the criteria to be considered and processes to be followed when establishing an outsourced arrangement. This recognises that any outsourcing agreement does expose the Company to operation risk from a third party. A Service Level Agreement forms part of the contractual arrangement between both parties. There is a strong governance framework in place, with senior managers from both the Company and CLPSI meeting regularly to minimise the operational risk associated with the agreement.

In brief the policy requires consideration of the following areas:

- Criteria to be considered in deciding whether to outsource;
- Whether the arrangement would be deemed critical or important (Regulation 51 of the 2015 Regulations);
- Process for selecting a service provider;
- Process for concluding an outsource arrangement including contractual arrangements and approvals;
- Roles and responsibilities;
- Considerations for outsourcing PCF roles;
- Requirement for annual review of the Policy.

The Company is currently utilising several service providers to undertake activities on behalf of the Company.

Key Outsource Providers	Service Provided	Location
Mazars	Internal Audit HOIA (PCF13)	Ireland
Spector	IT Support	Ireland
Capital Life and Pension Services Ireland Limited	Policy Administration services for Ex – Aviva Policies	Ireland
Utmost Administration Limited	Policy Administration services for Ex – ALE Policies	Isle of Man
Harcourt Life Services Limited	Management services	Ireland
Aviva Life and Pension	Re-insurance of the ex-Aviva With-Profits business	UK

Following the sale of the business to HLA, Existing employees of Aviva Life International Limited transferred employment to Harcourt Life Services Limited (HLSL) on agreed terms and conditions with effect from 1 August 2016. Following the transfer of staff to HLSL, the Company entered into a Management Services Agreement (MSA) with HLSL. The MSA will enable HLSL to provide a full suite of services to the Company including oversight of the services provided by external parties. This arrangement enables the Company to continue to operate in a satisfactory manner meeting both policyholder expectations and all regulatory obligations in an efficient manner.

Similarly, following the acquisition of the ALE portfolio, a number of employees of ALE transferred to HLSL. The MSA with HLSL has also been updated to reflect the costs associated with this newly acquired open business line.

B.8 Assessment of Governance

The Company aims to continually review and improve its governance systems to ensure they take account of industry requirements and guidelines, good practice and learnings from Internal Audits and assurance reviews.

The Board has reviewed and assessed the Systems of Governance, Internal Control, and Risk Management Framework and has concluded that it is appropriate for the nature, scale, and complexity of the business.

B.9 Any Other Information

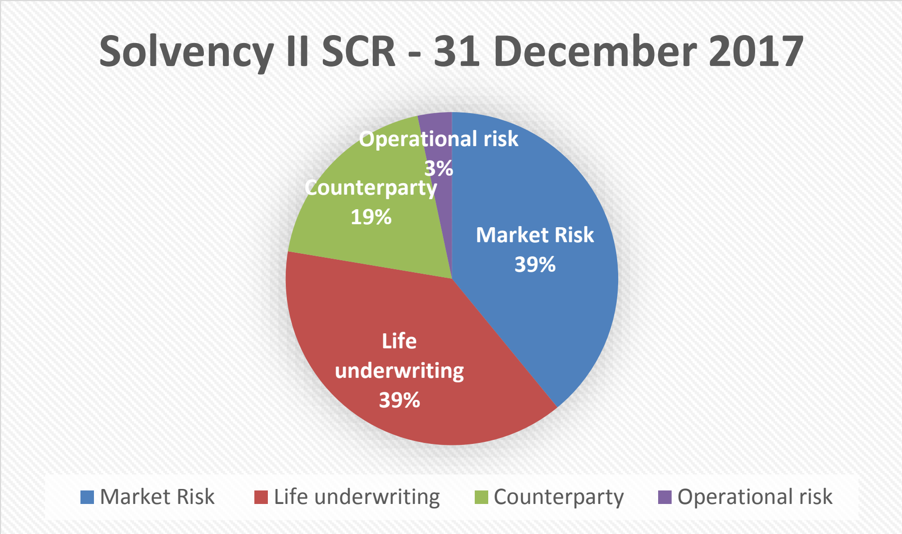
The with-profits business is 100% reinsured with ALAP. Due to the nature of the reinsurance arrangement, the Company has a significant reinsurance exposure with ALAP. Management will continue to monitor the reinsurance counterparty exposure as part of the Risk Management Framework and the Solvency II risk based regulatory environment.

C Risk Profile

C.1 Overview of Risk Exposure

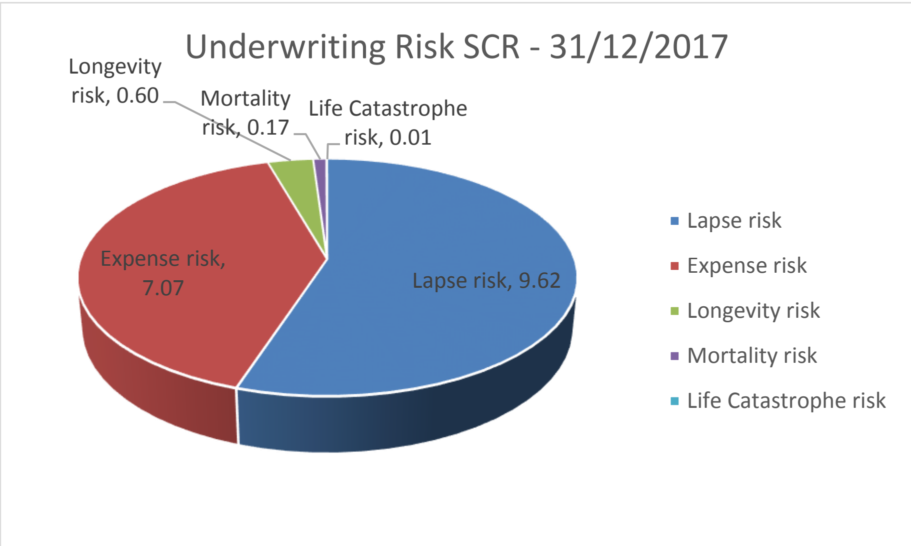
This section will provide a qualitative assessment of the material risks considered by the Company in its current structure. Risks will be classified in a similar manner to the Standard Formula Model. The residual risk section will contain all risks (if any) that are not covered under the Standard Formula Model.

The chart below shows a summary of the allocation of the SCR across the four key areas of risk faced by the Company.



C.2 Underwriting Risk

Life underwriting risk is the risk of loss arising from insurance contracts underwritten by the Company. The allocation of the SCR to the key areas of risk within underwriting is shown in the table below;



C.2.1 Lapse Risk

The Company is exposed to lapse risk from changes in the expected lapse rates/surrender rates of policyholder funds which would adversely affect the value of future revenue streams.

Changes in expected lapse rates can be triggered by:

- Random changes in behaviour due to market fluctuations or market developments or customer dissatisfaction.

  The consequences of adverse lapse experience would increase the BEL that would need to be held on the balance sheet. If policyholders surrender at a faster rate than reflected in the underlying lapse assumptions, this will result in reduced revenue generated from policyholder funds which in turn will increase BEL held on the balance sheet.

C.2.2 Expenses Risk

Expense risk arises from an adverse variation in the expenses incurred in managing the closed book of business. This represents a key risk for the Company, as there is a danger that the costs of the outsourcing, management services and direct expenses are unsustainable over the medium to longer term.

The expense base of the Company consists of two main elements:

1. The costs of the outsourced third-party administration (TPA), which vary in line with the volume of in-force business; and

2. The costs of the retained organisation to provide oversight and financial management of the business. They are largely fixed in nature over the short to medium term and can be divided into two categories:

    A. HLSL service costs via an MSA agreement, these relate to the costs of services provided to the Life company by the service company (HLSL).

    B. Direct (i.e. Non service related) costs incurred by the Life company e.g. non contractual TPA costs, regulator fees, audit fees.

To manage these expenses, the Company tracks the actual expenses incurred against plan via MI and the RAS, this is also discussed regularly by management.

C.2.3 Mortality & Longevity Risk

The Company is only exposed to a very small mortality risk, due to the investment nature of its products.

C.2.4 Immaterial Life Underwriting Risks

The following risks are irrelevant or immaterial to the Company:

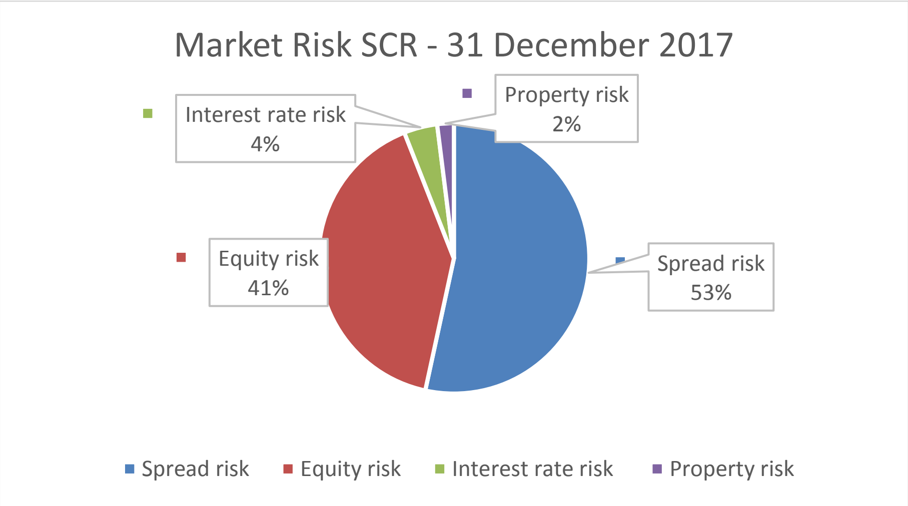
- Life catastrophe risk.
- Revisions
- Disability/Morbidity.

C.3 Market Risk

Market risk arises from movements in the level of financial variables such as bond, equity and property yields; interest rates, foreign exchange rates, credit spreads as well as other factors such as liquidity and concentration of assets. Market risk can be visibly seen on the Company's balance sheet. It affects the value of shareholder assets, policyholder and expense reserves.

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

The table below shows the allocation of SCR to the key area of market risk.



C.3.1 Shareholder Assets

The Company is exposed to market risk from the following shareholder assets:

- Shareholder Bonds and Collective Investments: At reporting date, the Company held a mix of European sovereign bonds and an investment in Oaktree European Senior Loan Fund holding. These were held for the purpose of matching non-unit reserves.

  From a market risk perspective, they represent an interest rate risk. This is the risk that the change in the value of the bonds as a result of movements in market perceptions of the present value of future cash-flows produced by the bonds. The Oaktree investment also represents a credit/spread risk.

- Shareholder Bank Deposits: At reporting date, shareholder bank deposits are invested across Euro, UK Sterling, US Dollar and Yen deposit accounts that amounted to circa €5.8m. From a market risk perspective this exposes the Company to currency risk due to the possibility of adverse movements in exchange rates.

31/12/2017 Total Value €millions	GBP (Euro) €millions	EUR (Euro) €millions	USD (Euro) €millions	JPY (Euro) €millions
5.8	0.6	3.8	1.3	0.1

The Company actively manages these deposits via the treasury policy and a review of the banking deposits and counterparties is ongoing at the time of this report.

- Shareholder Box: At reporting date the shareholder box amounted to approximately €1.1m invested in a mix of investments, fund seeding and cash. The Shareholder Box is required for operational purposes.

The Company's shareholder assets invested in bonds are readily available and traded in the open market; market prices reflect the underlying market. The markets are liquid with significant volumes of the majority of assets being actively traded on a daily basis.

C.3.2 Policyholder Assets

There is an indirect market risk exposure for the Company via the policyholder assets. This exposure is reflected via the BEL. Lower expected future revenue from policyholder funds due to adverse market performance will result in the Company needing to hold higher BEL.

Equity, bond and property risk exposure to the Company exists via fees generated from management charges applied to policyholder funds.

C.3.3 Financial Transactions – Foreign Exchange (FX)

The Company operates in more than one currency and it is therefore exposed to exchange rate fluctuations. Management monitors the FX exposures and movements regularly.

C.3.4 Spread Risk

The Company's SCR for spread risk increased due to increases in Collective Investment Schemes.

C.4 Counterparty Default & Credit Risk

This risk exists when the Company is exposed to a loss if another party fails to deliver in relation to its financial obligations. The loss due to default or deterioration in credit standing of the Company's counterparties and debtors would represent a realisation of this risk. The main sources of counterparty default risk for the Company are as follows:

- Shareholder Bank Deposits

  At reporting date, the Company maintained shareholder funds on deposit with a number of banks.

- Shareholder European Sovereign Bonds

  The holding of European issued sovereign debt does not result in capital charge in respect of counterparty default risk.

- Reinsurance Exposures

  The Company has a significant reinsurance exposure to ALAP which reinsures the With-profits funds.

C.5 Liquidity Risk

Liquidity risk is the risk that liabilities cannot be met in a timely and cost-effective manner as they fall due, the Company's exposure to liquidity risk is low. The Company's assets are managed in accordance with its asset management and treasury policies. This means that liquid assets are held to match expected short-term liabilities. Investing the net assets predominantly in cash and government gilts provides further liquidity. Management monitor the liquidity risk on a regular basis via its RAS.

Some funds may not be sufficiently liquid to settle large claims. This might happen where the underlying fund invests directly in property, when market trading is suspended or if the fund goes into liquidation. The Company's policy conditions allow payment of the claim to be deferred in the vast majority of circumstances.

C.6 Operational Risk

Operational risk stems from inadequate or failed internal processes, personnel or systems, or from external events. A qualitative assessment of key operation issues is discussed below. For the purposes, of ensuring that operational risks highlighted here match those covered by the Standard Formula Model.

C.6.1 Outsourcing Agreements – CLPSI and UAL

The Company signed a contract with CLPSI for the provision of Agency Services in February 2010. A Service Level Agreement forms part of the contractual arrangement. There is a strong governance framework in place, with senior managers from both parties meeting regularly to discuss service and monitor operational risk associated with the agreement.

When the business of AXA Life Europe was transferred into Utmost Ireland an additional outsourcer, Utmost Administration Limited, commenced providing services to the Company in respect of that book. Similarly, a strong governance framework has been implemented in respect of UAL.

The Company adheres to an outsourcing policy under which it oversees material outsources such as CLPSI and UAL.

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C.6.2 Key Person risk management

The Company tries to mitigate key person risk by appropriate recruitment and retention combined with documentation of key processes.

C.6.3 IT Systems & Infrastructure

IT risks are monitored as part of monitoring the performance of the business versus the state risk appetite. Cyber risk is an important risk for the HLA group of companies and it is therefore it is considered as part of our internal audit planning and the governance of our outsourcers.

C.6.4 Unit Pricing

- UK & Italian Unit-linked Pricing

The Company has a Unit Pricing Breach Group which consists of at least 5 Company stakeholders, with a mix of skills to ensure that all aspects of potential pricing errors are correctly assessed. CLPSI will report any potential errors on a monthly basis to this group. The group's responsibility is to assess the issues identified and decide if any errors have occurred. If an error has occurred, the group will ensure that it is reported in a timely and accurate manner, the impact of the error is assessed correctly and any required rectification work is completed within company unit pricing policy guidelines.

- Premier Portfolio

For externally priced funds, that is funds offered under Premier Portfolio products, CLPSI carries out a number of suitability checks on funds (via the allowable funds list) before accepting them onto the platform. These checks, which have been approved by the Company, cover such areas as regulatory regime of fund, level of fund charges and level of gearing within the fund.

- With-profits

These funds are priced by the reinsurer; the prices are provided to CLPSI who apply these to policyholder funds via the administration system.

C.6.5 Data Integrity

In early 2011, CLPSI successfully migrated data from the Company's legacy systems to CLPSI's in-house administration systems. The migration process was designed by CLPSI's specialised Centre of Excellence. KPMG completed a specialist review of the migration exercise, no significant issues were identified and this provided assurance over the integrity of the data migration.

As part of the outsourcing agreement, CLPSI are required to complete bi-annual data integrity reports. The Company has received data integrity reports on a regular basis since the CLPSI migration, the reports have indicated that the Company's data is of a high quality, no issues in relation to data integrity have been identified. As part of the Solvency II reporting regime CLPSI have started producing data integrity reports on a quarterly basis.

C.6.6 Regulation Risk

The Company is committed to meeting all requirements and establishes project groups to address the design and delivery of requirements as they fall due.

C.6.7 Residual Operational Risks

Tax Risks

The most significant threat is that the Company could fall foul of UK HMRC "Controlled Foreign Company" rules that if breached would impose an "I-E" tax charge. (where tax is payable on investment returns rather than trading profit) This risk is tightly managed by ensuring that the Company's activities and any proposed changes in structure or scope continue to meet the exempt activities rules.

The Company is only able to offer gross roll up With-profits business through a reinsurance arrangement with ALAP. Although external tax experts do not believe that there is a significant risk of a successful HMRC challenge, a remote risk remains. If this happened, the Company could either continue to offer gross roll up to all policyholders (and absorb the cost of this subsidy) or withdraw gross roll up for those policyholders affected. It is likely that other cross-border With-profits providers would face similar issues.

This risk is communicated openly to policyholders, through both the pre-sales literature (the brochure and key features document) and the policy conditions.

The financial cost of subsidising gross roll up would depend on the amount invested in cross-border With-profits business at the time of the challenge. Withdrawing gross roll up would be a reputational risk and could be legally challenged.

If gross roll up tax rules change on Unit Linked and With-profits policies in force, the persistency of the entire closed book of business would be a risk.

The Company is a member of the HLA VAT group and can reclaim VAT to the extent of its policyholders residing outside the EU. Management are currently working on establishing an appropriate overhead recovery rate. The amount reclaimed is expected to be immaterial as a significant proportion of the Group's policyholder reside within the EU.

Another area of taxation that the Company is affected by is the Foreign Account Tax Compliance Act (FATCA - this is a 2010 United States federal law to enforce the requirement for United States persons including those living outside the U.S. to file yearly reports on their non-U.S. financial accounts to the Financial Crimes Enforcement Network (FINCEN)). This is considered a low impact risk for the Company. A very small number of customers are required to complete declarations for FATCA purposes: the process is embedded with CLPSI, UAL and risk is minimal.

C.7 Other Material Risks

C.7.1 Eurozone Break up & Brexit

Greater political uncertainty has emerged in the UK and Ireland following the UK's decision to leave the EU. There has been a significant fall in the UK Sterling to Euro exchange rate and a rise of politicians considering the pursuit of economic protectionist policies. These policies could result in changes that could have an adverse impact on the Company. Such risks are out of the scope of SII Standard Formula. Management continue to monitor the situation.

C.7.2 Customer – Product Design/Brand/Sales/Marketing/Promotion/Policyholder Expectations

The two main issues that have arisen in respect of brand protection and credit risk of policyholders is in respect of the following:

- Policyholder Funds

  Policyholders' Unit Linked funds are invested with a range of fund managers. As policyholders bear their own investment risks, the Company is not legally liable for any loss should a fund manager default. The Company manages this risk by ensuring that only regulated funds are made available to policyholders.

  Premier Portfolio Products policyholders may also invest a portion of their holdings in a cash account. The primary purpose of this holding is to provide a liquid fund within the policy to finance ongoing policy charges. This cash is invested in a range of banks but do not have an obligation to make good any loss incurred in the cash account as a result of counterparty default (the Company received legal advice confirming this position in 2009).

- Policyholder Reasonable Expectations

  Life companies are exposed to the risk that policyholder assets perform and / or are invested in a manner that is contrary to their reasonable expectations given the stated objectives of the product and the fund that they have selected, this would be regarded as predominantly an operational risk.

C.7.3 Distribution & Sales Risk

The Company reopened to new business during the reporting period and therefore distribution and sales risk have become relevant. The Company monitors its actual new business sales against new business targets as part of its regular risk appetite monitoring.

Upon opening to new business, the Board would continue to discuss the Company's plans in relation to sales and distribution at each Board meeting, including discussion of existing distributor relationships and any planned development of new distributor relationships.

C.8 Overview of Risk Measures

The Company's decision to adopt the Standard Formula Model was influenced by: (i) the scale and nature of the insurance risks of the business and (ii) the fact the business was and for the moment continues to largely exhibit the risk profile of a closed book in run off (the new business written during the reporting period has not materially altered the risk profile of the company). The potential risks and benefits associated with the application of an internal model were viewed as not being appropriate to the business, its nature and strategy.

The Standard Formula Model requires balance sheet stress tests to capture each risk's contribution to the SCR. Having considered each Standard Formula stress, management are satisfied that all stresses are appropriate and capital "add-ons" are not merited.

Under Solvency II the regulatory capital requirements require best estimate valuation of liabilities and assets and a solvency capital requirement which is risk driven and dependent on the risk borne by the Company.

The Company's calculated Solvency II SCR reflects the CBI's approval of the use of certain transitional arrangements and the volatility adjustment. Furthermore, the Company's TCR is 133% of SCR.

C.9 Overview of Risk Concentration

The Company is exposed to material concentration risk through its reinsurance arrangement with ALAP in respect of the portfolio of with-profits policies. Consistent with its materiality, this risk features on the RAS which defines a requirement for regular monitoring of credit rating outlook in respect of this key reinsurer.

Other material risk concentrations relate to counterparties for cash holdings. This risk is mitigated through the investment policy which defines minimum credit standards for cash holding institutions used by the Company.

C.10 Overview of Risk Sensitivities

This section looks at how sensitive the Company's Solvency II balance sheet is to changes in the Company's circumstances and assumptions. It considers the impact of sensitivity stress and scenario stress on the solvency position.

The key business risks are targeted and the scope of the testing in this section is proportionate to the scale and nature of the business.

The majority of stresses have been calibrated so that they are approximately equivalent to a 1 in 25-year event under the Standard Formula assumptions. This reflects the level of capital that the Company aims to maintain.

The sections below outlines tests carried out as part of the ORSA process in 2017. The ORSA results were prepared based on Q3 2017 financials and no allowance was made for Transitional Measures on Technical Provisions.

C.10.1 Reverse Stress Testing

As part of the ORSA process in 2017, an analysis was made to determine the level of expense increase required to result in the solvency requirement to exceed own funds.

By examining the results of SC1 and the base scenario (ST0), the threshold level of per policy cost required to trigger a solvency breech was determined. It has been assessed that this level of cost increase over the short term is unlikely.

C.10.2 Sensitivity Testing

This section looks at how sensitive the Company's Solvency II balance sheet is to changes in the Company's circumstances and assumptions. It considers the impact of sensitivity stress on the solvency position.

The sensitivities considered are set out in the following table. Further details relating to the scenarios can be found in the Appendices

Stress and Scenario tests		
ST0	Base projection	This is the central best estimate scenario
ST1	Expense stress	All expenses 10% higher than base
ST2	Lapse up stress	Lapses up 34%, with no reworking of expense base
ST3	Lapse down stress	Lapses down 34%
ST4	Spread stress	Bond values fall by 18% and one notch downgrade to ESL
ST5	Equity stress	Equity values fall 30%
ST6	Currency stress	All non-Euro assets, including Sterling, fall by 20%
ST7	Counterparty stress	

C.10.2.1 Summary of Results

The projected SCR under each scenario is:

SCR		30/09/2017	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
		€ million	€ million	€ million	€ million	€ million	€ million
ST0	Base projection	26.6	25.9	24.6	23.3	22.0	20.8
ST1	Expense stress	27.3	26.5	25.2	23.8	22.4	21.1
ST2	Lapse up stress	25.4	24.6	23.3	21.8	20.5	19.2
ST3	Lapse down stress	27.8	27.2	25.9	24.7	23.6	22.4
ST4	Spread stress	26.6	25.9	24.6	23.3	22.0	20.8
ST5	Equity stress	26.6	25.9	24.6	23.3	22.0	20.8
ST6	Currency stress	26.6	25.9	24.6	23.3	22.0	20.8
ST7	Counterparty stress	32.5	31.1	28.5	25.9	23.3	20.8

The projected solvency coverage range under each scenario is:

SCR Coverage		30/09/2017	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
ST0	Base projection	150% +	150% +	150% +	150% +	150% +	150% +
ST1	Expense stress	100% - 133%	133% - 150%	150% +	150% +	150% +	150% +
ST2	Lapse up stress	150% +	150% +	150% +	150% +	150% +	150% +
ST3	Lapse down stress	133% - 150%	150% +	150% +	150% +	150% +	150% +
ST4	Spread stress	100% - 133%	133% - 150%	133% - 150%	150% +	150% +	150% +
ST5	Equity stress	133% - 150%	133% - 150%	150% +	150% +	150% +	150% +
ST6	Currency stress	100% - 133%	133% - 150%	150% +	150% +	150% +	150% +
ST7	Counterparty stress	100% - 133%	100% - 133%	133% - 150%	150% +	150% +	150% +

C.10.2.2 Commentary

The following can be noted from the Company's projected solvency position under the sensitivities tested:

- ST0 Base Scenario is healthy at all points in the projection period.
- The Company's Own Funds fall below the TCR (<133%) in three stress tests: the expense, spread and counterparty default scenarios. However, the position has been rectified by end 2018 in each case.
- The Counterparty stress is the most onerous stress but improves over the projection period. Although this stress would result in a breach in the Company's TCR of 133% of SCR, the solvency coverage remains above the regulatory requirements (i.e. 100% of SCR).

C.10.3 Scenario Testing

The development of SCR coverage and SCR under the scenarios deemed relevant for the Company was as follows:

SCR Coverage		30/09/2017	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
SC1	MSA expense scenario	100% - 133%	100% - 133%	100% - 133%	133% - 150%	150% +	150% +
SC2	Hard Brexit scenario	100% - 133%	100% - 133%	133% - 150%	150% +	150% +	150% +
SC3	Counterparty scenario	100% - 133%	100% - 133%	100% - 133%	133% - 150%	150% +	150% +
SC4	Extra new business scenario	150% +	150% +	150% +	150% +	150% +	150% +
SC5	Loss of fund rebates scenario	133% - 150%	150% +	150% +	150% +	150% +	150% +

SCR		30/09/2017 € million	31/12/2017 € million	31/12/2018 € million	31/12/2019 € million	31/12/2020 € million	31/12/2021 € million
SC1	MSA expense scenario	28.3	27.5	25.9	24.3	22.7	21.1
SC2	Hard Brexit scenario	25.8	25.1	23.6	22.0	20.9	19.8
SC3	Counterparty scenario	30.4	29.6	28.3	26.8	25.5	24.2
SC4	Extra new business scenario	26.6	25.9	25.2	24.4	23.9	23.4
SC5	Loss of fund rebates scenario	22.6	21.9	20.6	19.3	18.0	16.8

SC1 MSA Expense Scenario

In this scenario the fees paid to HLSL are assumed to increase. This reflects the risk that the fees collected by HLSL are inadequate to cover its expenses and it is required to renegotiate the fees charged.

The fees are assumed to immediately increase from €300 per policy per annum (the base scenario assumption) to €420 per policy per annum. The other expenses of the Company are assumed to be unchanged from the base scenario. The projected updated fee to HLSL was calculated on the basis that the Group will acquire no further companies (leading to no further economies of scale) and that the new business volumes of Utmost Ireland are only 40% of the expected sales

In this scenario, whilst coverage remains above 100%, it falls below 133% and does not naturally recover to 150% for three years. Therefore, the Company would be expected to seek a capital injection from its parent plus natural recovery to stay within Capital policy.

SC2 Hard Brexit

This scenario incorporates a catastrophic loss of future new business combined with lapse, expenses and market stresses

This scenario attempts to illustrate the potential impact of an adverse outcome in Brexit negotiations, building upon assessment work that was done previously, and which will continue to be revisited ahead of the March 2019 leave date.

The company relies on EU passporting rights to write new business in the UK. In the absence of a new trade agreement between the EU and UK or equivalent arrangement, the company could lose these rights and would consequently be unable to write any new business under the existing corporate structure.

The increase in lapse rates attempts to illustrate the impact of changes in UK tax legislation relating to offshore investment bonds. Currently policyholders holding offshore investment bonds benefit from favourable tax treatments compared to onshore products. An adverse change in tax regulations could make offshore products less attractive and lead to increased lapses on the existing book of business.

The scenario has been parametrised with no new business for two years before returning to plan, 33% increase in lapses, 10% increase in expenses and 20% fall in Sterling. We note that further market movements in equity and yield are also possible, including a widening of the gap between EU and UK yield curves. It is uncertain whether the net of these movements will also be onerous or will be beneficial.

The Company's Own funds fall below 133% SCR but recover within one year.

SC3 Counterparty combined with other risks (lapse or expenses)

Indicative results of the overall impact on the Company of "other scenarios" (i.e. the impact of 2 or more sensitivities occurring at a point in time) can be generated by aggregating the results of the individual sensitivities in section C.10.2. Any small diversification benefits that may occur from combined sensitivities should be disregarded to aid comparison and by doing so, this doesn't change or detract from the overall message.

This "aggregate approach" is reasonable as the impact of sensitivity risk testing on the company's financials is well understood and linear. Following an analysis of the product suite and risk profile of the combined business, it has been determined that there are no non-linear risk combinations that require specific scenario testing.

In this scenario the impact is considerable, and whilst coverage remains above 100%, it falls below 133% and does not naturally recover to 133% within a year. Therefore, the Company would be expected to seek a small capital injection to stay within Capital policy.

Given that these components of risk are generally unrelated, the probability of occurrence would be low.

SC4 High volumes of new business

Triple new business from around €200m to €600m per annum without compromising new business profitability per case and no reduction in the per policy MSA service fee.

Profitable new business supports the ability of the company to make dividend payments in the future.

The new business projection is positive for the company, having no material impact on the timing of emergence of surplus.

SC5 Loss of future fund manager rebates

The loss of fund manager rebates as a switch for clean share classes has been a major insurance industry topic over the last couple of years.

If the Company finds, that the T&Cs do not give sufficient freedom to vary policyholder charges so as to recoup any lost income there would be a significant loss of future income stream. This would result in an increase in non-unit BEL, but also a knock-on reduction in SCR and Risk margin, as that income would no longer be at risk from equity and lapse stresses.

The impact on Solvency coverage is broadly neutral.

D Valuation for Solvency Purposes

D.1 Assets

This section details how assets in the balance sheet are valued under Solvency II rules and how this differs from the statutory accounts valuation basis which is valued in accordance with IFRS. A detailed breakdown of the balance sheet can be found in

Listing of Assets	Notes	IFRS €million	Valuation Adjustments €million	Solvency II Position €million
Deferred acquisition costs	**1**	8.3	- 8.3	-
Deferred tax assets	**2**	2.1	- 2.1	-
Assets held for index-linked and unit-linked contracts	**3**	1,717.5	-	1,717.5
Collective Investment Schemes	**4**	20.9	-	20.9
Government Bonds	**5**	43.2	-	43.2
Reinsurance recoverables	**6**	462.5	- 0.2	462.3
Reinsurance receivables	**7**	0.0	-	0.0
Cash and cash equivalents	**8**	6.4	-	6.4
Any other assets, not elsewhere shown	**9**	1.8	-	1.8
Total assets		2,262.9	- 10.7	2,252.2

The Company applies the Prudent Person Principle, as described by Regulation 141 of the 2015 Regulations, in the management of the Company's investment portfolio.

Notes to the above:

1. Deferred acquisition costs.

Not recognised on Solvency II balance sheet and relates to unit linked business.

2. Deferred tax assets

This is not recognised on a Solvency II basis as per the requirements. As per advice received from the tax department on deferred tax assets.

3. Assets held for Index-linked and unit-linked contracts

These are the assets held to back the policyholder funds for unit linked investments. The unit liability is the value of units allocated. The units are valued at the appropriate unit price (all internal linked funds are single priced).

Under the Solvency II basis, financial assets backing unit linked contracts are segregated into their own class. This leads to a reclassification adjustment between equities, collective investment schemes (which include equities, bonds, property, short term liquidity investments and diversified assets) and derivatives to assets held for index-linked & unit-linked funds.

A fair value methodology is used and is detailed below.

Policyholders' Unit Linked funds are invested with a range of fund managers which are invested in a range of holdings. As policyholders bear their own investment risks, the Company is not legally liable for any loss should a fund manager default. The Company manages this risk by ensuring that only regulated funds are made available to policyholders.

An analysis of investments according to fair value hierarchy is given in Alternative Methods of Valuation and Any Other Information of this report.

4. Collective Investment Schemes

The Collective Investment Scheme asset is in relation to a single exposure in Oaktree European Senior Loan Fund. This fund is comprised of a diversified portfolio of Corporate Bonds, Cash and Deposits.

5. Government Bonds

Eurozone Sovereign Debt

The Company maintain a Eurozone Sovereign debt holding to back expense reserves and to cover the Company's capital buffer (i.e. Solvency II free assets). The debt holding consists of European Sovereign debt, together with a European Financial Stability Fund (EFSF) debt holding, which provides a joint guarantee from Eurozone states.

These are shareholder assets and are valued using market quoted prices (including accrued interest).

These are all "Level 1" fair value hierarchy.

There are no differences with the IFRS recognition and valuation basis.

6. Reinsurance Recoverables

The assumptions used for reinsurance contracts generally follow those used for insurance contracts. The With-profits business is 100% reinsured. A reinsurance treaty exists with ALAP and the Company has a floating charge to cover the liabilities reinsured. The floating charge operates for the benefit of the Company by ranking its policyholders "pari passu" with ALAP direct policyholders in the event of an insolvency.

Solvency II requirements in relation to reinsured assets is to apply a credit risk "haircut" on the value of the reinsured assets concerned, based on the credit rating of the reinsurer and the probability of default.

7. Reinsurance Receivables

This relates to reinsurance allowance payable from the reinsurer, ALAP. There is no difference with the Solvency II recognition and valuation basis.

8. Cash and Cash Equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition. For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included within payables and other financial liabilities in the statement of financial position.

9. Any other assets, not elsewhere shown

This relates to prepayments, accrued income, amounts due to fellow or former subsidiaries.

Guaranteed Returns

The Capital redemption version of the International Core Funds Bond launched in January 2004 includes a maturity guarantee. After 99 years, the Company will pay 1% more than the initial investment, less an adjustment for any withdrawals taken. The results of stochastic modelling of the guarantee indicate that it is not onerous. The CBI's Guidance note specifies the methodology in the report of the Maturity Guarantees Working Party of the Institute and Faculty of Actuaries as a minimum standard for reserving for the maturity guarantee. Using this methodology, no reserves were required for capital redemption policies in force at the end of December 2017.

D.2 Technical Provisions

D.2.1 Overview of Value of Technical Provisions

This section details how the technical provisions in the balance sheet are valued under Solvency II rules and how this differs from the statutory accounts valuation basis which is valued in accordance with IFRS.

The table below outlines the technical provisions split by line of business and split into Best Estimate Liabilities and Risk Margin.

	Without Volatility Adjustment Solvency II 31/12/2017 € million	With Volatility Adjustment Solvency II 31/12/2017 € million
Best Estimate Liabilities:		
Unit Linked Policyholder Liabilities	2177.2	2177.2
Non Unit Linked Liabilities	4.6	4.5
Technical Provisions - Transitionals	0.0	0.0
Total	**2181.8**	**2181.7**
Risk Margin	**11.0**	**11.1**

IFRS provisions are calculated as a single liability figure, with appropriate margins for risk included within the assumptions and methodology. The table below illustrates the differences between the IFRS and Solvency II valuation basis.

Listing of Liabilities	Notes	IFRS €million	Valuation Adjustments €million	Solvency II Position €million
Technical Provisions - Unit Linked and With Profit Liabilities	1	2,189.6	- 7.9	2,181.7
Risk margin	2	-	11.1	11.1
Financial liabilities other than debts owed to credit institutions	3	7.8	-	7.8
Any other liabilities, not elsewhere shown	4	20.1	- 15.9	4.1
Total liabilities		2,217.4	- 12.8	2,204.7

1. Technical Provisions

Technical Provisions – Insurance Contracts

Reinsurance recoverables are calculated as a probability-weighted average of discounted future cash flows relating to reinsurance contracts, adjusted for the expected losses due to counterparty default. Only reinsurance cash flows that relate to cash flows included in the Best Estimate Liability are included.

The Company 100% reinsures it's With-profits business into the ALAP With-profits fund. Although the potential impact is high, the risk of default under this reinsurance arrangement is very low, given ALAP's high credit rating and strong management of the With-profits fund. Management will continue to manage their reinsurance counterparty exposure.

Technical Provisions – Investment Contracts

Investment contracts included under long-term business are those that do not transfer significant insurance risk from the contract holder to the issuer, and are therefore treated as financial instruments under IFRS.

There are no guarantees on life assurance investment products.

Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at fair value.

The adjustment of €7.9m is due to the calculation of the Best Estimate Liability under Solvency II, which involves a projection of future cash flows on the best estimate assumptions (where a negative BEL is permitted). Under IFRS, no equivalent reserve is calculated.

Uncertainty associated with the value of technical provisions

Solvency II makes an allowance for uncertainty through the risk margin which is held in addition to the best estimate of liabilities. The key sources of uncertainty underpinning the calculation of the technical provisions are persistency and expenses. For more information on assumptions see section D.2.3. The impact on the Companies SCR as a result of these assumptions being different than expected are provided in section C.10.

2. Risk Margin

Risk Margin of 11.1m represents the expected cost of providing an amount of capital equal to the SCR for non-hedgeable risks which is necessary to support the insurance obligations over their lifetime.

3. Financial liabilities other than debts owed to credit institutions

Claims are settled once all due diligence is received from the customer. The policyholder is regularly contacted on outstanding requirement to ensure prompt settlement. Death claims follow the normal probate process and are settled accordingly. Other trading balances are settled in the normal course of business and usually settled within one week.

4. Any other liabilities, not elsewhere shown

This relates to accruals and Deferred Income Revenue (DIR). The difference between the valuation basis is due to the DIR, which is not recognised on Solvency II balance sheet.

D.2.2 Material Adjustments Applied to Technical Provisions

D.2.2.1 Matching Adjustment

The Company does not use the **matching adjustment** referred to in Article 77b of Directive 2009/138/EC.

D.2.2.2 Volatility Adjustment

The Company applies the **volatility adjustment** referred to in Article 77d of Directive 2009/138/EC to the ex-Aviva business.

The volatility adjustment is applied to the risk free rates to reduce the impact of short term market volatility on the balance sheet. The Company applied the volatility adjustment to the yield curve used in the calculation of the expense reserves and SCR.

Note : The Company did not apply the volatility adjustment to the yield curve to discount SCRs as part of the risk margin calculation.

Risk-free rates and the volatility adjustment have been sourced from the EIOPA website for EUR currency as at 31 December 2017.

The application of the adjustment has had minimal impact on the technical provisions.

D.2.2.3 Transitional risk-free interest rate term structure

The transitional risk-free interest rate term structure referred to in Article 308c of Directive 2009/138/EC is not applied.

D.2.2.4 SCR Transitional Arrangements

There are two transitional measures relating to the Standard Formula SCR. These are:

- The stress to equities can be phased in over seven years for equities (straight line reducing balance basis) purchased prior to Solvency II coming into force. The stress will increase linearly from the level of the duration based equity risk sub-module, 22%, to the level of the full stress.

- The concentration and spread risk stresses applied to any debt issued by EU central governments or banks in the domestic currency of another EU country will effectively be zero until 2017 (i.e. the same level as if the debt had been issued in the domestic currency of that central government or bank). These will phase-in to the full specified stress by 2020.

The Company applies the transitional deduction on its equity risk component of the SCR referred to in Article 308d of Directive 2009/138/EC.

This reduces the equity component of the SCR amounts by circa €0.78m before diversification, with a post-diversification impact of €0.46m, at the reporting date. The purpose of this allowance is to enable the Company to delay the full impact of Solvency II equity stresses being applied within equity component of the SCR.

The arrangements on concentration and spread risk are not applicable to the business.

D.2.2.5 Technical Provisions Transitional Arrangements

The Company does not use transitional deduction on its technical provision referred to in Article 308d of Directive 2009/138/EC.

The purpose of this allowance is to enable the Company to smooth out the full impact of the Solvency II reserving requirements where these are more onerous than the previous regime (Solvency I). The allowance is reduced on a straight line reducing balance basis over a sixteen years starting on 1 January 2016, subject to a two yearly recalibration.

The Company has received approval from the Central Bank of Ireland to use the transitional measure on technical provisions from March 2018. The Company will assess the impact of applying this measure and apply when appropriate.

D.2.3 Overview of Changes to Basis, Methodology or Assumptions

Following the acquisition of the ex-ALE portfolio and the MSA arrangement with HLSL a review was conducted in relation to the Methodology and Assumptions. The assumptions reflect the terms of service agreements with HLSL and external administration service companies.

D.2.3.1 Expense Risk

The expense assumptions are consistent with the existing expense cash flows that are currently incurred by the company.

D.2.3.2 Lapse Risk

All assumptions regarding lapses reflect the results of an annual lapse experience investigation.

D.2.3.3 Mortality Risk

The mortality assumption is set based on a percentage of standard mortality table.

Previously, for the ex-Aviva With-profits business the mortality assumption was not modelled. Given the aging profile of this portfolio this assumption is now more material. Allowing for mortality on this portfolio has a €3m reduction on the Best Estimate Liability and is now included.

D.2.3.4 Inflation

Inflation has been updated to use a market implied inflation curve. The inflation was derived on a market consistent basis by considering the difference in the yields between nominal and indexed linked bonds.

D.2.3.5 Simplifications and Approximations

The Company uses a simplified method in calculating the Technical Provisions. This relates to the projection of SCR underlying the calculation of the risk margin. This is done using appropriate risk drivers.. Data approximations applied are highlighted in the data section of the report.

D.3 Alternative Methods of Valuation and Any Other Information

The following split is per the fair value hierarchy on IFRS.

Fair Value Hierarchy	Level 1 €000's	Level 2 €000's	Level 3 €000's	Total €000's
Debt Securities	63,510	-	-	63,510
Unit Trust	-	1,605,360	-	1,605,360
Fixed Term Deposit	-	67,059	-	67,059
Other	-	45,690	-	45,690
Total financial investments	63,510	1,718,109	-	1,781,619

Fair Value Methodology

For investments carried at fair value, we have categorised the measurement basis into a "fair value hierarchy" as follows:

Quoted market prices in active markets – ("Level 1")

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. Examples are listed equities in active markets, listed debt securities in active markets and quoted unit trusts in active markets.

Modelled with significant observable market inputs – ("Level 2")

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset. Level 2 inputs include the following:

- Inputs other than quoted prices that are observable for the asset (for example, interest rates and yield curves observable at commonly quoted intervals, credit risks, and default rates); and
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market-corroborated inputs).

Examples of these are securities measured using discounted cash flow models based on market observable swap yields, investment property measured using market observable information, and listed debt or equity securities in a market that is inactive.

Modelled with significant unobservable market inputs – ("Level 3")

Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset. Examples are certain private equity investments and private placements.

E Capital Management

E.1 Own Funds

E.1.1 Overview of Management of Own Funds

The primary objective of capital management is to optimise the balance between return and risk, whilst maintaining economic and regulatory capital in accordance with risk appetite. The objective of Own Funds management is to maintain, at all times, sufficient own funds to cover Minimum Capital Requirement (MCR), SCR and TCR.

Overall capital risk appetite, which is reviewed and approved by the Board, is set and managed regarding the requirements of a range of different stakeholders including shareholders, policyholders, regulators and rating agencies. Risk appetite is expressed in relation to a number of key capital and risk measures, and includes a Solvency II capital risk appetite of holding sufficient capital resources to enable the Company to meet its liabilities in extreme adverse scenarios, on an ongoing basis.

The Own Funds eligible to cover the SCR comprise of Basic Own Funds (as defined in Regulation 103 of the 2015 Regulations) and Ancillary Own Funds (as defined in Regulation 104 of the 2015 Regulations).

- Basic Own Funds represent the excess of assets over liabilities, the addition of subordinated liabilities and their classification and tiering within Own Funds;

- Ancillary Own Funds include legally binding funding commitments which have received supervisory approval. Examples include letters of credit or guarantees. The Company does not currently recognise any ancillary own funds.

There have been no material changes to the objectives, policies, or processes with respect to the management of Own Funds during the year.

The Company enjoys a strong capital position at the end of 2016 with solvency coverage comfortably above its Target Capital Requirement (TCR) of 133% Solvency Capital Requirement (SCR). The reserving basis was strengthened in December 2016 in anticipation of the Company move from a closed to an open book of business.

E.1.2 Classification of Own Funds

Own Funds is made up of share capital and retained earnings and therefore represents unrestricted Tier 1 Basic Own Funds under Solvency II. These funds are fully eligible to meet the Company's Regulatory Capital Requirements.

Own Funds items are classified into three tiers in accordance with quality criteria based on permanency and subordination.

The table below summarises the key characteristics that Own Funds must possess to be classified within each tier, in relation to Basic Own Funds:

Own Funds	Description	Key features
Tier 1	Tier 1 includes the highest quality assets and is also divided into ‘unrestricted’ (primarily share capital, share premium and other reserves) and ‘restricted’ (primarily undated subordinated debt and qualifying undated hybrid instruments).	Permanence Subordination Undated Absence of redemption incentives, mandatory costs and encumbrances
Tier 2	Tier 2 is primarily subordinated debt (with a minimum duration of 10 years).	Subordination Original minimum duration of 10 years with no contractual opportunity to redeem within 5 years Absence of redemption incentives, mandatory costs and encumbrances
Tier 3	Tier 3 includes any subordinated debt which does not meet the criteria to be classified as Tier 1 or Tier 2 (and has a minimum duration of 5 years), primarily net deferred tax assets and ancillary Own Funds that are approved by the supervisor.	Ancillary Own Funds subject to supervisory approval Subordination Original minimum duration of 5 years

Company Own Funds consist of share capital and retained earnings and therefore represents unrestricted Tier 1 Basic Own Funds under Solvency II. These funds are fully eligible to meet the Company’s Regulatory Capital Requirements.

E.1.2.1 IFRS Net Assets

The table below sets out the Company’s Net Assets under IFRS basis.

Net Assets	Tier	31/12/2016 € million	31/12/2017 € million
Ordinary Share Capital	1	0.6	0.6
Capital Contribution Reserve	1	144.6	150.6
Retained Earnings	1	- 104.8	- 105.9
Total Net Assets	1	40.5	45.4

Share Capital

The Company has issued ordinary shares which are classified as equity.

Capital Contribution

The capital contribution reserve represents amounts gifted from the Company’s immediate parent in prior years.

Retained Earnings

The retained earnings reserve represents prior years' profit or losses which were not distributed by the Company.

E.1.2.2 IFRS to Solvency II Reconciliation

The following table provides a reconciliation between the IFRS reserves and the Solvency II technical provisions.

IFRS to Solvency II Bridge	31/12/2017 € million
Total Shareholders' Funds IFRS	45.4
Remove DAC/DIR	7.6
Non Unit Liability	7.8
Risk Margin	-11.1
Deferred Tax	-2.1
Total Solvency II Own Funds	47.6

These differences are covered in the Assets and the Technical Provisions above.

E.1.2.3 SCR and MCR Coverage

The table below outlines the Company's SCR and MCR's requirements and level of coverage provided by own funds at year end 2017.

Own Funds and Solvency Requirements	31/12/2017 € million
Own Funds	**47.6**
Tier 1	47.6
Tier 2	-
Tier 3	-
SCR	**27.9**
Solvency Ratio	**171%**
MCR	**12.0**
Eligible funds as part of MCR	**395%**

E.1.2.4 Changes to Own Funds Over the Reporting Period

A capital injection of €6m was received by the Company from its parent, HLA, during the reporting period. There have been no significant movements in own funds composition during the reporting period.

The reconciliation reserve is the amount of excess assets over liabilities (valued in accordance with the Solvency II regulations and guidance) that remain once all the other identified elements of basic own funds have been deducted. Given the nature of the business and under benign market conditions, the reconciliation reserve is expected to develop in a stable manner.

In order to reduce this volatility the company manages its asset-liability matching in accordance with the Investment Policy. Additionally sensitivity analysis has been conducted and the impact to SCR is provided in section C.10.

E.1.3 Overview of Excess Capital

	Without Volatility Adjustment Solvency II 31/12/2017 € million	With Volatility Adjustment Solvency II 31/12/2017 € million	With Volatility Adjustment Solvency II 31/12/2016 € million
Own Funds (SII) / Net Assets (IFRS)	47.7	47.6	30.5
MCR	12.0	12.0	5.9
SCR - Including Equity Transitional Relief	27.9	27.9	23.4
Excess Assets	19.8	19.7	7.1
Solvency Ratio	1.7	1.7	1.3
Target Solvency Ratio	1.3	1.3	1.3

The above table sets out the Company's Solvency II balance sheet under all possible scenarios given regulatory allowances. This outlines the relative advantages obtained from such allowances so that the Company can understand the impact on the balance sheet if they were removed.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Overview of Solvency Capital Requirement and Minimum Capital Requirement

The SCR reflects the capital requirement needed to comply with Solvency II regulations. The Company has adopted the Standard Formula approach in their calculation of the SCR. The Company's decision to use the Standard Formula approach was influenced by the nature and scale of the insurance business as well as the fact that the Company is a closed book in run off. The potential risks and benefits associated with the application of an internal model were viewed as not being appropriate to the Company's business or strategy.

The MCR reflects a level of capital below which policyholders and beneficiaries are exposed to an unacceptable risk. The Company's MCR is also calculated in line with the Standard Formula approach.

E.2.2 Solvency Capital Requirement

The Solvency II regulatory SCR require consideration of the best estimate valuation of liabilities and assets and the risks borne by the Company.

A breakdown of the Company's SCR at year-end 2017 into its constituent parts with and without the volatility adjustment is provided below. An adjustment to Aggregate SCR without equity transitional allowance is then made to arrive at the Aggregate SCR with equity transitional allowance. This was included to prevent the relative magnitudes of the SCR components being distorted.

Diversification effects will not be discussed as these are a by-product of the Standard Formula approach which uses a prescribed correlation matrix for several risks.

UI Solvency II SCR	Without Volatility Adjustment 31/12/2017 € million	With Volatility Adjustment 31/12/2017 € million
Market Risk	14.9	14.9
Life underwriting	14.8	14.7
Counterparty	7.3	7.3
Diversification Benefit	-10.3	-10.3
Basic SCR (BSCR)	26.7	26.6
Operational risk	1.3	1.3
Total SCR - Including Equity Transitional Relief	**27.9**	**27.9**

E.2.3 Minimum Capital Requirement

The MCR for each European Economic Area (EEA) insurance undertaking is calculated using a linear formula that applies prescribed factors to Technical Provisions, written premiums, capital at risk, deferred tax and administrative expenses (all net of reinsurance). The MCR for the Company is calculated, subject to an absolute minimum of €3.7m, as €12m for year-end 2017.

E.2.4 Material Changes to SCR and MCR Over Reporting Period

The table below provides the movement in the SCR. The movements in SCR are primarily driven by the acquisition of the ex-ALE portfolio, and the updates to Lapses and Expenses in line with actual experience as outlined in Section D2.3.

Solvency Capital Requirement	31/12/2016 € million	31/12/2017 € million
Market Risk	10.1	14.9
Life underwriting	12.1	14.7
Counterparty	9.4	7.3
Diversification Benefit	-9.2	-10.3
Basic SCR (BSCR)	**22.4**	**26.6**
Operational risk	1.0	1.3
Total SCR - Including Equity Transitional Relief	**23.4**	**27.9**

E.2.5 Overview of Application of Standard Formula

The Company's decision to use the Standard Formula approach was influenced by the nature and scale of the insurance business. The potential risks and benefits associated with the application of an internal model were viewed as not being appropriate to the Company's business or strategy.

The Standard Formula Model requires stresses to capture each risk's contribution to the SCR. Having considered each Standard Formula stress, management and the Board are satisfied that all stresses are appropriate and capital "add-ons" are not merited.

E.2.5.1 Use of Simplified Calculations

Where the SCR is calculated using the Standard Formula, the Solvency II regulations specify simplified calculations that may be used across all the Standard Formula risk modules except operational risk. The Company has not used any of these simplified calculations to calculate its SCR.

E.2.5.2 Substitution of Parameters used in Standard Formula

The Company has not applied any company specific parameters to calculate its SCR.

E.3 Equity risk Sub-Module

E.3.1 Overview of Duration Based Equity Risk Sub-Module in Calculation of SCR

The Company has not applied the duration-based equity risk sub-module in the calculation of the SCR.

E.4 Non-compliance with Minimum Capital Requirement and Solvency Capital Requirement

E.4.1 Overview of Non-Compliance of MCR

The Company's MCR is set out in section E.2.3. The MCR is the absolute minimum level of capital that an insurance company can hold under Solvency II. The CBI has the power to withdraw the authorisation of any insurance company that cannot meet its MCR. The Company did not fail to comply with the MCR at any time during 2017.

E.4.2 Overview of Non-Compliance of SCR

The Company's SCR is set out in section E.2.2. The SCR represents the level of capital required to withstand a 1-in-200 adverse scenario and the CBI has the power to intervene if an insurance company cannot meet its own SCR. The Company did not fail to comply with the SCR at any time during 2017.

Appendix – QRTs

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		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	64,100,862.40
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	0.00
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	43,196,921.69
Government Bonds	R0140	43,196,921.69
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	20,903,940.71
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	1,717,517,804.51
Loans and mortgages	R0230	0.00
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	462,315,311.23
Non-life and health similar to non-life	R0280	0.00
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0.00
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	462,315,311.23
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	46,223.43
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	6,391,276.67
Any other assets, not elsewhere shown	R0420	1,825,339.83
Total assets	R0500	2,252,196,818.07

Liabilities		
Technical provisions – non-life	R0510	0.00
Technical provisions – non-life (excluding health)	R0520	0.00
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	0.00
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0.00
Technical provisions - health (similar to life)	R0610	0.00
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0.00
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	2,192,718,106.57
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	2,181,666,081.56
Risk margin	R0720	11,052,025.01
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	0.00
Debts owed to credit institutions resident domestically	ER0801	
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	
Debts owed to credit institutions resident in rest of the world	ER0803	
Financial liabilities other than debts owed to credit institutions	R0810	7,758,387.60
Debts owed to non-credit institutions	ER0811	0.00
Debts owed to non-credit institutions resident domestically	ER0812	
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	
Debts owed to non-credit institutions resident in rest of the world	ER0814	
Other financial liabilities (debt securities issued)	ER0815	7,758,387.60
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	
Subordinated liabilities	R0850	0.00
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	4,140,497.76
Total liabilities	R0900	2,204,616,991.93
Excess of assets over liabilities	R1000	47,579,826.14

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		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410			45,452,326.12						45,452,326.12
Reinsurers' share	R1420									0.00
Net	R1500	0.00	0.00	45,452,326.12	0.00	0.00	0.00	0.00	0.00	45,452,326.12
Premiums earned										
Gross	R1510			45,452,326.12						45,452,326.12
Reinsurers' share	R1520									0.00
Net	R1600	0.00	0.00	45,452,326.12	0.00	0.00	0.00	0.00	0.00	45,452,326.12
Claims incurred										
Gross	R1610			124,873,973.87						124,873,973.87
Reinsurers' share	R1620			46,620,666.76						46,620,666.76
Net	R1700	0.00	0.00	78,253,307.11	0.00	0.00	0.00	0.00	0.00	78,253,307.11
Changes in other technical provisions										
Gross	R1710			49,660,749.20						49,660,749.20
Reinsurers' share	R1720									0.00
Net	R1800	0.00	0.00	49,660,749.20	0.00	0.00	0.00	0.00	0.00	49,660,749.20
Expenses incurred	R1900	0.00	0.00	4,045,825.76	0.00	0.00	0.00	0.00	0.00	4,045,825.76
Administrative expenses										
Gross	R1910			1,130,352.48						1,130,352.48
Reinsurers' share	R1920			393,151.92						393,151.92
Net	R2000	0.00	0.00	737,200.56	0.00	0.00	0.00	0.00	0.00	737,200.56
Investment management expenses										
Gross	R2010			3,561,246.90						3,561,246.90
Reinsurers' share	R2020			252,621.70						252,621.70
Net	R2100	0.00	0.00	3,308,625.20	0.00	0.00	0.00	0.00	0.00	3,308,625.20
Claims management expenses										
Gross	R2110									0.00
Reinsurers' share	R2120									0.00
Net	R2200	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Acquisition expenses										
Gross	R2210									0.00
Reinsurers' share	R2220									0.00
Net	R2300	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Overhead expenses										
Gross	R2310									0.00
Reinsurers' share	R2320									0.00
Net	R2400	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	R2500									5,071,984.21
Total expenses	R2600									9,117,809.97
Total amount of surrenders	R2700									0.00

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		Home country	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			CI	GB	HK	IM	IT	
		C0220	C0230	C0230	C0230	C0230	C0230	C0280
Premiums written								
Gross	R1410			45,452,326.12				45,452,326.12
Reinsurers' share	R1420							0.00
Net	R1500	0.00	0.00	45,452,326.12	0.00	0.00	0.00	45,452,326.12
Premiums earned								
Gross	R1510			45,452,326.12				45,452,326.12
Reinsurers' share	R1520							0.00
Net	R1600	0.00	0.00	45,452,326.12	0.00	0.00	0.00	45,452,326.12
Claims incurred								
Gross	R1610		30,024,777.73	87,089,178.64	751,559.34	6,985,470.04	22,988.12	124,873,973.87
Reinsurers' share	R1620		5,287,981.77	37,537,048.90	751,559.34	3,044,076.75		46,620,666.76
Net	R1700	0.00	24,736,795.95	49,552,129.74	0.00	3,941,393.29	22,988.12	78,253,307.10
Changes in other technical provisions								
Gross	R1710			49,660,749.20				49,660,749.20
Reinsurers' share	R1720							0.00
Net	R1800	0.00	0.00	49,660,749.20	0.00	0.00	0.00	49,660,749.20
Expenses incurred	R1900			4,045,825.76				4,045,825.76
Other expenses	R2500							5,071,984.21
Total expenses	R2600							9,117,809.97

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		Insurance with profit participation	Index-linked and unit-linked insurance	Contracts without options and guarantees	Contracts with options or guarantees	Other life insurance	Contracts without options and guarantees	Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
Technical provisions calculated as a whole	R0010		0.00					
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020		0.00					
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	R0030			2,181,666,081.56	0.00			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			462,315,311.87	0.00			
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0.00		1,719,350,769.69	0.00		0.00	0.00
Risk Margin	R0100		11,052,025.01					
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	R0110		0.00					
Best estimate	R0120			0.00				
Risk margin	R0130		0.00					
Technical provisions - total	R0200	0.00	2,192,718,106.57			0.00		

		Annuities stemming from non-life insurance contracts and relating to insurance obligation	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)	Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010			0.00						0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020			0.00						0.00
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	R0030			2,181,666,081.56						0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			462,315,311.87						0.00
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0.00	0.00	1,719,350,769.69		0.00	0.00	0.00	0.00	0.00
Risk Margin	R0100			11,052,025.01						0.00
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0110			0.00						0.00
Best estimate	R0120			0.00						0.00
Risk margin	R0130			0.00						0.00
Technical provisions - total	R0200	0.00	0.00	2,192,718,106.57	0.00			0.00	0.00	0.00

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		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	635,003.00	635,003.00			
Share premium account related to ordinary share capital	R0030	0.00				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0.00				
Subordinated mutual member accounts	R0050	0.00				
Surplus funds	R0070	0.00				
Preference shares	R0090	0.00				
Share premium account related to preference shares	R0110	0.00				
Reconciliation reserve	R0130	-103,699,385.86	-103,699,385.86			
Subordinated liabilities	R0140	0.00				
An amount equal to the value of net deferred tax assets	R0160	0.00				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	150,644,209.18	150,644,209.18			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.00				
Total basic own funds after deductions	R0290	47,579,826.14	47,579,826.14	0.00	0.00	0.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0.00				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0.00				
Unpaid and uncalled preference shares callable on demand	R0320	0.00				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.00				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0.00				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.00				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0.00				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.00				
Other ancillary own funds	R0390	0.00				
Total ancillary own funds	R0400	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	47,579,826.14	47,579,826.14	0.00	0.00	0.00
Total available own funds to meet the MCR	R0510	47,579,826.14	47,579,826.14	0.00	0.00	
Total eligible own funds to meet the SCR	R0540	47,579,826.14	47,579,826.14			
Total eligible own funds to meet the MCR	R0550	47,579,826.14	47,579,826.14			
SCR	R0580	**27,877,505.12**				
MCR	R0600	**12,035,455.39**				
Ratio of Eligible own funds to SCR	R0620	**1.706746208**				
Ratio of Eligible own funds to MCR	R0640	**3.95330501**				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**47,579,826.14**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	151,279,212.18
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	**-103,699,385.86**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	0.00

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		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	14,895,535		
Counterparty default risk	R0020	7,262,270		
Life underwriting risk	R0030	14,710,211		
Health underwriting risk	R0040	-		
Non-life underwriting risk	R0050	-		
Diversification	R0060	- 10,258,459		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	26,609,557		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,267,948
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	27,877,505
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	27,877,505
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

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Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	0.00

Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0.00	0.00
Income protection insurance and proportional reinsurance	R0030	0.00	0.00
Workers' compensation insurance and proportional reinsurance	R0040	0.00	0.00
Motor vehicle liability insurance and proportional reinsurance	R0050	0.00	0.00
Other motor insurance and proportional reinsurance	R0060	0.00	0.00
Marine, aviation and transport insurance and proportional reinsurance	R0070	0.00	0.00
Fire and other damage to property insurance and proportional reinsurance	R0080	0.00	0.00
General liability insurance and proportional reinsurance	R0090	0.00	0.00
Credit and suretyship insurance and proportional reinsurance	R0100	0.00	0.00
Legal expenses insurance and proportional reinsurance	R0110	0.00	0.00
Assistance and proportional reinsurance	R0120	0.00	0.00
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0.00	0.00
Non-proportional health reinsurance	R0140	0.00	0.00
Non-proportional casualty reinsurance	R0150	0.00	0.00
Non-proportional marine, aviation and transport reinsurance	R0160	0.00	0.00
Non-proportional property reinsurance	R0170	0.00	0.00

Linear formula component for life insurance and reinsurance obligations		C0040
MCRL Result	R0200	12,035,455.39

Total capital at risk for all life (re)insurance obligations		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0.00	
Obligations with profit participation - future discretionary benefits	R0220	0.00	
Index-linked and unit-linked insurance obligations	R0230	1,719,350,769.69	
Other life (re)insurance and health (re)insurance obligations	R0240	0.00	
Total capital at risk for all life (re)insurance obligations	R0250		0.00

Overall MCR calculation		C0070
Linear MCR	R0300	12,035,455.39
SCR	R0310	27,877,505.12
MCR cap	R0320	12,544,877.30
MCR floor	R0330	6,969,376.28
Combined MCR	R0340	12,035,455.39
Absolute floor of the MCR	R0350	3,700,000.00
Minimum Capital Requirement	R0400	12,035,455.39

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REPORT OF THE INDEPENDENT AUDITOR OF UTMOST IRELAND DESIGNATED ACTIVITY COMPANY ('THE COMPANY') TO THE CENTRAL BANK OF IRELAND PURSUANT TO REGULATION 37 OF THE EUROPEAN UNION (INSURANCE AND REINSURANCE) REGULATIONS 2015: REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

Opinion
In our opinion, the information in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2017 is properly prepared, in all material respects, in accordance with the Solvency II Regulations.

We have audited the following quantitative reporting templates prepared by the Company :

- S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21, S.28.01.01 as at 31 December 2017

(the 'relevant elements of the Solvency and Financial Condition Report').

The relevant elements of the Solvency and Financial Condition Report have been prepared by the Company in accordance with Solvency II Regulations, which consist of:

- European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015);
- European Commission Delegated Regulation (EU) 2015/35; and
- The European Commission Implementing Regulations designated as designated enactments in section 2(2A) of the Central Bank Act 1942, in particular Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the SFCR in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

(collectively the "Solvency II Regulations").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)), including ISA (Ireland) 800 and ISA (Ireland) 805. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the relevant elements of the Solvency and Financial Condition Report in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use
We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared to assist the Company in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Central Bank of Ireland, for our audit work, for our report, or for the opinions we will form. Our report is intended solely for the Central Bank of Ireland and the Company in accordance with the terms of our engagement and should not be distributed to or used by parties other than the Central Bank of Ireland and the Company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (Ireland) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the Directors have not disclosed in the Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Solvency and Financial Condition Report is authorised for issue.

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Other Information

The other information comprises the financial and non-financial information in the information accompanying the relevant elements of the Solvency and Financial Condition Report and consists only of:

- D.1 Assets;
- D.2 Technical provisions;
- D.3 Other liabilities;
- D.4 Alternative methods for valuation;
- D.5 Any other information;
- E.1 Own funds;
- E.2 Solvency Capital Requirement and Minimum Capital Requirement;
- E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement;
- E.6 Any other information.

The Directors are responsible for the other information. Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the relevant elements of the Solvency and Financial Condition Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or with our knowledge obtained in the course of the audit of the relevant elements of the Solvency and Financial Condition Report, or otherwise, appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the Solvency II Regulations.

In accordance with Regulation 57 of the European Union (Insurance and Reinsurance) Regulations 2015, the directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Solvency and Financial Condition Report and for the approval of the Solvency and Financial Condition Report.

The directors are also responsible for such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The directors are responsible for overseeing the Company 's financial reporting process.

The directors should be satisfied that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the Company. All directors are required to sign a Compliance Statement, as required under Section 25 of the Central Bank Act 1997, for submission with the annual quantitative reporting templates.

Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, in accordance with the Solvency II Regulations.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision-making or the judgement of users taken on the basis of the Solvency and Financial Condition Report.

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As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Solvency and Financial Condition Report, including the disclosures, and whether the Solvency and Financial Condition Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the Central Bank of Ireland, as a body, in accordance with Regulation 37 of the European Union (Insurance and Reinsurance) Regulations 2015. Our audit work is undertaken so that we might state to the Central Bank of Ireland those matters we are required to state to them in an auditors' report and for no other purpose.

Report on other Legal and Regulatory Requirements
In accordance with paragraph 6 of *The Central Bank's Requirement for External Audit of Solvency II Regulatory Returns / Public Disclosures,* we are required to read the other information to identify material inconsistencies, if any, with information made available to us in the course of the audit of the relevant elements of the Solvency and Financial Condition Report and in the course of the audit of the statutory financial statements of the Company. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

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Date: 24 April 2018