



## **INORA LIFE DAC**

### **SOLVENCY AND FINANCIAL CONDITION REPORT**

**FINANCIAL YEAR 31 DECEMBER 2017**

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## SUMMARY

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The new, harmonised EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by insurers and some of that is required to be published on the Company's public website. This document is the first version of the Solvency and Financial Condition Report ("SFCR") that is required to be published by the Inora Life Dac ('the Company').

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate administrative body that has the responsibility for all of these matters is the Company's Board of Directors, with the help governance and control functions that it has put in place to monitor and manage the business.

The Company is closed to new business and the focus of the Board and Management Team is the orderly run-off the existing book of policies in line with their policy terms and conditions. Over time, the volume of policies will diminish as policies mature or are surrendered. As a consequence the expected performance, year-on-year, will reflect a diminishing number of policies and reducing level of assets under management. The Company is required to hold sufficient assets to match its policyholder liabilities at all times and a primary responsibility of the Board is to ensure that the Company's capital is adequate to cover the required solvency for the nature and scale of the business, and the expected operational requirements of the business. A number of mechanisms are in place to evaluate those levels. The outcome of those assessments indicates that the Company's capital is adequate at this time and for the expected requirements in the short to medium term.

The Company's financial year runs to 31 December each year and it reports its results in Euro.

## **BUSINESS AND PERFORMANCE**

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### **1 - BUSINESS**

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#### **1.1 Introduction**

The Company is a limited liability company with share capital of €635,000 fully paid. The Company is registered in Ireland under registration number 329 745. The Company is a regulated unit-linked life assurance private company limited by shares. The Company's operating and registered address is: Inora Life Dac, IFSC House, IFSC, Dublin 1, Ireland.

The Company is owned 100% by Société Générale Group "(the Group)", whose headquarters are situated 17, Cours Valmy, 92987 Paris La Defense 7 Cedex, France.

#### **1.2 Supervisory authority**

Resulting from a lack of new business, the decision by mutual agreement was taken at a board meeting on 16 February 2012, to close the Company to new business and to place the Company into run-off. This followed a strategic review into the Company's operations by its parent Société Générale. The Company is expected to run off its business until 31 December 2022 with an expected transfer to another group entity no later than 31 December 2022.

The Company is authorised by the Central Bank of Ireland (CBI). The CBI's address is: Central Bank of Ireland, North Wall Quay, Spencer Dock, PO Box 11517, Dublin 1, Ireland.

#### **1.3 External auditors**

The Company's external auditor is Ernst & Young, Chartered Accountants and Statutory Audit Firm, Harcourt Court, Harcourt Street, Dublin 2, Ireland.

#### **1.4 The Company's position within Société Générale Group**

The Company is 100% owned by Société Générale Group. Within Société Générale Group organization, the Company is consolidated as part of the Corporate Investment Banking division GBIS but is supervised by the group's insurance business line SOGECAP (Société Générale's insurance business line).

#### **1.5 Lines of business and geographical areas**

The Company's principal activity is to transact cross-border life assurance business in the European Union. The Company's financial year end is 31 December each year. The Company is no longer taking new business but continues to exist, administering its existing policies in line with their contract terms and conditions. Policy administration services are outsourced to DST Systems Limited ("DST"), an authorised service provider in Ireland.

The Company is operating on freedom of services basis in Germany, Italy, Austria and Belgium and through its branch in France.

## 1.6 Operating highlights

### Results for the year end and state of affairs

The Company made a profit of €688,000 for the year ended 2017 (2016: loss of €655,000). The positive result is due to the release of the liability adequacy test reserve of €1,850,000. The total amount of this reserve is €6,650,000 (2016: €8,500,000).

No dividends were paid during the year. The results were impacted by development costs related to compliance with new regulatory requirements including Solvency II.

### Review of key performance indicators

The total number of policies in force at year end is 5,061 (2016: 8,783). The total policyholder assets under management as at year end is €142,744,000 (2016: €224,123,000). Total surrenders and maturities during 2017 amounted to €89,07,1000 (2016: €93,858,000).

The objective of the Company is to meet the reasonable expectations of policyholders and comply with all statutory, financial and regulatory requirements, whilst generating satisfactory returns for the shareholder. The Company will aim to negate risks and minimise costs and potential losses associated with running off the business.

## 2 - UNDERWRITING PERFORMANCE

Existing policyholders are located in Italy, Belgium, France, Germany and Austria.

New premiums received during the year, relate to regular premiums on existing regular premium policies, and a small amount of top-up premiums.

Under International Financial Reporting Standards (“IFRS”), the Company’s single unit-linked contracts are classed as investment-linked contracts and the Company’s regular unit-linked contracts are classed as insurance-linked contracts.

### Movement in technical provisions for linked liabilities:

The following table summarises the liabilities under investment-linked contracts and insurance-linked contracts during the year:

€000						
					<b>2017</b>	
	Up to a year	1-5 years	Over 5 years	Unit Linked	Total	
Insurance Contract Liabilities	-	-	-	2,253	2,253	
Investment Contract Liabilities	-	-	-	140,490	140,49	
Insurance Payables	1,843	-	-	-	1,843	
Other Payables	916	-	-	-	916	
<b>Total Liabilities</b>	<b>2,759</b>	<b>-</b>	<b>-</b>	<b>142,743</b>	<b>145,74</b>	
<b>2016</b>						
	Up to a year	1-5 years	Over 5 years	Unit Linked	Total	
Insurance Contract Liabilities	-	-	-	58,952	58,952	
Investment Contract Liabilities	-	-	-	165,171	165,171	
Insurance Payables	1,753	-	-	-	1,753	
Other Payables	1,405	-	-	-	1,405	
<b>Total Liabilities</b>	<b>3,158</b>	<b>-</b>	<b>-</b>	<b>224,123</b>	<b>227,281</b>	

Change in provisions for investment-linked contract liabilities include net realised and unrealised gains and losses on financial investments held to cover financial liabilities.

### Material risk mitigation techniques purchased or entered into during the reporting period

No material risk mitigation techniques were entered into during the reporting period.

### 3 - INVESTMENT PERFORMANCE

#### 3.1 Breakdown of Company investments by main asset category

The Company does not provide asset selection advice. The investments linked to insurance policies are selected by policyholders, or their appointed advisers, or where applicable, by asset managers selected by the policyholders and appointed for the purpose by the Company. The assets are owned by the Company. The Company is required to maintain assets to match its policyholder liabilities at all times.

The following investments, cash and cash equivalents, and other assets are held to cover technical provisions for linked liabilities.

€000	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	12,537	9,018
Receivables arising out of direct insurance operations	803	3,079
Prepayments and accrued income	380	326
Financial assets	160,036	244,492
	-----	-----
<b>TOTAL ASSETS</b>	<b>173,756</b>	<b>256,915</b>
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Fair value is assessed using valuation techniques based on available relevant information and an appraisal of all associated risks.

The value of assets under management is affected by asset and currency performance, as well as policies maturing or surrendering each year. As the Company is closed to new business, this results in a reducing profile year on year.

#### 3.2 Net investment income

Investment income comprises interest and other income receivable, realised gains and losses on investments and unrealised gains and losses. Movements are recognised in the profit and loss account in the period in which they arise. Interest is accounted for on a time proportion basis using the effective interest method.

#### 3.3 Realised gains and losses

Realised gains and losses are recognised through the surrender of investments or maturities during the current year.



### 3.4 Other income and expenses

Other income and expenses arising from investments are mainly related to premium on fixed income bonds.

### 3.5 Investment management expenses and interest charges

Investment management expenses and interest charges are mainly composed of interest charges related to charges and to fees related to investment transactions.

### 3.6 Unrealised gains and losses

The unrealised gains on investments of €11,036,000 (2016: €13,286,000) and unrealised losses on investments of €10,645,000 (2016: €6,524,000) at fund level, result in net unrealised gains on investments of €391,000 (2016: €6,762,000). In the statutory balance sheet, investments are accounted for at fair value.

### 3.7 Investments in securitisation

The Company's investments portfolio does not include any securitisation investment at the end of 2017.

## 4 - PERFORMANCE OF OTHER ACTIVITIES

The Company's only activity is that of unit-linked life insurer.

Income for the Company is in respect of fees which are charged to investment-linked contracts for contract administration services, investment management services, payment of benefits and other services related to the administration of investment-linked contracts. Fees are recognised as revenue for the services provided. The fees charged for the current year are shown below:

€000	2017	2016
Asset management charges received	1,378	1,578
Rebates from external fund managers	922	1,869
Surrender charges	6	18
Other investment income	342	418
	2,648	3,883

Operating costs of the Company are charged through the technical account of the profit and loss statement.

€000	2017	2016
Administrative expenses	4,195	5,139

Included in net operating expenses are commissions for direct insurance business of €1,664,000 (2016; €2,138,000). Expenses during the year 2017 have decreased relative to 2016 apart from the costs associated with the design and implementation of robust governance arrangements to secure compliance with continuing developments in the regulatory environment including Solvency II.

## 5 - ANY OTHER INFORMATION

During 2016, the Company's name was changed from Inora Life Limited to Inora Life Designated Activity Company in accordance with obligations arising under the new Irish Companies Acts 2014.

The new EU regulatory regime known as Solvency II, implemented through Irish Statutory Instrument No. 485 of 2015, came into force 1 January 2016.

During the 2017 financial year, the Company's main focus has been to continue to implement its strategy, which is to protect the interests of policyholders and other stakeholders and ensure an orderly wind-down of the business whilst maintaining the financial and commercial stability of the Company.

The Company is subject to a number of legal actions primarily with regard to asset performance. The majority of the assets on the Company's balance sheet are held in respect of unit-linked contracts, where the policyholders or their appointed advisor has selected the assets to be linked to their policies.

The Company does not provide asset selection advice, and is robustly defending these cases.

# SYSTEM OF GOVERNANCE

## 1 - GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

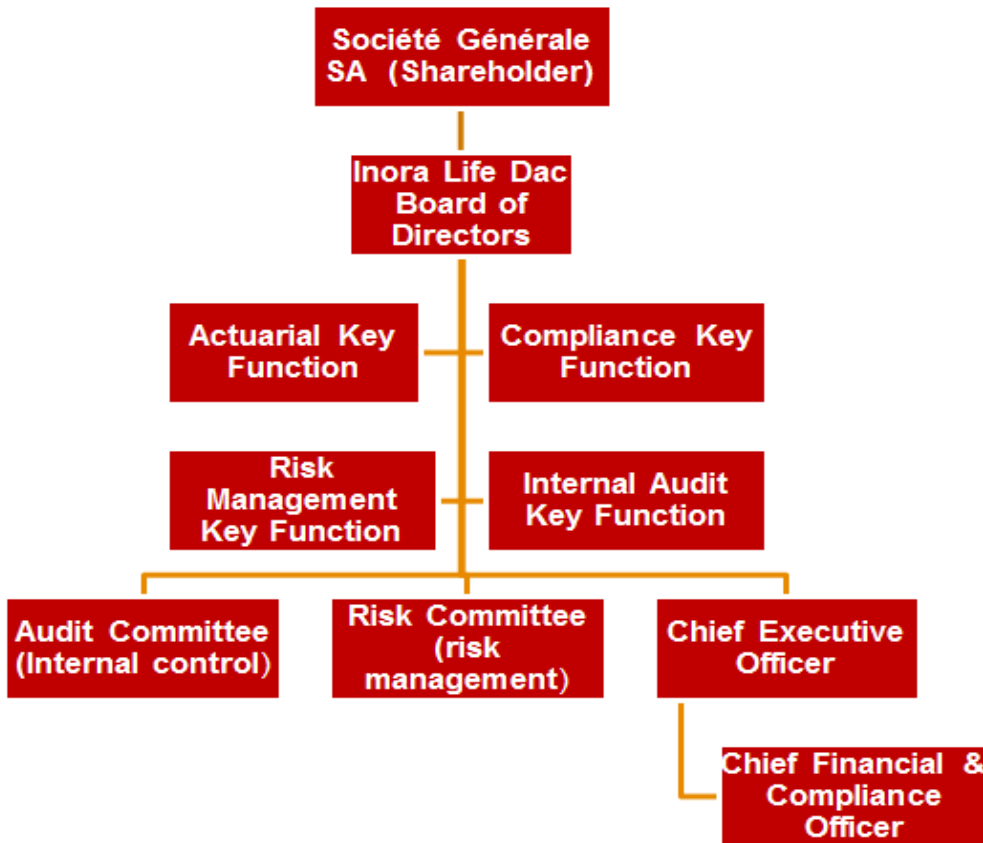
### 1.1 Governance bodies and key functions

The Company is classified as a Low Risk firm under the Central Bank of Ireland’s risk-based framework for the supervision of regulated firms, known as PRISM or Probability Risk and Impact System. The Company is subject to the Central Bank of Ireland’s Corporate Governance Requirements for Insurance Undertakings 2015.

The Company’s Board of Directors carry responsibility for the oversight of the business and sets its strategy and risk appetite. There are seven Board members, who sit as a minimum Board of five members as allowed for under the Corporate Governance Requirements, and agreed with the Central Bank of Ireland. All independent non-executive directors of the Board sit as members of the Audit Committee and the Risk Committee.

The following is the internal organisational structure:

## Group Structure & Reporting



## 1.2 Board of Directors

### ***Roles and responsibilities***

The Board of Directors defines the company's strategic guidelines which are implemented by General Management under its regular supervision.

The Board is involved in all issues relating to the proper running of the Company and takes necessary decisions, after deliberation. In particular, the Board exercises its powers on the following fields:

- appointment of Chief Executive Officer;
- review and approval of Company's annual financial statements;
- review and approval of annual solvency II reporting;
- approval of regulated agreements;
- review and approval of ORSA (Own Risk and Solvency Assessment) report;
- review and approval of policy changes.

### ***Working procedures***

The Chairman of the Board organises and supervises the work of the Board. The Company Board of Directors meets as often as the interests of the company require and at least, four times a year. In addition to compulsory Board meetings where annual financial statements and Solvency II reporting are approved, other meetings are held to monitor the development and to follow up the activity of the Company.

For each Board meeting, a convening notice including an agenda, is sent to the Directors, to the invited employees, and where applicable to the Statutory Auditors. Each participant receives a file with documents related to the main topics of the agenda.

The Company Secretary is in charge of arranging Board meetings and drafting minutes of meetings for validation by the Chairman. During the subsequent Board meeting, the previous minutes and all matters arising are submitted to Board members for approval. All Board meetings' minutes are signed by the Chairman and are kept in the registry of minutes.

### ***Membership***

As at 31 December 2017, the Board of Directors is composed of 7 members:

Executive	Peter Madden
Non-Executive	Marlene Pradeilles ( <i>French</i> )
	Francis Yung ( <i>French</i> )
	Michael Clifford
	Corinne Burlet ( <i>French</i> )
Independent Non-Executive	Brendan McCarthy
	Jim Kelly

### ***Special committees of the Board of Directors***

Two special committees, mainly composed of independent non-executive directors are charged with advising the Board in its decision-making. These committees contribute, through their expertise, to the decisions of the Board of Directors in compliance with risk management principles and governance best practices. They are:

**The Risk Committee:** composed of the two independent non-executive directors, the Chief Risk Officer (“CRO”) and the Chief Executive Officer. The Risk Committee assists the Board in discharging its responsibilities for:

- The effectiveness of the Company’s risk management system;
- The implementation of the Company’s risk strategy and maintenance thereof;
- The oversight of Solvency II developments;
- The oversight of investment issues;
- The timely reporting of material deviations from defined risk appetite; and
- Monitoring the effectiveness, independence and objectivity of the risk function.

**The Audit Committee:** composed of the two independent non-executive directors. The Audit Committee assists the Board in discharging its responsibilities for:

- The integrity of the Company’s financial statements;
- The effectiveness of the Company’s internal controls;
- The Company’s arrangements for its employees to raise concerns, in confidence, about possible wrong-doing in financial reporting or other matters;
- The effectiveness of the Company’s Internal Audit function in the context of the Company’s overall risk management system; and
- Monitoring the effectiveness, independence and objectivity of the external auditor.

### **General Management**

The Company’s General Management is composed of:

- **Chief Executive Officer:** who ensures the overall management of the Company. He has the widest powers to act in all circumstances in the name of the Company and represents it towards third parties.

He is assisted in his duties by:

- **Finance and Compliance Manager:** in charge of all the finance functions of the Company as well as the risk management system.

### **Key functions**

As a major component of the company's system of governance, key function holders are appointed by the General Management, taking into account their expertise and the adequacy of the key function with the managerial position they exercise within the Company. Thus, key functions have the authority, resources and operational independence to carry out their tasks.

Persons in charge of key functions participate and contribute to the various committees set up by the Board of Directors and General Management. On a regular basis they participate in Boards of Directors to report in line with their responsibilities.

### **Independent Control functions**

The Company has established the four key independent control functions required under the Corporate Governance Requirements for Insurance Undertakings 2015 - risk management, compliance, actuarial and internal audit. These functions are responsible for providing oversight of and challenge to the business and for providing assurance to the Board in relation to the Company's control framework.

### **Chief Risk Officer**

The function of CRO is outsourced to Willis Towers Watson to oversee the implementation of the Company's Risk Management Policy, reporting to the Board's Risk Committee and the Company's General Manager. The rationale to outsource this role is due to limited resources within the Company. The maximum key functions are already held by the two employees of the Company. The responsibilities of the CRO include:

- The oversight of the smooth-running and adherence to the Company's Risk Management framework
- To be the focal point for risk events reporting and for new and emerging risks, so these can be assessed and material issues reported to the Board Risk Committee, who will determine whether the issue is of such significance that it needs to be reported to the Company's regulator
- In conjunction with the Company's management, to ensure that the annual ORSA is prepared and submitted to the Board's Risk Committee, who engage with the process and recommend outputs to the Board for strategic consideration.

### **Compliance Officer**

A Compliance Officer is responsible for the implementation of the Company's compliance policy and effective processes. The Compliance Officer reports to the Board and raises issues as they arise, to the Company's General Manager. The responsibilities of the Compliance Officer include:

- To report on significant instances of non-compliance to the Board Risk Committee and the Company's management
- To monitor compliance within the Company and its service providers, making recommendations where change is required, and to maintain the Company's Breach Register
- To monitor regulatory change and to inform the Company and its service providers where such changes have implications for the Company's processes

The Risk Committee oversees the 'risk based' Compliance Monitoring Plan and outcomes thereof.

### **Head of Actuarial Function ("HoAF")**

The function of the HoAF is outsourced to Willis Towers Watson. This adds an independent oversight of the Company's Actuarial Function. The responsibilities of the HoAF and the Actuarial Function, in line with guidance from the Central Bank of Ireland and the Society of Actuaries, include, but are not limited to the following matters:

- Coordinating the calculation of the firm's technical provisions
- Assessing the consistency of the internal and external data used in the calculation of technical provisions against the data quality standards as set in Solvency II
- Continuous monitoring of the solvency position of the Company and the required level of statutory reserves
- Reporting on the solvency position of the Company

- The provision of advice and support to the Company on the ORSA process.

### **Head of Internal Audit function**

The Head of Internal Audit function is outsourced to the Manager of the Inspection Generale and Audit Department (IGAD) in London. The function provides independent and objective assurance services, via a formal outsourcing arrangement in respect of the Company's processes, as carried out by its service providers with due regard to the adequacy of the governance, risk management and internal control framework. The Head of Internal Audit reports to the Company's Chairman of the Audit Committee. The Audit Committee oversees the Audit Plan and outcomes thereof.

Internal audit reports highlight any significant control failings or weaknesses identified and the impact they have had, or may have and the actions and timings which management have agreed to take to rectify them. In addition to its regular reporting, Internal Audit performs a quarterly risk assessment, which provides a balanced review of the effectiveness of the Company's systems of risk management and internal controls.

## **1.3 Remuneration policy and practices**

The Company provides a range of benefits to employees, including contractual salary, life cover, permanent health insurance and paid holiday arrangements. Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The Company pays contributions based on a percentage of salary into a defined contribution plan on behalf of its employees. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. The assets of the plan are held separately from the Company in independently administered funds. Employees can contribute additional voluntary contributions to suit their circumstances.

The Company does not offer any performance-based bonuses or incentives. Therefore, its remuneration practices are considered to promote sound and effective risk management and do not encourage excessive risk taking. The Group operates an annual bonus plan for employees based on Group and individual performance, which includes employees of the Company.

## **2 - FIT AND PROPER REQUIREMENTS**

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The Company has adopted a Fitness and Probity Policy which aligns with the Central Bank of Ireland's Guidance on Fitness and Probity Standards 2014. This policy sets out the requirements and due diligence checks that must be performed to ensure that new function holders:

- Have the professional skills, knowledge and experience necessary for the sound and prudent management of the business,
- Fulfil the fit and proper requirements.

This policy applies to the Company's officers (Chairman of the Board of Directors, CEO and CFO) as well as the key function holders and, where necessary, members of the Board of Directors, in the terms laid down by the law transposing the directive 2009/138/EC (Solvency II).

For key Control Functions (referred to as Pre-approved Control Functions or “PCFs”), approval from the Company’s regulator is required prior to appointment by the Company’s Board. Members of the Board are all PCF functions as are all of the Control Functions listed above. Additionally, service providers annually attest to the Company in respect of fitness and probity of those who hold control function roles.

## **3 - RISK MANAGEMENT SYSTEM INCLUDING THE ORSA**

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### **3.1 Risk Management System**

#### **3.1.1 General presentation**

The Risk Management System is a translation of the Company’s strategic objectives into a risk-taking framework. It sets out, on an ongoing basis, to detect, to evaluate, to control, to manage and to declare the main risks, on an individual and an aggregate basis, to which the Company is or might be exposed, whilst striving to attain its strategic objectives as well as any interdependencies between those main risks.

The Company’s Risk Management System is based on the following main components:

- Governance bodies: Board of Directors, General Management and key functions (in particular Actuarial Supervision and Risk Management) ;
- Bodies chaired by the Company’s General Management or emanating from the Board of Directors to ensure cross-risk management and adequate reporting for a proper decision-making ;
- Risk management tools to assist in decision-making: risk mapping, written policies, monitoring indicators, risk management processes, Own Risk and Solvency Assessment.

In order to meet its objectives, the risk management system is integrated into the Company’s organisational structure and decision-making procedures. It is notably based on the following principles:

- Strong involvement of General Management and the Board of Directors;
- Integration of key functions particularly through close cooperation between Actuarial Supervision and Risk Management key functions;
- Integration of the system within the organisational structure and decision-making procedures;
- Close coordination with the internal control system;
- Clear separation between roles and responsibilities so as to avoid any potential conflicts of interest.

#### **3.1.2 Implementation of the Risk Management system**

The implementation of the risk management system is the responsibility of the Company’s governance bodies and key functions through the use of risk management tools and the decisions taken by the various committees. This section presents tasks assigned to governance bodies as well as the main written risk management policies.

The own risk and solvency assessment is presented in section 3.2.

#### **Committees**

##### **Audit and Risks Committees**



These committees of the Board of Directors each meet at least twice a year. Their primary assignments are:

- Monitoring of financial and prudential information;
- Monitoring of internal control;
- Monitoring of risk management;
- Follow-up of legal audit of the annual accounts and the independence of the auditors;
- Review of the entity's periodic inspection program.

### **Risk Management tools**

#### **Risk mapping and Risk referential**

The Company has a risk appetite statement covering all identified risks to which the Company is or may be exposed. These include operational risks, strategic and governance risks, emerging and external risks and reputational risks. Risks are assessed on the basis of their impact, their probability of occurrence and their coverage.

Update of risk appetite statement is done on a yearly basis or at an interim point if required.

#### **Written policies**

The main risks inherent to the Company's business are covered by written risk management policies. These policies formalise the principles, processes and procedures implemented by the Company in order to control its risks. In order to adapt these policies to the internal and external factors influencing the risks to which the Company is subject, these are reviewed and updated at least once a year.

## **3.2 ORSA**

Every year, and on an ad-hoc basis if circumstances materially change, the Company prepares an ORSA. The objective of the ORSA process is to enable the Board to assess its capital adequacy in the light of its assessments of its risks and the potential impacts of its risk environment, and enable it to make appropriate strategic decisions. The Board requires that the ORSA process produces meaningful reports on the adequacy of the Company's capital and risk sensitivities that can be used in shaping strategy and risk appetite.

The ORSA process is a circular process that relies on key elements of the business:

- Board strategy, policies and plans;
- The Solvency II Pillar I Balance Sheet standard model results, and base assumptions used;
- The Risk Management framework process and its outputs, which identifies the key risks;
- The Board's Risk Committee who review, challenge and approve the test scenarios including the ORSA output;
- The Actuarial Function who runs the tests on the Balance Sheet, for capital adequacy and produce the resultant output;
- The Risk Function, Actuarial Function and Management who assess the outputs and prepare the reports;
- The Risk Committee and Board's assessment of the output and resultant capital, strategy and risk appetite review;
- ORSA Reporting to the Company's regulator, the Central Bank of Ireland.

The Board reviews the ORSA report and considers appropriate action for the business such as:

- Decisions in relation to capital;
- Reassessment of risk profile and appetite;
- Additional risk mitigation actions;
- Reassessment of investment strategy.

The results and conclusions contained in the ORSA Report and the Board's resultant actions and decisions, are communicated to all relevant staff, including outsourced control functions, once the report has been considered and approved by the Board.

The Company determined that the Solvency II standard formula would be used to calculate the required solvency capital and to assess Own solvency Needs (OSN). A base case projection of the Solvency II Balance Sheet and Solvency Capital Requirement (SCR) position is produced using the standard formula, as well as actuarial and key run-off assumptions. The results are subjected to a range of scenario testing that is reviewed by management and challenged by the Board and, where appropriate, potential management actions are noted and conclusions drawn.

Assessments to date indicate that, under the scenarios presented by management to the Risk Committee and Board, the Company is adequately capitalised.

### **3.2.1 Risk appetite**

The Risk appetite is defined as the level of aggregate risk that a Company can undertake and successfully manage over an extended period of time. The Company is in the business of taking risks and can expect to make money by managing those risks to be within levels it considers appropriate, and by not taking risks in areas where it considers the risk excessive or where the consequence of failure is too severe.

### **3.2.2 Risk Profile**

The objective of risk profile definition is to determine the main factors that could significantly affect the Company's solvency. The different risk factors are assessed on a quantitative and qualitative basis.

### **3.2.3 Stress scenarios**

Starting from the risk profile, one or more stress scenarios over the short to medium term are constructed so as to measure the variation in defined metrics and thus measure risk appetite.

### **3.2.4 Overall solvency assessment**

The objective of the first phase of ORSA is to ensure that development strategy is in line with the Company's risk appetite, by applying to the multi-year business plan one or more stress scenarios. The thresholds and management rules used to carry out these simulations are similar to those used for the monitoring of the Company and which are described in the policies.

The results are approved by General Management. The assessment of overall solvency is carried out within a framework defined by the Company's General Management. This assessment is based on a calculation of SCR and the stress results for each year of the company's business plan. These calculations are carried out within a central scenario and a number of adverse scenarios.

The ORSA results enable the Company's General Management and its Board of Directors to have at their disposal a prospective assessment of the risks to which the Company is exposed in achieving its short and medium term strategic objectives. The Board is then able to set aside sufficient capital to cover the material risks to which it is exposed.

The ORSA policy details these objectives, governance and also implementation of the ORSA process.

## 4 - INTERNAL CONTROL SYSTEM

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### 4.1 Definition and objectives of internal control

Internal Control in the Company is defined as all means to ensure that the operations, organisation and internal procedures of the Company comply with:

- Legal and regulatory provisions;
- Professional and ethical practices; and
- Internal rules and guidelines established by General Management.

It sets out notably to prevent failures, to measure and exercise sufficient control over risk exposures, to ensure the reliability, integrity and availability of financial and management information, and to check on the quality of information and communication systems.

### 4.2 General organisation of internal control

The Board of Directors is responsible for ensuring that adequate internal control and risk management procedures are maintained by the Company. The operational responsibility for monitoring, measuring, controlling and reporting the risks connected with the Company's activities currently rests with the management. In addition, both the Audit and Risk Committees report to the Board of Directors on a regular basis.

The conduct and organisation of Internal Control within the Company is based the application of the following principles:

- Each employee is individually responsible for managing risks taken and controlling transactions performed;
- The extent of control is proportional to the risk exposure;
- Independence of Periodic Control.

The Internal Control system is built based on the "three lines of defence" model described below:

**1<sup>st</sup> line of defence:** level 1 permanent controls carried out by the business units and operating management, consisting of:

- Operational controls: controls (automated or not) built into the processing of transactions, close-up controls included in operating processes;
- Management supervision: checks by line management that the processes for which they are responsible function correctly;
- Other arrangements contributing to the management of various risk categories, such as organizational arrangements (separation of functions), transaction automation and controls built into IT applications.

**2<sup>nd</sup> line of defence:** level 2 permanent checks carried out, for all risks, by the Company's Compliance and Risk Management Function, which aims to:

- Check on level 1 controls (relevance of controls, effectiveness and quality) by carrying out checks on management supervision and on operating controls (selective and / or random controls);
- Detect any anomalies in carrying out level 1 check and ensure that these are corrected.

**3<sup>rd</sup> line of defence:** periodic control, strictly independent from the business units and from permanent control, performed by the Internal Audit function.

### 4.3 Levels of Internal Control

The Company maintains detailed work procedures in relation to both operational and investment processes as well as to related reporting and compliance. These procedures and the associated controls form part of the Company's procedures manual and are subject to continual review and update, as deemed necessary by the Company's Management.

In addition, the work procedures employed by the Company's key service providers are reviewed and updated on an ongoing basis, in line with business requirements. These are also reviewed annually by the Company's Management.

### 4.4 Tools and practices

#### 4.4.1 Monitoring of processes

The internal control system is based on a process approach, an end-to-end analysis of processes and their related risks in order to define adequate controls and/or rationalise existing controls.

The definition and localisation of operational controls and managerial supervision controls are carried out with the process owners and in collaboration with the Compliance Function.

The Company maintains detailed internal administrative, compliance and accounting procedures which are subject to review on an annual basis. This internal control framework allows for appropriate reporting arrangements at all levels in the Company, including to the compliance function. As the Company is closed to new business a number of the procedures are no longer applicable.

#### 4.4.2 Managerial supervision

The processing of policyholder and policy-related transactions is subject to managerial supervision at all stages, from initial data capture at local service centre level right through to disinvestment or maturity.

Records of all operational transactions are retained and filed in accordance with the Company's documented procedures. Through the preparation of monthly management accounts, the Company monitors adherence to the policy for reconciliation of policyholder investment positions. All these reconciliations are reported to the Company's Financial Officer.

Processing, retention and filing of all necessary documentation in respect of shareholder investment activity is undertaken by the Financial Officer in the Dublin office of the Company.

Formal monitoring and reporting mechanisms are in place, with the compliance function providing updates to the Board via the Risk & Compliance Report. All operational procedures for internal control reporting are documented in the Risk Management System.

#### 4.4.3 Control of operational risks

The Internal Control Framework for the Company has three elements:

(a) Board-level Controls - The Board Manual, policies, reports and minutes of Board and Board Committee meetings form the principal framework, within which the Board operates;

(b) Independent Control Functions - Please refer to Section 4.2;

(c) Controls over Outsourced Activities - The Company requires that any outsourcing partner, be it a sister Company or not, manages its control environment to at least the same standards as it would

employ and to adhere to the Company's policies and procedures, and employ fit and proper people in its control functions. Key Performance Indicators (KPI's) are set, and the Company requires regular service reporting and attestations (on the Service Level Agreement and related KPI's) to its General Manager and the Board, including certification from its main service providers to the Board on the Fitness and Probity of its Control Functions. Immediate reporting is required should any material incident or exposure occur.

The Head of Internal Audit, through planned and commissioned reviews of the Company's processes and those of its service providers, provides an opinion on the Internal Control Framework of the Company's business.

### ***Business continuity and crisis management***

The business continuity and crisis management system is based in particular on the following elements, which are regularly assessed:

- Policy for the Business Continuity and Crisis Management. This document reflects management's commitment that, in the event of a crisis, all appropriate measures will be taken to protect the entity's employees, assets and activities, if necessary following a temporarily degraded mode;
- an organisation defined to manage a crisis, as well as an ad hoc tool such as a crisis directory, forms for each crisis unit function, predefined crisis management rooms, a freephone number for communication with employees if necessary;
- a regularly updated corpus of documents that defines the continuity strategy for each service and;
- a technical device including backup and fall-back sites.

## **4.5 Compliance control**

The Compliance Function, headed by the Compliance Officer, is part of the Company's overall corporate governance structure. The control function is responsible for the monitoring, managing, and reporting of the compliance risks to which the Company is exposed. Compliance auditing occurs to check that the Company and its service providers are adhering to their obligations. Compliance reports are issued to the Risk Committee assessing the effectiveness and adequacy of compliance within the Company and service providers. The Risk Committee reports its activities and recommendations to the Board of Directors. The activities of the Compliance function are subject to periodic review by Internal Audit.

Management of the Company, and its service providers, are responsible for notifying the Compliance Officer of any breach of applicable laws and regulations that fall within the scope of their responsibilities. Upon receipt of notification, the Compliance Officer records the relevant breach item in the Company's risk register and discusses remedial actions with the management concerned. Where material, reporting is made to the General Manager and to the Board's Risk Committee. The breach register is reviewed with the General Manager in service meetings and significant breaches are reported to the Company's Risk Committee.

## **5 - INTERNAL AUDIT FUNCTION**

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### **5.1 Overview of internal audit function**

#### **5.1.1 Responsibilities**

The Internal Audit function constitutes an integral element of the Company's control framework but does not hold any executive responsibilities or any accountability for risk management or systems of internal control, other than to appraise their effectiveness. Internal Audit, which oversees Periodic Control, is separated from Permanent Control.

In terms of capabilities, internal audit missions are carried out by IGAD on the basis of an agreement signed between IGAD and the Company, acting both on its own account and for its subsidiaries. As such, IGAD provides periodic monitoring of all the Company activities for the main categories of inherent risks.

In terms of resourcing, the scope and budget of individual audit missions are included in the IGAD audit plan in agreement with the General Management of the Company. The work carried out by the periodic control is based on the IGAD audit methodology, implemented according to the revised branches. Each mission ends with a report containing a summary and recommendations, which are then regularly monitored in coordination with the Company Permanent Control Department.

#### **5.1.2 Organisation of internal audit engagements**

The Company audit plan is assessed on a quarterly basis. Missions covering the Company are determined after a risk assessment of the Company.

#### **5.1.3 Reporting of conclusions and follow-up of findings**

The detailed audit plan is presented to the Company's Audit Committee. Conclusions of the periodic control and the follow-up of implementation of recommendations are presented to the Audit Committee.

### **5.2 Independence and objectivity of internal audit**

The Internal Audit key function holder is reporting directly to the Company's Audit Committee. Audit activity is under the responsibility of IGAD, which guarantees its independence.

The reports of the various internal controls are examined periodically by the Audit Committee. As an independent, objective assurance and consulting activity, the Internal Audit function provides analysis and evaluation of the adequacy, effectiveness, efficiency and quality of risk management, internal control and governance systems and processes.

## **6 - ACTUARIAL FUNCTION**

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### **6.1 Actuarial function assignments**

The Actuarial function is a key stakeholder in the Risk Management system implemented by the Company. The actuarial function's expertise contributes to the management of technical insurance risks, which are a significant component of the company's risk profile. The HoAF service to support the business is outsourced to Willis Towers Watson. This position provides the necessary independence to effectively carry out its duties.

## 6.2 Implementation of actuarial function

In order to achieve its tasks, the Actuarial function has extensive access to information in relation to technical risks borne by the Company. The holder of actuarial function attends various committees of the Board of Directors as well as all Board meetings for topics related to its scope of responsibility.

The key responsibilities of the HoAF include:

- Co-ordination of the calculation of technical provisions. This consists of assessing the sufficiency of the provisions, assessing the uncertainty in the estimates and justifying the differences between successive periods.
- Review the appropriateness of the models and assumptions, consider the sufficiency and quality of data, and interpret deviations of best estimates against experience. There is also a requirement to consider the verifiability of assumed management actions.
- The Actuarial Function must produce an annual report for the Board. The report should cover all of the information necessary for the Board to form its own opinion on the adequacy of technical provisions and on the underwriting and reinsurance arrangements.
- In addition to responsibilities in relation to the technical provisions, and the requirements to express opinions on underwriting policy and reinsurance arrangements, the HoAF contributes to the effective implementation of the risk management system of the Company. In particular:
  - In relation to the SCR and Minimum Capital Requirement (MCR), the HoAF reviews the output of the model used by the Company to calculate the SCR and MCR. Specifically, any perceived or possible inconsistencies or issues identified in the model results are raised.
  - ORSA - the Chief Risk Officer and the HoAF together establish the requirements of the ORSA report, agree how the requirements will be satisfied and agree the format of the draft ORSA reports, the supporting appendices and working papers.

The work completed by the Actuarial Function in connection with the aforementioned tasks and the related conclusions is formalised on an annual basis in actuarial reports addressed to the Board of Directors.

## 7 - OUTSOURCING

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### 7.1 Inherent risks related to outsourcing of activity

The Solvency II Directive defines outsourcing as an arrangement of any form between an insurance or reinsurance undertaking and a service provider, whether a supervised entity or not, by which that service provider performs a process, a service or an activity, whether directly or by sub-outsourcing, which would otherwise be performed by the insurance or reinsurance undertaking itself.

Outsourcing of a process or an activity to an external third-party or to a Group entity is a common practice. However, even if the service provider is responsible for the task assigned, the outsourcing practice modifies the risk profile of the process or activity outsourced:

- Outsourcing implies specific risks such as dependence on a third party;
- Outsourcing may lead to increase operational risks, for example if the service provider has a less reliable internal control system or if the regulatory framework is more lax;
- Outsourcing could in some cases not be compliant with regulatory constraints applicable to the Company or could generate non-compliance issues of service provider deficiency.

On the other hand, outsourcing should also contribute to a better risk management. It is usually the case when the process or activity is delegated to a third-party with higher expertise or resources leading to a better level of control.

## 7.2 Governance and principles of outsourcing policy

### 7.2.1 Governance of outsourcing policy

In order to regulate the risks arising from outsourcing, the Company has issued a written policy on outsourcing practice. The Outsourcing policy principles meet the requirements of Solvency II and are consistent with the Group's principles.

The Outsourcing policy defines principles and responsibilities, and is updated as appropriate at least once a year, depending on:

- Changes in regulatory framework;
- Significant changes regarding the activity or the organisation of the Company;
- Evolutions of other risks policies which may have connection with outsourcing;
- Changes in internal control system of the Group.

Outsourcing policy is submitted to the General Management of the Company for an opinion and to the Board of Directors for approval.

### 7.2.2 Main principles of outsourcing policy

The Company outsources and enters into outsourcing arrangements only where there is a sound commercial basis for doing so, and where the risk can be effectively managed. A due diligence process is undertaken prior to any final decision being made as to whether to outsource a material business activity.

## 7.3 Implementation of outsourcing policy

### 7.3.1 Classification of outsourced activities

Implementation of an outsourcing activity, either internal or external to the Group, is always realised in a common framework.

This framework is being reinforced in case the activity or process to be outsourced concerns:

- A function or activity considered as significant or critical;
- A key function in the system of governance within the meaning of Solvency II Directive.

### 7.3.2 Attributions and responsibilities in the implementation of outsourcing and control of service providers

The Company's outsourcing arrangements are subject to an annual review and the findings are reviewed by the Board. When considering the decision to outsource a critical business function or process, the Company must satisfy itself that the potential outsourcing partner has:

- the relevant experience;
- the required system functionality and capacity (including disaster recovery);
- financial stability;
- any authorisations required .



When selecting larger outsourcing providers, the Company may utilise the support and expertise of relevant outsourcing functions within the Group.

The Company will notify the supervisory authorities prior to the outsourcing of critical or important functions or activities as well as of any subsequent material developments with respect to those functions or activities.

### **7.3.3 Approval process, follow-up and audit of outsourced activities:**

The Company's outsourcing policy defines the global framework applicable to outsourced activities in order to respect Group requirements in terms of risk management and internal control. Outsourcing policy covers both pre-contractual and contractual stages.

#### ***Preliminary analysis of outsourcing project and approval process***

Under the business model employed since the Company's creation, many of the Company's critical functions and processes are outsourced to third parties.

Outsourcing these processes enables the Company to access areas of expertise without incurring the set up or maintenance costs normally associated with managing such processes in-house. A further goal achieved by outsourcing is scalability. Whereas business volumes fluctuating would generally create additional staffing and management overheads, the risk is managed in a stable and sustainable manner by the provider of the outsourced service.

As part of the wider Group, the Company is also able to utilise a range of services and expertise within the Group. Consequently, the Company maintains a number of outsourcing agreements with other parts of the Group.

#### ***Follow-up of outsourced activity within the Internal Control system***

The follow-up of service provider practices is placed under the responsibility of the designated outsourcing key function.

A key area of focus with all outsourced functions and processes is that of control. To this extent all outsourcing arrangements are set out clearly in the outsourcing agreements. All business processes are executed in accordance with documented procedures and this is monitored by means of KPIs and service level agreements (SLAs). Regular review meetings are held with all key outsourcing providers to ensure services are being provided as contracted and to address any issues arising. In addition, to ensure that processes are current and reflect the actual tasks performed, the Company's business procedures are subject to internal review.

Service quality is closely monitored and reported via SLAs and regular scheduled meetings with providers. All activity with our key outsourcing provider DST is captured in monthly service reports. Performance updates of relevant providers, in particular the third party administrator, and any associated risks or actions are provided to the Board quarterly.

#### ***Audit of outsourced activity***

The activity or function outsourced remains under the responsibility of the Company. Therefore, the outsourced activities enter in the scope of internal audit, as well as activities managed internally. The Company's Internal Audit has a contractual right to engage audit work at service provider's level applying similar standards to the one applied at the Company level. After an assessment, Internal Audit may rely on external auditors' conclusions if an audit has already been made at service provider level.

## 7.4 Main activities outsourced by the Company

The following is a list of the critical or important operational functions the Company has outsourced:

- Policy administration
- Fund accounting
- Telephone contact & data capture
- Custodial services
- Actuarial services
- Chief risk officer
- Legal services
- Tax services
- Banking services
- Company secretarial services
- Various intra group corporate services and support
- Solvency II reporting system
- IT SG Dublin services

## 8 - ANY OTHER INFORMATION

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The Company has assessed its corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of the Company, which is closed to new business.

# RISK PROFILE

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## 1 - INTRODUCTION

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The Company's objective in the management of financial risk is to minimise, where practicable, its exposure to such risk, except when necessary to support other objectives. The Company seeks to manage risk through the operation of investment-linked business, whereby the policyholder bears the financial risk.

The majority of the assets on the Company's balance sheet are held in respect of unit-linked contracts where the policyholder or their mandated agent has selected the assets to be linked to their policies. Solvency II regulations have brought in the 'Prudent Person Principle' in relation to investing in assets. The Company is required to apply this principle, and has ensured that its investment policy and asset acceptability framework are aligned with this Principle.

Overall responsibility for the management of the Company's exposure to risk is vested to the Board. A risk management framework is in place comprising risk identification, risk assessment, control and reporting processes. Additionally, the Board has established Audit and Risk Committees with defined terms of reference. The more significant financial risks to which the Company is exposed are set out below. For each category of risk, the Company determines its risk appetite and sets its investment, treasury and associated policies accordingly.

The Company's risk profile is adapted to the use of standard formula in order to determine the SCR under Solvency II. The following sections 2 to 7 detail, from a SCR modules perspective, the risk profile of the Company in terms of exposures, concentrations and sensitivities and give an overview of techniques implemented to mitigate the risks. The SCRs by risk module, calculated based on the risks exposures described in this part of the document, are presented in the Capital Management section.

## 2 - UNDERWRITING RISK

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### 2.1 Underwriting risk exposure and measurement

The Company closed to new business on 16 February 2012. It only accepts new business for top ups to some product lines with policies in force at closure, where the legal terms and conditions indicate that this is obligatory.

### 2.2 Underwriting risk concentration

The Company's strategy, its risk appetite, and the risks it faces are therefore considered in the context of a reducing book of residual business within the European Union.

The level of mortality risk in the products issued by the Company is not material. Death benefits insured are up to a maximum of 1% of fund value.

### 2.3 Underwriting risk mitigation

Since 2010 the Company has retained all insurance risk internally.

## 2.4 Underwriting risk sensitivity

The Company's products are investment-based, thus the main components of underwriting risk facing the Company are:

- lapse risk – the risk of a quicker than anticipated lapse rate leading to a loss of income;
- expense risk – the risk of higher than expected costs.

The Company closely monitors its book of business to anticipate any change in these risks.

## 3 - MARKET RISK

### 3.1 Market risk exposure and measurement

Market risk is the risk of adverse financial impact due to changes in fair values of financial instruments from fluctuations in interest rates and equity prices. Market risk to the Company is limited as, through a 100% matching of policyholder assets and liabilities, the risk on the valuation of assets is borne by the policyholders.

€000	2017	2016
<i>Analysis of counterparty risk on assets and exposures</i>		
French Government Bonds	5,958	7,030
German Government Bonds	4,687	4,716
Belgian Government Bonds	6,213	7,353
	-----	-----
Total Government Bonds	16,858	19,099
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### 3.2 Market risk concentration

The Company invests in financial assets respecting the rules of investment policy which is based on the Prudent Person Principle. Within each asset category, exposures are diversified in terms of geographical area and issuers.

### 3.3 Market risk mitigation

The Company risk management policy cover all investment related risks including market risk. These risks are followed up with the Risk Committee applying the Prudent Person Principle. Implementation of this policy is made through the definition of thresholds, limits and constraints, consistent with the risk profile of the Company.

Given that the Company doesn't have any shareholder funds in equities, a market fall won't have an impact on the Company. A decrease in interest rates would impact the market value of the Company's Government Bonds. All of the bonds currently held are due to mature in less than 6 years. These Government Bonds earn interest of 0.5% to 1% per annum. The total value of bonds held is €16,858,000 (2016: €19,099,000).

### 3.4 Market risk sensitivity

Market risk to the Company is limited as, through a 100% matching of policyholder assets and liabilities, the risk on the valuation of assets is borne by the policyholders.

## 4 - CREDIT RISK

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### 4.1 Credit risk exposure and measurement

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Credit risk comprises the spread risk as well as the risk of downgrade of issuer credit rating. In addition, credit risk may be further amplified by concentration risk, which arises from a large exposure to a given risk, to one or more counterparties, or to one or more homogeneous groups of counterparties. Validation of credit risks is part of the Company's risk management strategy, in line with its risk appetite. Credit Risk policy is based on the principle that any commitment bearing credit risk should be assessed based on a thorough knowledge of counterparty and type of transaction. Moreover, main concentration risks are regularly assessed at the Group level.

Counterparty risk assessment is realised within the Asset Liability Matching (ALM). Counterparty risk and the evolution of related spread are subject to limits base on the quality of credit rating.

### 4.2 Credit risk concentration

Credit risk is only relevant on the assets that are not matching the policyholder unit liabilities. The majority of counterparty risk for Inora Life lies within the Group. The Group currently has an A rating (2016: A rating). Counterparty risk on policyholder funds is borne by the policyholders themselves. Shareholder funds asset allocation is mainly in French, German and Belgian government bonds. No financial assets are past due or impaired

### 4.3 Credit risk mitigation

Shareholders' funds, which represents assets which are not unit linked, will be invested in a range of asset types including bonds, equities, cash and monetary funds. The relative proportions of assets invested in each class and the characteristics of those assets will be driven by the factors set out above and in compliance with the regulatory requirements including the Prudent Person Principle as set out in Solvency II legislation.

### 4.4 Credit risk sensitivity

The primary credit risks to which the Company is exposed concern the banks where cash deposits are held and the EU government bonds in which the shareholders' funds are invested. Under the Company's Strategic Investment Policy, all cash deposits are held with banks bearing a minimum AA rating. Shareholder funds are invested in EU government bonds which have a minimum A rating. These ratings are closely monitored and, where warranted by a downgrading of these ratings, funds may be moved to another issuer.

## 5 - LIQUIDITY RISK

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### 5.1 Liquidity risk exposure and measurement

Liquidity risk is the risk that the Company will encounter difficulties obtaining funds to meet commitments associated with financial and other liabilities. In the specific case of insurance operations, the liquidity risk corresponds to the inability of the insurer to meet its contractual obligations and to pay the claims incurred. The Company would be exposed to a financial loss in case the Company would be forced to sell some assets to meet its commitments towards policyholders in a period of financial turmoil or in an illiquid market.

Liquidity management process is defined within the ALM risk policy. In order to ensure congruence between maturities of assets and estimated timeframe of liabilities, both on stable and stressed environment (mass lapse, mortality peak), the liquidity management process is flexible and covers long-term and mid-term liquidity issues, as well as short-term liquidity issues in case of uncertainty regarding net outflows.

### 5.2 Liquidity risk concentration

The Company's investment policy covers all the financial risks related to investments. The liquidity risk is followed up at the Risk Committee, which applies the Prudent Person Principle defined in Article 132 of Solvency II Directive. According to this principle, all investments are made ensuring that security, quality, liquidity and profitability of the overall investment portfolio are maintained.

The Company's policyholder assets can be readily liquidated. Detailed investment and disinvestment policies and guidelines are in place and updated periodically. For each main category of insurance and investment business, section 2 shows the gross liability at 31 December 2017 analysed by duration. The total liability is split by duration in proportion to the present value of cash-flows estimated to arise during that period.

### 5.3 Liquidity risk mitigation

Liquidity risk is also mitigated as policyholder assets can be readily liquidated and are paid once redeemed on the investment bank accounts. The majority of shareholder assets are invested in Eurozone government bonds and can be readily liquidated. A sufficient cash balance is maintained in the corporate bank accounts to meet day to day expenses. Cash balances are reviewed daily to ensure that none of the bank accounts are overdrawn. Asset fees outstanding are reviewed monthly with a reconciliation of amounts to be paid sent to SGSS on a monthly basis.

### 5.4 Liquidity risk sensitivity

Liquidity risk is monitored specifically by the Risk Committee based on ALM studies which consist notably in controlling the adequacy between assets and liabilities durations and the sensitivity to interest rate to guard against lapse risk.

## **6 - OPERATIONAL RISK**

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### **6.1 Operational risk exposure and measurement**

Operational risk arises as a result of inadequate or failed internal processes, people or systems, or from external events. This definition is intended to include all risks to which the Company is exposed, other than the financial risks described above. Operational risks include outsourcing arrangements to external providers, IT, information security, legal, fraud and compliance risks.

Internal Control system's objective is to ensure the compliance of procedures, methods and measures prescribed within the Company with applicable laws and regulations. In addition, it ensures the efficacy and efficiency of operations as well as the availability, reliability and accuracy of financial and non-financial information.

### **6.2 Operational risk concentration**

As many of the Company's processes are outsourced to third parties, service quality is closely monitored and reported via SLAs and regular scheduled meetings. Performance updates of relevant providers, in particular the third party administrator, and any associated risks or actions are provided to the Board quarterly.

### **6.3 Operational risk mitigation**

Operational risks are reported, as with other risks, on a quarterly basis. A holistic view of the Company's financial and non-financial risks, including operational risks, is discussed at Board level on an annual basis.

### **6.4 Operational risk sensitivity**

A risk register is also maintained by the Company detailing all potential risks and exposures. The Company's Compliance Officer provides an update to the Board of Directors on a quarterly basis of all issues that have arisen in each period

## **7 - OTHER RISKS**

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### **7.1 Valuation risk**

This is the risk of incorrect valuation of assets and liabilities. The majority of linked policyholder assets are invested with and valued by the Group. Tolerance testing is performed by our administration services providers who also operate detailed investment cycle controls. Policyholder liabilities are independently calculated by the Actuarial Function using the number of units provided by the policy administration system and unit prices provided by the investment manager

## 7.2 Expense risk

Expense risk is managed by the Company through the assessment of business unit profitability, and frequent monitoring of expense levels. On a monthly basis, checks are performed to ensure that the Company is in line with this soft target.

Under IFRS 4 a liability adequacy test has been performed for a reserve to cover future expenses in excess of future income as the Company is closed to new business. This reserve has been computed by the Reporting Actuary, having due regard to the actuarial principles laid down in Council Directive 92/96/EEC.

## 7.3 Cyber risk

With the increase of dependence on electronic communications and volume electronic data storage, there is increasing cyber security risk of data theft, and malicious data and service disruption within the industry. Cybersecurity comprises the technologies, processes and practices designed to protect networks, computers, programs and data from attack, damage or unauthorised access. In a computing context, the term 'security' implies 'cybersecurity'.

The following are the core elements of cybersecurity:

- Application security;
- Information and data security;
- Network security;
- Business continuity planning;
- End user education.

Some of the key risks associated with a cybersecurity attack are:

- Brand damage – declining public confidence and harm to reputation;
- Disruption to critical infrastructure, and damage to service provision to clients;
- Theft of funds, data and corporate intellectual property;
- Cost of responding to a breach – clean-up, legal fees, potential lawsuits, forensics and potential fines.

Accountability sits with the Board. Directors approach cybersecurity as an enterprise-wide risk management issue, not just an IT issue. A full time Security Manager is employed by Société Générale Dublin, who is principally responsible for IT security. The Group and its subsidiaries take IT security seriously and many mitigating measures are in place, together with a fully documented and robustly tested Business Recovery Plan.



## VALUATION FOR SOLVENCY PURPOSES

The general asset and liability valuation principles applied are those provided for by the provisions of the Solvency II Directive and by the texts available on the date this report was prepared. In accordance with Article 74 of the Solvency II Directive, assets and liabilities are valued at their market value, i.e. at the amount for which they could be exchanged as part of a transaction concluded on an arm's length basis between informed, consenting parties.

The economic balance sheet, which is derived from the statutory balance sheet, is the core element of the prudential Solvency II environment. It represents the basis of calculation of the prudential own funds and of the capital requirements (SCR and MCR).

### Aggregated Economic Balance Sheet:

€000	2017	2016
Assets	173,756	256,916
Technical provisions – best estimate component (unit liability)	142,743	224,123
Technical provisions – best estimate component (non-unit)	6,233	7,948
Technical provisions – risk margin component	1,423	1,958
Other liabilities	2,759	3,158
Excess of assets over technical provisions and other liabilities	20,598	19,728
MCR	3,700	3,700
Excess of assets over MCR + Technical Provisions	16,520	16,028
Cover for MCR	557%	533%
SCR	3,594	5,182
Excess of assets over SCR + Technical Provision	17,004	14,546
Cover for SCR	573%	381%

The absolute floor of €3.7m for the MCR was applied as at 31 December 2017.

## 1 - ASSETS

The following table analyses the Company's financial assets at fair value at 31 December 2017:

€000	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	12,537	9,018
Receivables arising out of direct insurance operations	803	3,079
Prepayments and accrued income	380	326
Deferred acquisition costs	794	1,863
Financial assets	160,036	244,492
<b>TOTAL ASSETS</b>	<b>174,550</b>	<b>258,778</b>

### 1.1 Principles, methods and mains assumptions used for valuing assets

This section presents for each assets caption, the principles, methods and main assumptions used to determine the fair value of the assets in Solvency II Balance Sheet. When they are material, differences between Solvency II balance sheet values and the statutory balance sheet values are explained more in detail.

#### 1.1.1 Deferred Acquisition Costs (DAC)

Deferred acquisition costs under Solvency II framework, fees paid by the policyholders and acquisition costs borne by the undertaking before the closing date should not be deferred so they are immediately and totally added to / cancelled from own funds. Fees and deferred acquisition costs accounted for in the financial statements are cancelled in the Solvency II balance sheet, because these have no economic value.

#### 1.1.2 Investments including assets held for index-linked and unit-linked contracts

In the Solvency II balance sheet, unit-linked financial investments are accounted for at fair value according to the valuation methods presented hereinafter. Adjustment to fair value of financial assets has an impact on the reconciliation reserve in the Solvency II balance sheet.

#### **Valuation method**

Financial assets within the scope of IAS 39 are classified as:

- financial assets at fair value through profit or loss;
- available-for-sale financial assets.

The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at cost plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs that are directly attributable to acquisition. The classification depends on the purpose for which the investments were acquired or originated.

Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the Statement of Comprehensive Income. Purchases or sales of financial assets that require

delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on a trade date basis

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

a) *Financial assets at fair value through profit or loss*

Subsequent to initial recognition, these investments are re-measured at fair value. The fair value represents the carrying amount. Fair value adjustments and realised gains and losses are recognised in the Statement of Comprehensive Income.

b) *Financial assets available for sale*

Available-for-sale financial assets are subsequently measured at fair value (mid-market prices) with unrealised gains or losses recognised as other comprehensive income. The criteria of designating debt securities as available for sale financial assets are in line with group policy.

#### *Fair value of financial instruments*

The fair value of financial instruments with offsetting market risk, that are actively traded in organised financial markets, is determined by reference to quoted mid-market price, at the close of business on the reporting date, without any deduction for transaction costs. Shareholder financial instruments are valued at bid price.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

*Level 1:* quoted (unadjusted) prices in active markets for identical assets or liabilities;

*Level 2:* other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

*Level 3:* techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 2 financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers.

### **1.1.3 Financial investments backing Unit-linked contracts**

Investments backing insurance or investment contracts where financial risk is borne by the policyholders are accounted for at fair value in a dedicated caption of the Solvency II balance sheet. In the statutory financial statements, these assets being also accounted for at fair value, there is no difference between the two standards.

### **1.1.4 Other receivables**

Depending on their age, other receivables are valued at amortized cost (falling due within one year) or by discounting future cash flows (falling due after one year). For the Company, the proportion of receivables falling due after one year is insignificant. The various receivables are thus valued at amortized cost.

### 1.1.5 Cash and cash equivalents

Cash and cash equivalents consists of available cash.

## 2 - TECHNICAL PROVISIONS

The technical provisions comprise the Best Estimate Liability (BEL) and the Risk Margin. At 31 December 2017, the technical provisions were:

€000	2017	2016
Technical provisions – best estimate component ( unit liability)	142,743	224,123
Technical provisions – best estimate component (non-unit)	6,233	7,948
Technical provisions – risk margin component	1,423	1,958
Other liabilities	2,759	3,158
<b>Total technical provisions and other liabilities</b>	<b>153,158</b>	<b>237,118</b>

### 2.1 Principles, methods and mains assumptions used for valuing technical provisions

#### 2.1.1 Principles of valuing technical liabilities under Solvency II

To prepare the Solvency II balance-sheet, the technical provisions calculated for the company financial statements (mathematical provisions, claims provisions, policyholders' participation provision, global expenses provisions, liquidity risk provisions, and unearned premiums) must be cancelled and replaced by the BEL and the Risk Margin.

Solvency II technical provisions are the sum of the unit liability, the best estimate of future cash flows (taken together are the best estimate liability) and the risk margin. The BEL corresponds to the probabilistic amount of future cash flows (inward or outward) related to insurance contracts in force, discounted using risk-free rate. Risk margin represents the cost of capital, above the best estimate; a transferee would need to support the insurance obligations over the lifetime of the portfolio. Under Solvency II, technical provisions are calculated according to the nature of insurance company obligations, classified by homogeneous risk bucket, and at least, by line of business, according to the list defined in the Solvency II Delegated Acts.

#### **BEL**

The BEL represents unit linked liability less the projected future surplus from the unit-linked policies. The calculations have been performed on a best estimate basis in accordance with Articles 75 to 86 of the Solvency II Directive. The underlying policyholder behaviour assumptions are based on Policyholder behaviour experience (e.g. surrenders/lapses, fund choices etc.). Economic assumptions have been set consistent with economic conditions prevailing at 31 December 2017 and are set by an external body EIOPA. The calculations do not make any allowance for transitional measures.

The key material assumption in calculating the future surplus from the unit linked policies relates to the level and duration of future expenses.

### **Risk margin**

The Risk Margin is an addition to the BEL to ensure that the technical provisions as a whole are equivalent to the amount that insurance undertakings would be expected to require in order to take over and to meet the insurance obligations. The risk margin is calculated as the amount of capital needed to support the SCR over the lifetime of the business at a prescribed discount rate of 6% per annum. The Risk Margin calculation consists of a projection of the SCR related to underwriting risk, risk of counterparty default and market risk. Diversification effects are allowed for in the calculation of risk margin by the SCR.

## **3 - OTHER LIABILITIES**

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### **3.1 Principles, methods and main assumptions used for other liabilities valuation**

#### **3.1.1 Contingent liabilities**

The Company has no significant contingent liabilities, so no restatement is carried out when preparing the economic balance sheet.

#### **3.1.2 Deferred Income Liability (DIL)**

Under IFRS recognition principles, fees charged for services related to the management of investment-linked contracts are recognised as revenue as the services are provided. Initial fees which exceed the level of recurring fees and relate to the future provision of services are deferred. These are amortised over the anticipated period in which services will be provided. The DIL is not relevant for the valuation for solvency purposes.

#### **3.1.3 Insurance and intermediaries payables**

Insurance intermediaries payables are maintained at amortized cost (value in the statutory financial statements) since they are less than one year. Thus, they do not have to be valued at their economic value (depending on expected discounted cash flows at the risk-free rate). Payables of more than one year maturity are not significant, so they are valued at amortized cost as well.

#### **3.1.4 Other liabilities**

Other liabilities on the Solvency II balance sheet correspond to non-financial accounts. Regarding valuation method used in statutory balance sheet for these accounts, no restatement is made in the Solvency II balance sheet.

<b>€000</b>	<b>2017</b>	<b>2016</b>
Payables arising out of direct insurance operations	1,843	1,753
Other payables including tax and social welfare	616	1,405
<b>Total other liabilities</b>	<b>2,759</b>	<b>3,158</b>

## 4 - OTHER INFORMATION

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All important information relating to the valuation of economic balance sheet has been described in the previous sections.

# CAPITAL MANAGEMENT

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## 1 - OWN FUNDS

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Own funds represent the resources available for the insurance company. Under Solvency II, own funds are equal to the excess of assets over liabilities.

Solvency II own funds are classified between 3 tiers. This classification is based on the quality of own funds assessed with regard to their capacity to absorb losses, their degree of subordination and their maturity, if any. Tier 1 own funds are highest quality. In addition, quantitative limits should be applied by tier to obtain the amount of own funds eligible to cover capital requirements, respectively the SCR - and the MCR.

### 1.1 Own funds management policy

All processes and policies described in the System of Governance section contribute to the management of risks which are likely to have a significant impact of the solvency of the Company, taking into account the risk profile of the company.

The Company's business planning time period is 3 years. This horizon allows the company to anticipate its own funds' needs to sustain its business development. Estimates are updated annually.

### 1.2 Composition of available own funds

The Company is a single shareholder entity whose shares are fully paid up. It has no debt financing nor does it have any plans to raise debt or issue new shares in the short or medium term.

The Company's available own funds under Solvency II are only classified in Tier 1 and Tier 2.

**Share capital:** fully paid-up amounts to €635,000 by the end of 2017, unchanged compared to 2016 year end. Share capital meets all the criteria necessary for a classification in Tier 1.

**Reconciliation reserve:** amounts €19,963,000 at the end of 2017, up from €19,728,000 in 2016. Items comprised in the reconciliation reserve are classified in Tier 1 unrestricted and are the following:

- **Statutory reserves:** these reserves comprise retained earnings and net result of the period. The capitalisation reserve, modelled in the best estimates liabilities calculation is withdrawn from statutory own funds.

### 1.3 Reconciliation between statutory own funds and Solvency II own funds

Own funds are comprised of paid-in ordinary share capital, a paid up capital contribution, retained earnings and a reconciliation reserve.

€000	2017	2016
<b>Equity in the financial statements</b>		
Ordinary Share Capital	635	635
Capital Contribution	35,865	35,865
Revaluation Reserve	1,142	1,293
Retained Losses	(16,121)	(16,809)
<b>Total Shareholder's Equity</b>	<b>21,521</b>	<b>20,984</b>
Regulatory restrictions	(923)	(1,256)
<b>Basic own Funds</b>	<b>20,598</b>	<b>19,728</b>

Regulatory restrictions in the calculation of the basic own funds include the subtraction of the deferred acquisition asset €0.794m (2016: €1,863m), the subtraction of the risk margin €1.426m (2016: €1,958), the addition of the deferred income liability €0.877m (2016: €2.013m), and the addition an additional non-linked reserves €0.420m (2016: €0.552m).

### 1.4 Items deducted from own funds

As at 31 December 2017, there are no items excluded from the Company's own funds

### 1.5 Eligible own funds to cover capital requirements

#### 1.5.1 Thresholds by Tier applicable to available own funds

The amount of Solvency II eligible own funds is obtained after application to available own funds of limits by Tier. The table below gives an overview of limits applicable by tier to cover the MCR and the SCR:

Condition	2017	2016
The eligible amount of Tier 1 items shall be at least one half of the SCR	1,797	2,591
The eligible amount of Tier 3 items shall be less than 15% of the SCR	359	777

Condition		Amount applicable to Inora €000
The sum of the eligible amounts of Tier 2 and 3 items shall not exceed 50% of the SCR	1,797	2,591

### 1.5.2 Eligible own funds to cover the SCR

The Company's own funds are all tier 1 unrestricted and available to cover the SCR.

### 1.5.3 Eligible own funds to cover the MCR

The Company's own funds are all tier 1 unrestricted and available to cover the MCR.

## 2 - SCR AND MCR

### 2.1 Capital requirements and cover ratio

The SCR and the MCR and their respective cover ratios by eligible own funds are presented in the Aggregated Economic Balance Sheet.

### 2.2 Capital requirements calculation principles

#### 2.2.1 General framework

Under Solvency II, the SCR represents the amount of own funds that the undertaking must hold in order to limit the probability of ruin in the coming year to 0.5%. The SCR is based on the risk profile of the company and is calculated using the standard formula calibrated homogeneously for all the European market. SCR is calculated using a modular approach which consists of evaluating the loss incurred in case of an adverse event comprising various risk factors. In order to take into account the low probability of a simultaneous occurrence of these risk factors, the standard formula uses correlations between the various risk factors which results in some diversification benefits.

The SCR calculation is carried out by applying the standard formula approach which breaks down main risks by module:

- Market risk module, including risks which have an impact on the valuation of financial investments (equity, Interest rates, real estate, currency, etc.);
- Underwriting risk module, which takes into account uncertainty attached to the measurement of undertaking's commitments in life insurance, health and non-life insurance;
- Counterparty risk module, related to the default risk of third-parties.

Capital charges arising from these risks are aggregated using correlation matrices provided by European regulations to determine the FSCR.

The MCR represents the absolute minimum value of own funds that the company should have. The MCR is calculated using factorial formulas dedicated to life and non-life. The MCR shall not be less than 25% of the SCR and shall not be above 45% of the SCR, subject to an absolute floor of €3.7m.

#### 2.2.2 SCR calculation principles

The standard formula SCR calculation is carried out using the Solvency II balance sheet as follow:



- Calculation of partial SCR (for each risk included in the main risk module): the deterioration of net asset value following the application of a shock (calibrated 99.5%) for a given risk (difference between net asset value of the Solvency II balance sheet and net asset value after shock) represents a partial capital requirement (SCR), which would be necessary to cover the financial loss borne following the occurrence of this risk (separately from other risks).
- Partial SCR are aggregated following a bottom-up approach :
  - Results of sub-risks are aggregated to obtain the results of main risks (correlations within risk module).
  - In turn, results of main risk modules are aggregated together to obtain the Basic SCR ("BSCR").
- Subsequently, a capital amount is added to the BSCR in order to cover the operational risk.
- Finally, if applicable, an adjustment corresponding to the loss-absorbing capacities of technical provisions and deferred taxes is taken into account.
- The sum of these items gives the total final SCR.

### **2.2.3 Methods and options selected for the SCR calculation**

To calculate its SCR, the Company uses the Standard Formula which is adapted to its risk profile.

Simplified calculations are not used for any of the risk modules or sub modules which are applicable to the company.

### **2.2.4 MCR calculation principles**

The MCR calculation is based on the standard formula principles specified by the European Delegated Regulations. MCR corresponds to the highest amount between the combined MCR and the absolute floor amount of MCR of €3.7m. Given the size of the company, the absolute floor of the MCR applies.

Combined MCR is determined from the calculation of linear MCR both on life and non-life. However, the final amount of MCR is between 25% and 45% of the SCR.

Linear MCR is composed of Non-Life linear MCR and Life linear MCR. In the case of the company only the life MCR is applicable:

- Life linear MCR is obtained applying factors (calibrated by the EIOPA) to the best estimates liabilities net of reinsurance, by line of business, as well as to capital at risk of all lines of business taken together.

## **2.3 SCR by risk module**

This section presents a breakdown of the Company's SCR by risk module of the standard formula.

This breakdown highlights the main risks to which The Company is exposed. These are counterparty default risk, market risk and to a lesser extent life underwriting risk. These risks have been presented in detail in the risk profile part of this report.

The following simplified chart describes the SCR calculation structure including the main risk modules of the standard formula which are applicable to the Company:

€000	2017	2016
Market risk	781	791
Counterparty default risk	1,287	2,977
Life Underwriting risks	1,477	1,384
Diversification	(1,000)	(1,255)
<b>BSCR</b>	<b>2,545</b>	<b>3,897</b>
Operational risk	1,049	1,285
<b>SCR</b>	<b>3,594</b>	<b>5,182</b>

The SCR decreasing from €5,182,000 in 2016 to €3,594,000 is primarily due to counterparty default risk decreasing by €1,690,000, as asset fees income outstanding greater than three months fell by €2,100,000. Additionally, operational risk capital charge reduced by €200,000, due to an update to the expenses on which this is calculated. These risk decreases are offset by diversification movement of €255,000 and life underwriting risk increasing by €93,000 for an allowance made for post transfer life underwriting risk

## 2.4 MCR

The absolute floor of €3.7m (2016: €3.7m) for the MCR was applied at 31 December 2017.

## 3 - USE OF DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SCR

The duration-based equity risk sub-module is not used by the Company.

## 4 - DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

Not applicable to the Company. Only standard formula is used.

## 5 - NON-COMPLIANCE WITH THE MCR AND NON-COMPLIANCE WITH THE SCR

Not applicable to the Company. No breach in terms of capital requirement observed during the current and prior year.



## **6 - ANY OTHER INFORMATION**

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All significant information related to capital management has been presented in the previous section.

# APPENDIX - ANNUAL QUANTITATIVE REPORTING TEMPLATES

## QRT – S.02.01 – Balance Sheet Information

	Solvency II value	
	C0010	
<b>Assets</b>		
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	16,857,678.83
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	16,857,678.83
Government Bonds	R0140	16,857,678.83
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	0.00
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	143,178,251.49
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
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	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	802,663.02
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	379,988.85
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	12,537,514.20
Any other assets, not elsewhere shown	R0420	
<b>Total assets</b>	<b>R0500</b>	<b>173,756,096.39</b>

**QRT – S.02.01 – Balance Sheet Information *continued***

	Solvency II value
	C0010
<b>Liabilities</b>	
Technical provisions - non-life	<b>R0510</b>
Technical provisions - non-life (excluding health)	<b>R0520</b>
Technical provisions calculated as a whole	<b>R0530</b>
Best Estimate	<b>R0540</b>
Risk margin	<b>R0550</b>
Technical provisions - health (similar to non-life)	<b>R0560</b>
Technical provisions calculated as a whole	<b>R0570</b>
Best Estimate	<b>R0580</b>
Risk margin	<b>R0590</b>
Technical provisions - life (excluding index-linked and unit-linked)	<b>R0600</b>
Technical provisions - health (similar to life)	<b>R0610</b>
Technical provisions calculated as a whole	<b>R0620</b>
Best Estimate	<b>R0630</b>
Risk margin	<b>R0640</b>
Technical provisions - life (excluding health and index-linked and unit-linked)	<b>R0650</b>
Technical provisions calculated as a whole	<b>R0660</b>
Best Estimate	<b>R0670</b>
Risk margin	<b>R0680</b>
Technical provisions - index-linked and unit-linked	<b>R0690</b> 150,398,391.49
Technical provisions calculated as a whole	<b>R0700</b>
Best Estimate	<b>R0710</b> 148,975,260.21
Risk margin	<b>R0720</b> 1,423,131.29
Other technical provisions	<b>R0730</b>
Contingent liabilities	<b>R0740</b>
Provisions other than technical provisions	<b>R0750</b>
Pension benefit obligations	<b>R0760</b>
Deposits from reinsurers	<b>R0770</b>
Deferred tax liabilities	<b>R0780</b>
Derivatives	<b>R0790</b>
Debts owed to credit institutions	<b>R0800</b>
Financial liabilities other than debts owed to credit institutions	<b>R0810</b>
Insurance & intermediaries payables	<b>R0820</b> 1,768,239.22
Reinsurance payables	<b>R0830</b>
Payables (trade, not insurance)	<b>R0840</b> 991,244.03
Subordinated liabilities	<b>R0850</b>
Subordinated liabilities not in Basic Own Funds	<b>R0860</b>
Subordinated liabilities in Basic Own Funds	<b>R0870</b>
Any other liabilities, not elsewhere shown	<b>R0880</b>
<b>Total liabilities</b>	<b>R0900</b> 153,157,874.74
<b>Excess of assets over liabilities</b>	<b>R1000</b> 20,598,221.65



**QRT – S05.01 – Premiums, claims and expenses by line of business**

	Line of Business for: life 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	
	<b>C0210</b>	<b>C0220</b>	<b>C0230</b>	<b>C0240</b>	<b>C0250</b>	<b>C0260</b>	<b>C0270</b>	<b>C0280</b>	<b>C0300</b>
<b>Premiums written</b>									
Gross	<b>R1410</b>		296,342.63						296,342.63
Reinsurers' share	<b>R1420</b>		0.00						0.00
Net	<b>R1500</b>		296,342.63						296,342.63
<b>Premiums earned</b>									
Gross	<b>R1510</b>		296,342.63						296,342.63
Reinsurers' share	<b>R1520</b>		0.00						0.00
Net	<b>R1600</b>		296,342.63						296,342.63
<b>Claims incurred</b>									
Gross	<b>R1610</b>		89,071,293.77						89,071,293.77
Reinsurers' share	<b>R1620</b>		0.00						0.00
Net	<b>R1700</b>		89,071,293.77						89,071,293.77
<b>Changes in other technical provisions</b>									
Gross	<b>R1710</b>								
Reinsurers' share	<b>R1720</b>								
Net	<b>R1800</b>								
<b>Expenses incurred</b>	<b>R1900</b>		3,846,540.97						3,846,540.97
<b>Other expenses</b>	<b>R2500</b>								
<b>Total expenses</b>	<b>R2600</b>								3,846,540.97
<b>Total amount of surrenders</b>	<b>R2700</b>		30,281,171.17						30,281,171.17

**QRT – S05.02 – Premiums, claims and expenses by country**

	Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
R1400	C0220	C0280	(FR) France C0230	C0230	C0230	C0230	C0230
<b>Premiums written</b>							
Gross	R1410	0.00	296,342.63	296,342.63			
Reinsurers' share	R1420	0.00	0.00	0.00			
Net	R1500	0.00	296,342.63	296,342.63			
<b>Premiums earned</b>							
Gross	R1510	0.00	296,342.63	296,342.63			
Reinsurers' share	R1520	0.00	0.00	0.00			
Net	R1600	0.00	296,342.63	296,342.63			
<b>Claims incurred</b>							
Gross	R1610	0.00	20,504,770.22	20,504,770.22			
Reinsurers' share	R1620	0.00	0.00	0.00			
Net	R1700	0.00	20,504,770.22	20,504,770.22			
<b>Changes in other technical provisions</b>							
Gross	R1710						
Reinsurers' share	R1720						
Net	R1800						
<b>Expenses incurred</b>	R1900	1,524,631.44	2,960,128.31	1,435,496.87			
<b>Other expenses</b>	R2500						
<b>Total expenses</b>	R2600		2,960,128.31				

**QRT – S.12.01 – Information on Technical Provisions**

	C0020	Index-linked and unit-linked insurance		Other life insurance		C0090	C0100	C0150
		C0030	C0040	C0050	C0060			
	Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	<b>Total (Life other than health insurance, incl. Unit-Linked)</b>
<b>Technical provisions calculated as a whole</b>	R0010							
<b>Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty</b>	R0020							
<b>Technical provisions calculated as a sum of RF and RM</b>								
<b>Best Estimate</b>								
<b>Gross Best Estimate</b>	R0030		148,975,260.00					148,975,260.00
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0040							
best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090		148,975,260.00					148,975,260.00
<b>Risk margin</b>	R0100	1,423,131.00						1,423,131.00
<b>Amount of the transitional on Technical Provisions:</b>								
Technical provisions calculated as a whole	R0110							
Best Estimate	R0120							
Risk margin	R0130							
<b>Technical provisions – total</b>	R0200	150,398,391.00						150,398,391.00



**QRT – S.12.01 – Information on Technical Provisions *continued***

		Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)	
		Contracts without options and guarantees	Contracts with options or guarantees				
		C0160	C0170	C0180	C0190	C0200	C0210
<b>Technical provisions calculated as a whole</b>	<b>R0010</b>						
<b>Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty</b>	<b>R0020</b>						
<b>Technical provisions calculated as a sum of RF and RM</b>							
<b>Best Estimate</b>							
<b>Gross Best Estimate</b>	<b>R0030</b>						
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	<b>R0040</b>						
Best estimate minus recoverables from reinsurance/SPV and Finite Re	<b>R0090</b>						
<b>Risk margin</b>	<b>R0100</b>						
<b>Amount of the transitional on Technical Provisions</b>							
Technical provisions calculated as a whole	<b>R0110</b>						
Best Estimate	<b>R0120</b>						
Risk margin	<b>R0130</b>						
<b>Technical provisions - total</b>	<b>R0200</b>						

## QRT – S.23.01 – Own Funds

### Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

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

Deductions for participations in financial and credit institutions
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### Total basic own funds after deductions

### Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
Unpaid and uncalled preference shares callable on demand
A legally binding commitment to subscribe and pay for subordinated liabilities on demand
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Other ancillary own funds

### Total ancillary own funds

	C0010	C0020	C0030	C0040	C0050
R0010	634,870.00	634,870.00			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	19,963,351.65	19,963,351.65			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	20,598,221.65	20,598,221.65			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					



**QRT – S.23.01 – Own Funds *continued***

**Available and eligible own funds**

Total available own funds to meet the SCR  
 Total available own funds to meet the MCR  
 Total eligible own funds to meet the SCR  
 Total eligible own funds to meet the MCR

**SCR**

**MCR**

**Ratio of Eligible own funds to SCR**

**Ratio of Eligible own funds to MCR**

<b>R0500</b>	20,598,221.65	20,598,221.65			
<b>R0510</b>	20,598,221.65	20,598,221.65			
<b>R0540</b>	20,598,221.65	20,598,221.65			
<b>R0550</b>	20,598,221.65	20,598,221.65			
<b>R0580</b>	3,593,849.74				
<b>R0600</b>	3,700,000.00				
<b>R0620</b>	5.731520				
<b>R0640</b>	5.567087				

**Reconciliation reserve**

Excess of assets over liabilities  
 Own shares (held directly and indirectly)  
 Foreseeable dividends, distributions and charges  
 Other basic own fund items  
 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

**Reconciliation reserve**

**Expected profits**

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

**Total EPIFP**

	<b>C0060</b>
<b>R0700</b>	20,598,221.65
<b>R0710</b>	
<b>R0720</b>	
<b>R0730</b>	634,870.00
<b>R0740</b>	
<b>R0760</b>	19,963,351.65
<b>R0770</b>	
<b>R0780</b>	
<b>R0790</b>	

## QRT – S.25.01 – Solvency Capital Requirement

### Solvency Capital Requirement - for undertakings on Standard Formula

	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
	C0030	C0040	C0050
Market risk	R0010 780,674.17	780,674.17	0.00
Counterparty default risk	R0020 1,287,277.36	1,287,277.36	0.00
Life underwriting risk	R0030 1,476,897.22	1,476,897.22	0.00
Health underwriting risk	R0040		
Non-life underwriting risk	R0050		
Diversification	R0060 -999,793.03	-999,793.03	
Intangible asset risk	R0070		
<b>Basic Solvency Capital Requirement</b>	R0100 2,545,055.71	2,545,055.71	
<b>Calculation of Solvency Capital Requirement</b>		C0100	
Adjustment due to RFF/MAP nSCR aggregation	R0120		
Operational risk	R0130 1,048,794.03		
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		
<b>Solvency Capital Requirement excluding capital add-on</b>	R0200 3,593,849.74		
Capital add-on already set	R0210		
<b>Solvency capital requirement</b>	R0220 3,593,849.74		



**QRT – S.28.01 – Minimum Capital Requirement**

Linear formula component for life insurance and reinsurance obligations

MCRL Result	R0200	C0040	1,062,853.38
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	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
R0210		
R0220		
R0230	148,975,260.21	
R0240		
R0250		1,014,533.39

- Obligations with profit participation - guaranteed benefits
- Obligations with profit participation - future discretionary benefits
- Index-linked and unit-linked insurance obligations
- Other life (re)insurance and health (re)insurance obligations
- Total capital at risk for all life (re)insurance obligations

**Overall MCR calculation**

Linear MCR	R0300	C0070	1,062,853.38
SCR	R0310		3,593,849.74
MCR cap	R0320		1,617,232.38
MCR floor	R0330		898,462.43
Combined MCR	R0340		1,062,853.38
Absolute floor of the MCR	R0350		3,700,000.00

**Minimum Capital Requirement**

R0400		3,700,000.00
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