Utmost PanEurope Solvency and Financial Condition Report Year-End 2018

Month: April 2019

Author: Utmost PanEurope

Owner: Board of Directors

INDEX

Introduction

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

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

UPE is incorporated in Ireland and authorised by the Central Bank of Ireland ("CBoI") to transact life assurance business in Ireland and on a cross-border basis in the EU under the Third Life Directive, as introduced into domestic Irish legislation by the European Communities (Life Assurance) Framework Regulations, 1994.

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

Summary

BUSINESS AND PERFORMANCE

The core business lines within UPE are:

- Wealth Solutions:
  - Wealth Protection: Developing insurance solutions, which are aligned to local fiscal and regulatory laws, which may be tailored to meet the unique and exacting requirements of ultra-high-net-worth clients. These solutions are offered through the development and utilisation of the Company's pan-European network of Private Banking relationships.
  - Investment Planning: Offering individuals flexible products for medium to long term financial planning.
- Corporate Solutions: Offering corporate entities alternative and simplified domestic and cross-border employee benefit solutions.
- Variable Annuities: In relation to a German Variable Annuities portfolio, UPE reinsures the policyholder guarantee, however this guarantee is in turn wholly reinsured.

UPE owns wholly the following subsidiaries:

Subsidiary Name	Acquired	Activity	Nature of Products and Client Base
Utmost Ireland dac	August 2018	Open Book	Unit Linked Bonds, Pensions and Inheritance Tax Planning Products.
Harcourt Life Ireland dac	August 2018	Closed Book	Unit Linked Bonds, Portfolio Bond type investments, and Unitised With-profits business.

Following approval from the CBoI, Life Company Consolidation Group Limited ("LCCG")[1], a Guernsey incorporated Company who are a specialist European life assurance group, acquired the entire share capital of Generali PanEurope from Assicurazioni Generali on 19 June 2018, through its Irish incorporated subsidiary Company, Utmost Holdings Ireland Limited ("UHIL"). Subsequent to the acquisition, the Company was renamed Utmost PanEurope dac from Generali PanEurope dac.

The six most significant countries for UPE (by 2018 gross written premium) are Italy, United Kingdom, Finland, Spain, Ireland and Portugal. Premiums received during the year relate to Wealth Protection single premiums, Investment Planning single and regular premiums, Corporate Solutions regular premiums and reinsurance premiums from. Total 2018 gross written premiums were €1,028,260k.

The majority of UPE's income comes from the Wealth Protection business line and primarily from the Italian market. Investment Planning is the second largest business line in income terms. Corporate Solutions income accounts for the remaining 2018 income.

In overall terms, the Company generated a loss after tax for the 2018 financial year of (€11,684k). This compares to a restated IFRS profit of €11,214k in 2017. The key drivers behind the loss after tax are investment in subsidiary movements of €6,833k and higher expenses of €28,890k. Operating expenses increased significantly since 2017,

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[1] During 2019 LCCG was renamed Utmost Group of Companies.

a large portion is due to transition costs (€2,977k) and write offs of intangible assets (€10,983k), both of which are one off in nature. Other movements are normal business as usual activity.

SYSTEM OF GOVERNANCE

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

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

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

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

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

RISK PROFILE

UPE is well capitalised relative to the risks that it faces. At year-end 2018 UPE had a solvency capital ratio of 261.65%. Further details on UPE's key risks are outlined below and further information on these, and other risks, is included in Section C.

Market Risks

UPE is exposed to market risks from both protection and unit-linked business.

For the protection business there is a general asset position held directly to cover the liabilities. These assets are mainly government, corporate and EU supranational bonds, as well as cash or cash equivalents. The main market risk that UPE is exposed to directly is interest rate risk.

In the case of unit-linked business, the Company typically invests the premiums collected in financial instruments but does not bear the market risk directly. However, UPE is exposed to adverse market movements, as income on unit-linked business is calculated as a percentage of asset values, and therefore decreases in market values reduces UPE's fee income. The key market risks associated with UPE's unit-linked business are equity risk and currency risk where adverse movements in equity or currency markets impacts UPE's future fee income.

Credit Risk

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

- The exposure that UPE has to the Italian Revenue as a result of the Italian Tax Asset.
- The exposure to reinsurance counterparties defaulting on their obligations.
- The counterparty default exposure from cash deposits.

Life Underwriting Risks

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

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

Operational Risk

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

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet both expected and unexpected cash flow requirements. UPE's key liquidity risks relate to Wealth Protection Italian Tax Asset payments and Investment Planning new business commission strain.

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

VALUATION FOR SOLVENCY PURPOSES

UPE's Solvency II assets and liabilities and technical provisions at 31 December are outlined below.

Solvency II Assets, Liabilities and Technical Provisions

	31 December 2017 €'000	31 December 2018 €'000
Total Assets	11,367,698	10,884,814
Total Liabilities	11,084,961	10,546,218
Net Technical Provisions	10,814,576	10,330,962

UPE's assets, liabilities and technical provisions decreased proportionately during 2018. The key reason for the decrease was the impact of adverse market performance on policyholder asset values in the latter half of 2018.

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

CAPITAL MANAGEMENT

UPE calculates its Solvency Capital Requirement ("SCR") according to the Standard Formula methodology. At year-end 2018 UPE had a solvency capital ratio, calculated using the Standard Formula methodology, of 261.65%.

UPE's Own Funds are classified as Tier 1, with the exception of a GBP 20,000k Loan Note UPE issued to Utmost Limited, located in the Isle of Man, which was established as a Tier 2 capital instrument. The table below outlines the Own Funds that are eligible to meet the SCR and Minimum Capital Requirement ("MCR").

There were no instances of non-compliance with the SCR or MCR over the reporting period.

Solvency Capital Requirement and Minimum Capital Requirement

	31 December 2017 €'000	31 December 2018 €'000
Solvency Capital Requirement	129,246	137,917
Minimum Capital Requirement	58,161	62,063
Own Funds to Cover SCR	282,737	360,858
Solvency Capital Ratio	218.76%	261.65%
Own Funds to Cover MCR	282,737	351,009
Minimum Capital Ratio	486.13%	565.57%

Further details on UPE's capital position are outlined in Section E.

A. Business and Performance

A.1. BUSINESS

Legal Entity Name:
Utmost PanEurope dac

Registered Office:
Navan Business Park
Athlumney
Navan
Co. Meath
C15 CCW8
Ireland
T: (046) 9099 700

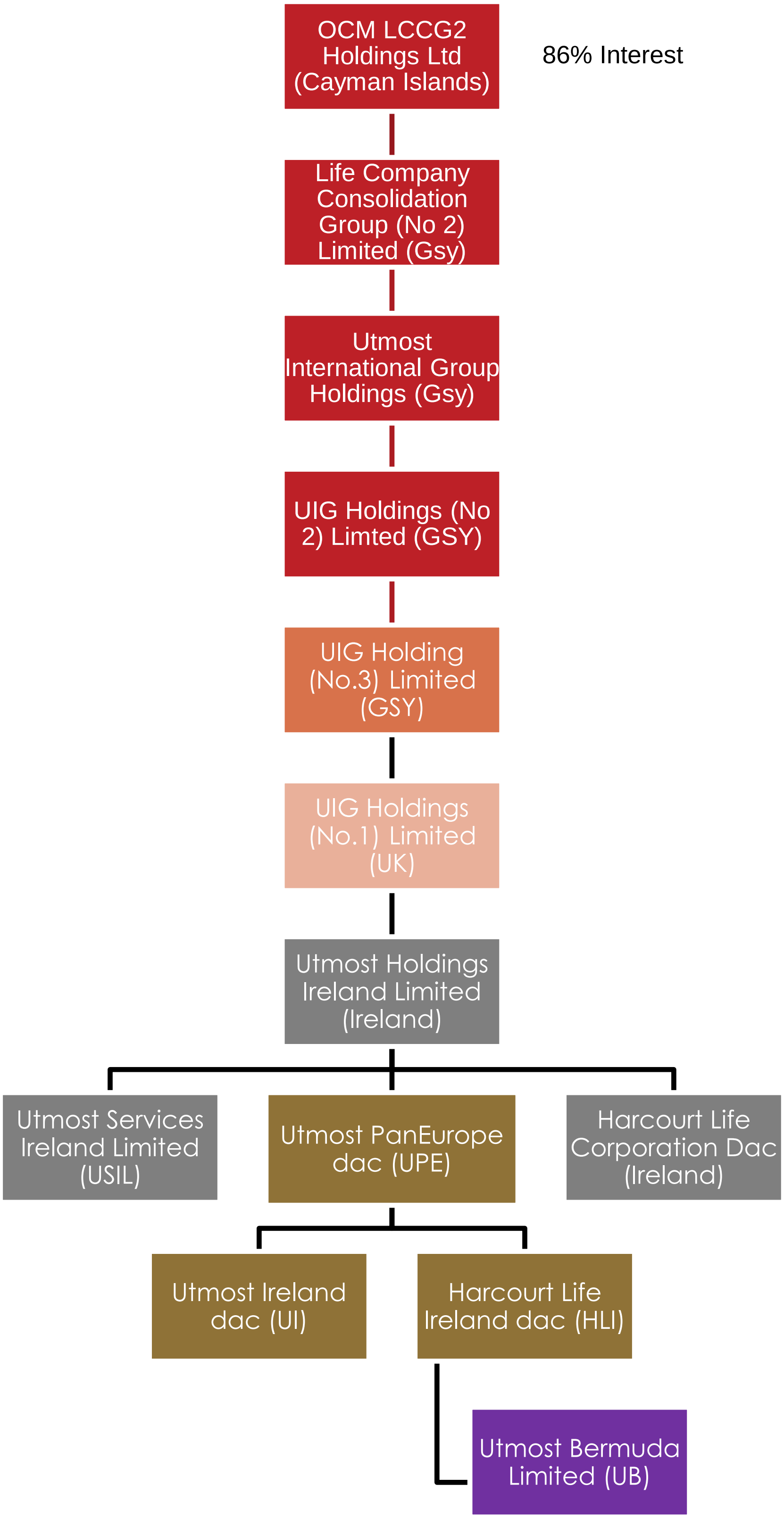
Auditors:
PriceWaterhouseCoopers
Spencer Dock,
North Wall Quay,
Dublin 1
T: (01) 792 6000

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

Board of Directors as at 31 December 2018:

Name	Position	Nationality	Date Appointed
Billy Finn (Chairman)	Independent Non-Executive	Irish	June 2018
Paul Thompson	Non-Executive	British	June 2018
Ian Maidens	Non-Executive	British	June 2018
Paul Gillett	Executive and Chief Executive Officer	British	March 2001
Henry O'Sullivan	Executive and Chief Financial Officer	Irish	June 2018
Tim Madigan	Independent Non-Executive	Irish	June 2018
Andrew Milton	Independent Non-Executive	British	March 2012

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



UPE is incorporated in Ireland and authorised by the CBoI to transact life assurance business in Ireland and on a cross-border basis in the EU under the Third Life Directive, as introduced into domestic Irish legislation by the European Communities (Life Assurance) Framework Regulations, 1994.

UPE also owns wholly the following subsidiaries:

Subsidiary Name	Acquired	Activity	Nature of Products and Client Base
Utmost Ireland dac	August 2018	Open Book	Unit Linked Bonds, Pensions and Inheritance Tax Planning Products.
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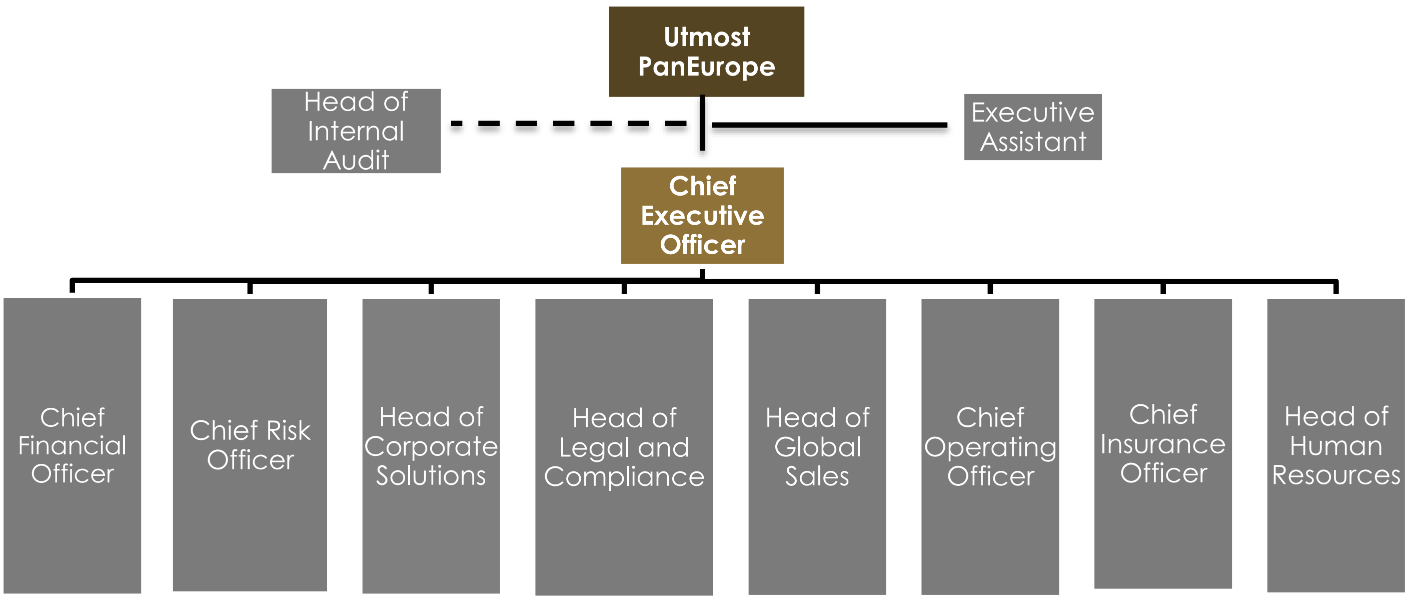
UPE Organisational Structure



The Company's business is made up of:

- Wealth Solutions:
    - Wealth Protection: Developing insurance solutions, which are aligned to local fiscal and regulatory laws, which may be tailored to meet the unique and exacting requirements of ultra-high-net-worth clients. These solutions are offered through the development and utilisation of the Company's pan-European network of Private Banking relationships.
    - Investment Planning: Offering individuals flexible products for medium to long term financial planning.

- Corporate Solutions: Offering corporate entities alternative and simplified domestic and cross-border employee benefit solutions.
- Variable Annuities: In relation to a German Variable Annuities portfolio, UPE reinsures the policyholder guarantee, however this guarantee is in turn wholly reinsured.

The majority of UPE's income comes from the Wealth Protection business line and primarily from the Italian market. Investment Planning is the second largest business line in income terms. Corporate Solutions income accounts for the remaining 2018 income.

Unit-linked income for UPE 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.

Corporate Solutions income is generated from a combination of policy servicing fees and the underwriting performance of existing policies.

In overall terms, the Company generated a loss after tax for the 2018 financial year of (€11,684k). This compares to a restated IFRS profit of €11,214k in 2017. The key drivers behind the loss after tax are investment in subsidiary movements of €6,833k and higher expenses of €28,890k. Operating expenses increased significantly since 2017, a large portion is due to transition costs (€2,977k) and write offs of intangible assets (€10,983k), both of which are one off in nature. Other movements are normal business as usual activity.

A.2. UNDERWRITING PERFORMANCE

The six most significant countries for UPE (by 2018 gross written premium) are Italy, United Kingdom, Finland, Spain, Ireland and Portugal. Premiums received during the year relate to Wealth Protection single premiums, Investment Planning single and regular premiums, Corporate Solutions regular premiums and reinsurance premiums from. Total 2018 gross written premiums were €1,028,260k.

Gross Written Premiums

	31 December 2017 €'000	31 December 2018 €'000
Gross Written Premiums	1,449,087	1,028,260

Decreased unit-linked sales is the key driver for the decrease in gross written premiums in 2018.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("FRS IC") interpretations as adopted by the European Union and applicable to companies reporting under IFRS at 31 December 2018. In 2018 the Company has adopted IFRS 15: 'Revenue from Contracts with Customers' and IFRS 9: 'Financial instruments: classification and measurement'.

Detailed information on the Company's premiums, claims and expenses is included in S.05.01.02 and S.05.02.01 in Section F Quantitative Reporting Templates.

A.3. INVESTMENT PERFORMANCE

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

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

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

Policyholder Investments	31 December 2017 €'000	31 December 2018 €'000
Investments	9,657,349	9,082,499
Cash balances and short term deposits	1,289,227	1,354,583
Total	**10,946,576**	**10,437,082**
Breakdown of Investments		
Bonds	1,641,374	1,774,659
Equities	1,039,204	991,686
Funds	6,651,976	6,021,110
Derivatives	3,797	1,541
Other Investments	320,998	293,503
Total Investments	**9,657,349**	**9,082,499**

Total policyholder investments decreased from 2017 to 2018 primarily due to lapses and financial market performance. However, this was partially offset by the new business premiums written in 2018.

Company Financial Investments

Company financial investments are primarily bonds, investment funds and investments in subsidiaries.

Company Financial and Subsidiary Investments

Company Financial Investments	31 December 2017 €'000	31 December 2018 €'000
Financial Assets		
Debt securities – Fair value through profit or loss	57,364	8,120
Debt securities – Amortised Cost	13,042	12,481
Investment Funds	22,799	11,154
Total Financial Assets	**93,205**	**31,755**
Derivatives	635	-
Total Company Financial Investments	**93,840**	**31,755**
Investment in Subsidiaries	**-**	**124,590**

The Company acquired two subsidiaries Utmost Ireland ("UI") dac and Harcourt Life Ireland ("HLI") dac from Utmost Holdings Ireland Limited via an in specie transfer in June 2018.

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

Company Investment Income

Investment Income from Policyholder and Company Financial Investments	31 December 2017 Restated* €'000	31 December 2018 €'000
Income from financial assets at fair value through profit or loss	262,153	(574,110)
Income from financial assets at amortised cost	195	202
Total Investment Income	**262,348**	**(573,908)**

* Restated due to adoption of IFRS 15 "Revenue from Contracts with Customers".

A.4. PERFORMANCE OF OTHER ACTIVITIES

Expenses

Operating expenses for the Company include acquisition and other commission for direct insurance. The expenses include payroll costs as well as third party administrator related expenditure and office overheads. Depreciation of tangible fixed assets, amortisation of intangible fixed assets, write-off of intangible fixed assets and Auditors' remuneration for the audit of the entity's financial statements are also included. Operating costs are charged through the technical account of the statement of comprehensive income of the Company.

Dividends

On 13 December 2018 the Company paid a €2,500k dividend to its immediate parent UHIL (2017: €nil).

Leasing Arrangements

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

A.5. ANY OTHER INFORMATION

Following approval from the Central Bank of Ireland, LCCG, a Guernsey incorporated Company who are a specialist European life assurance group, acquired the entire share capital of Generali PanEurope from Assicurazioni Generali on 19 June 2018, through its Irish incorporated subsidiary Company, UHIL. Subsequent to the acquisition the Company was renamed Utmost PanEurope dac from Generali PanEurope dac.

As a result of this transaction there were a number of material events which occurred including changes to funding arrangements, reinsurance strategy, the unwinding of Generali Group obligations and the acquisition of UI and HLI by UPE. Further information on these material events in included in subsequent sections of this report.

On the 28th February 2018 the Utmost Group of Companies completed the acquisition of Generali Link (now renamed as Utmost Link).

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

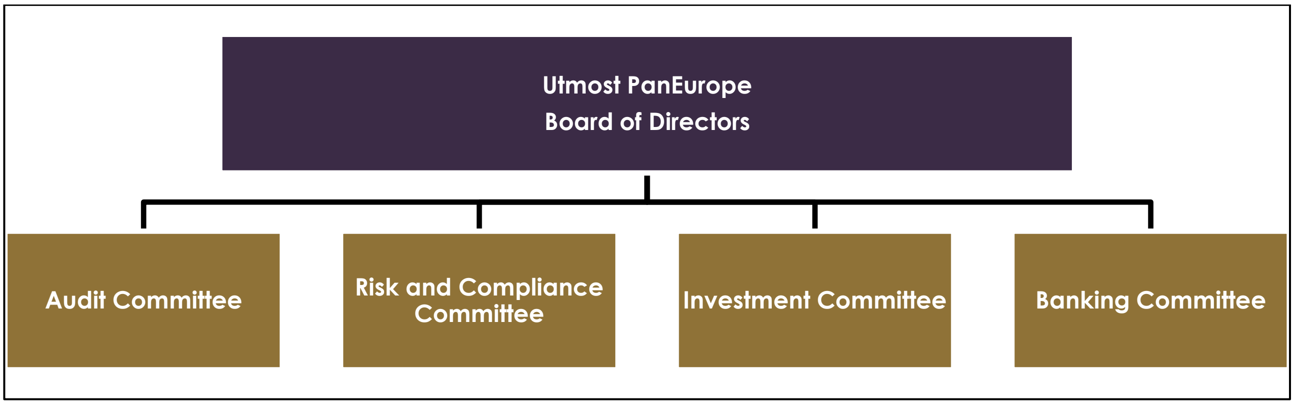
Corporate governance represents the sum of the methods, models and planning, management and control systems that are required for the operation of the Company's governing bodies.

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

B.1.1. INFORMATION ON GENERAL GOVERNANCE

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

Governance Structure



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

Board Committees

Key Role	Description
Board of Directors	The Board ensures that the Risk Management system identifies, evaluates and controls the most significant Company risks. Within the scope of its typical duties and responsibilities, the Board is ultimately responsible for setting strategies and policies in the area of Risk Management and internal control and ensuring their adequacy and sustainability over time, in terms of completeness, functioning and effectiveness. The Board has established the following Board committees: the Audit Committee, the Risk and Compliance Committee, the Investment Committee and the Banking Committee. In addition, UPE has established a Management Committee. Details on the Board Committees are provided below.
Audit Committee	The Audit Committee takes delegated responsibility on behalf of the Board for ensuring that there is a framework for accountability, examining and reviewing systems and methods of financial control and for ensuring UPE is complying with its Constitutional Documents together with all

Key Role	Description
	aspects of the law and relevant regulations.
Risk and Compliance Committee	The Risk and Compliance Committee has been established by the Board in order to provide leadership, direction, and oversight with regard to UPE's policies and procedures, including those relating to Risk Management and Legal and Compliance. It assists the Board of Directors in fulfilling its Risk Management responsibilities as defined by applicable law and regulations, UPE's Constitutional Documents and internal regulations as well as considering leading market practice standards.
Investment Committee	The Investment Committee has delegated responsibility for recommending overall strategic investment policy to the Board, and for undertaking oversight of the Company's investment activities, seeking to ensure that these are consistent with the approved Investment Policy.
Banking Committee	The Banking Committee is responsible for opening and closure of all Master Custodian and Corporate bank accounts in the name of UPE. The Committee is also responsible for the review and approval of appointments to the authorised signatory list and their levels of authorisation and approval.

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

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

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

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

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

- The operational structures (Risk Owners) are the first line of defence. The Risk Owners are ultimately responsible for risks concerning their area and to define and update the actions needed to make their risk management processes effective and efficient. They control the activity of the Risk Takers, who deal directly with the market and the internal and external parties and who define activities and programs from which risks may arise. The risk management initiatives defined by the Risk Owners address the way Risk Takers undertake risks. In addition, there are a number of support units (e.g. Actuarial) and oversight committees (Risk Observers) responsible for constantly monitoring specific risk categories, in order to measure and analyse them and to identity risk mitigation actions to the Risk Owners.
- The Risk Management, Legal and Compliance and elements of the Actuarial Function represent the Second Line of Defence. The Risk Management Function oversees the whole Risk Management System ensuring its effectiveness. It supports the Board and ExCo in defining the Risk Strategy and in the development of the methodologies to identify, take, assess, monitor and report risks. It also supports the Operating Units implementing and adopting the relevant policies and guidelines. The Head of Outsourcing (reports directly to the Chief Risk Officer) is responsible for the overall execution of the

outsourcing lifecycle; from the risk assessment to the final management of the agreement and subsequent monitoring activities. The Legal and Compliance Function is in charge of evaluating whether the internal processes are adequate to mitigate compliance risk. The Actuarial Function, through the Head of the Actuarial Function ("HoAF"), challenges the contents and assumptions of the Own Risk and Solvency Assessment ("ORSA") and provides an assessment on the appropriateness of the ORSA.

- Internal Audit is the Third Line of Defence. Internal Audit is responsible for independently evaluating the effectiveness of the Internal Control and Risk Management System and for confirming the operational effectiveness of the controls.

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

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

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

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

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

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

B.1.4. MATERIAL CHANGES TO THE SYSTEM OF GOVERNENCE

As a result of the acquisition of Generali PanEurope dac by LCCG Holdings Ireland Limited in June 2018, there was a restructure of UPE's Board of Directors.

- Mr. Francesco Bosatra resigned as Director with effect from June 19th 2018.
- Mr. Andrew Smart resigned as Director with effect from June 19th 2018.
- Mr. Alessandro Corsi resigned as Director with effect from June 19th 2018.
- Mr. John Martin resigned as Director with effect from June 19th 2018.
- Mr. Cyril Maybury resigned as Director with effect from June 5th 2018.
- Mr. William Finn was appointed as Director with effect from June 19th 2018.
- Mr. Paul Thompson was appointed as Director with effect from June 19th 2018.
- Mr. Ian Maidens was appointed as Director with effect from June 19th 2018.
- Mr. Tim Madigan was appointed as Director with effect from June 20th 2018.
- Mr. Henry O'Sullivan was appointed as Director with effect from June 20th 2018.

With regards to the Executive Committee, the following appointments and resignations took place up to year ending 31st December 2018

- Mr. John Martin resigned from his position as Chief Financial Officer on June 19th 2018.
- Mr. Henry O'Sullivan was appointed to the Executive Committee as Chief Financial Officer in June 20th 2018.
- Mr. Marco Nuvoloni was appointed to the Executive Committee as Head of Legal and Compliance on June 29th 2018.
- Mr. Stephen Atkinson was appointed to the Executive Committee as Head of Global Sales on June 29th 2018.
- Mr. Andrew Flaherty resigned from his position as Chief Operating Officer on December 14th 2018.

During 2018, UPE entered into an outsourcing arrangement with USIL which had the effect of transferring the core administration, management services and staff of UPE to USIL. Please refer to Section B.5 for details of UPE's Outsourcing Management Framework.

No other material changes to the System of Governance occurred during the year-ended 31 December 2018.

B.1.5. REMUNERATION POLICY

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

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

Balanced Remuneration Package

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

Target Setting and Appraisal

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

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

B.1.6. MATERIAL TRANSACTIONS DURING THE REPORTING PERIOD

Please refer to section B1.4 regarding appointments and resignations during the year.

Following approval from the Central Bank of Ireland, LCCG, a Guernsey incorporated Company who are a specialist European life assurance group, acquired the entire share capital of Generali PanEurope from Assicurazioni Generali on 19 June 2018, through its Irish incorporated subsidiary Company, UHIL. Subsequent to the acquisition the Company was renamed Utmost PanEurope dac from Generali PanEurope dac.

B.2. FIT AND PROPER REQUIREMENTS

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

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

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

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

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

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

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

Pre-Approval Controlled Functions Roles

The following PCF Roles are applicable to the Company:

Pre-Approval Controlled Functions Roles

Code	Definition
PCF1	Executive Director
PCF2	Non-Executive Director
PCF3	Chairman of The Board of Directors
PCF4	Chairman of the Audit Committee
PCF5	Chairman of the Risk and Compliance Committee
PCF6	Chairman of the Remuneration Committee
PCF8	Chief Executive Officer
PCF11	Head of Finance
PCF13	Head of Internal Audit
PCF14	Chief Risk Officer
PCF15	Head of Compliance with responsibility for AML
PCF18	Head of Underwriting
PCF19	Head of Investment
PCF42	Chief Operations Officer
PCF43	Head of Claims
PCF48	Head of Actuarial Function

Controlled Functions Roles

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

Controlled Functions Roles

Code	Definition
CF1	Board of Directors of UPE Executive Committee of UPE Head of Human Resources
CF2	Risk Department Legal and Compliance Department Internal Audit Department Actuarial Department Head of Change Management Human Resources Business Partner Head of Information Technology Financial Controller Head of Tax Head of Operations, CCS
CF5	Head of Operations, Corporate Solutions Claims Specialist, Corporate Solutions
CF6	Claims Specialist, Corporate Solutions

CF7	Operations Manager, CCS Corporate Solutions Operations Manager
CF8	Head of Operations, CCS Head of Legal and Compliance
CF10	Corporate Customer Services Team Leaders
CF11	Middle to Senior Finance employees

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

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

B.3.1. RISK MANAGEMENT SYSTEM

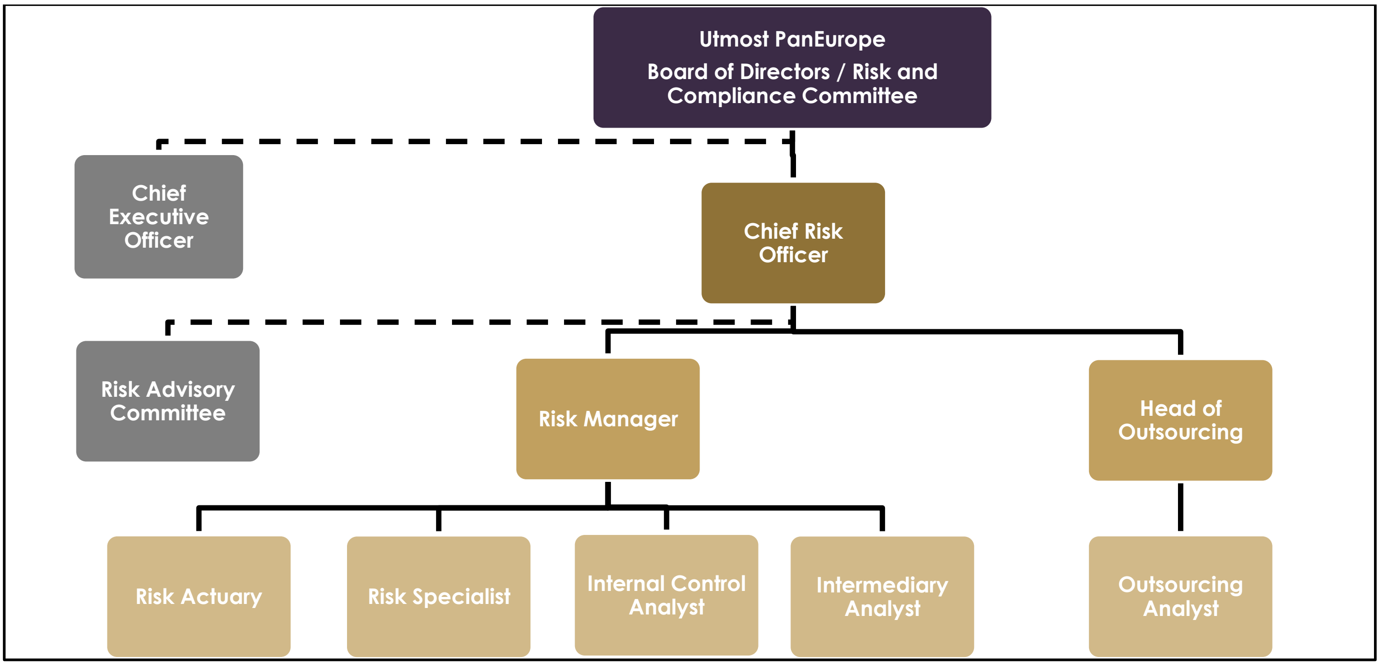
As outlined in the Company's Risk Management Policy, the Risk Management Function acts as guarantor for the effective implementation of the Risk Management System, as required by law and as established by the Board. The Risk Management Function supports the Board and ExCo in the definition of the Risk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

Risk Management Function

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

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

Risk Management Structure and Reporting Lines



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

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

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

Policy Framework

The documentation tree is structured into:

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

- Operating Procedures.

Risk Management System

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

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

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

Risk Management Process

1. Risk Identification

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

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

Risk Map

Financial Risks	Credit Risks	Insurance Risks	Other Risks
Interest Rate Yields	Credit Default	Mortality CAT	Operational
Interest Rate Volatility	Counterparty Default	Mortality no CAT	Liquidity
Equity Price		Longevity	Strategic
Equity Volatility		Morbidity/Disability	Reputational
Currency		Life Lapse	Contagion
Concentration		Expense	Emerging
Property		Health CAT	Regulatory / Compliance
Spread		Health Claim	Conduct

2. Risk Measurement

UPE has formally adopted a number of risk assessment methodologies.

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

3. Risk Management and Control

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

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

4. Risk Reporting

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

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

Risk Culture

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

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

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

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

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

This section is not applicable to the Company.

B.3.3. ORSA PROCESS

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

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

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

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

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

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

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

B.3.4. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

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

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

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

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

B.4. INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

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

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

B.4.1. INTERNAL CONTROL FUNCTIONS

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

B.4.2. LEGAL AND COMPLIANCE FUNCTION

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

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

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

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

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

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

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

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

B.4.3. INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

B.4.4. ACTUARIAL FUNCTION

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

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

The UPE Actuarial Function reports to the UPE Board. The Actuarial Function is led by the HoAF. The HoAF reports to the UPE Chief Financial Officer ("CFO").

The UPE Actuarial Function comprises the HoAF plus the Calculation Unit team and the Validation Unit team. Members of the Calculation Unit team and Validation Unit team are Fellows, or training to become Fellows, of the Society of Actuaries in Ireland.

The Actuarial Function is responsible for the following activities:

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

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

All first line of defence actuarial activities are carried out by a separate Actuarial Team e.g. product development and product pricing.

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

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

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

During 2018 the Actuarial Function has reviewed:

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

B.5. OUTSOURCING

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

During 2018, UPE entered into an outsourcing arrangement with USIL which had the effect of transferring the core administration and management services of UPE to USIL.

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

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

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

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

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

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

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

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

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

List of Critical Outsource Providers

Name	Services Outsourced	Group / External	Jurisdiction
Utmost Services Ireland Limited (USIL)	Service company providing all core administration and management services to UPE.	Group	Ireland
Utmost Link (Previously Generali Link)[2]	Administration of UPE's Investment Planning business	Group	Ireland
Marsh Ireland	Marsh administers the Housing Financing Authority scheme which provides life and disability covers for people with a Local Authority mortgage in Ireland. Marsh provides premium collection, limited claims admittance, claims telephony and complaints management services.	External	Ireland
Hienfeld	Hienfeld performs the following activities over the Corporate Solutions book of business based in the Netherlands: • Premium Administration. • Renewals of Schemes/Policies. • Pricing and Underwriting. • Complaints Management Process.	External	Netherlands

B.6. ANY OTHER INFORMATION

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

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

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

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

Business Continuity

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

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

[2] Utmost Link (previously Generali Link) and Generali PanEurope had previously both been part of the Assicurazioni Generali Group. In June 2018 Generali PanEurope was acquired by LCCG with Generali Link acquired by LCCG in Q1 2019.

Information Technology and Cyber Security

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

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

C. Risk Profile

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

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

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

Solvency Capital Requirements

	31 December 2017 €'000	31 December 2018 €'000
Life Underwriting Risk	83,598	88,395
Health Underwriting	557	2,444
Non-Life Underwriting	0	0
Market Risk	78,382	79,344
Counterparty Risk	26,004	26,937
Operational Risk	4,964	7,109
Diversification	(49,820)	(52,743)
Adjustment for the loss-absorbing capacity of deferred taxes	(14,440)	(13,569)
Solvency Capital Requirement	**129,246**	**137,917**

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

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

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

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

C.1.2. RISK EXPOSURE AND ASSESSMENT

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

- Mortality risk, defined as change in the value of liabilities resulting from changes in the mortality rates, where an increase in the mortality rates leads to an increase in the value of insurance liabilities. Mortality Risk also includes Mortality Catastrophe Risk, defined as a change in the value of the liabilities, resulting from extreme or irregular events;
- Lapse risk, defined as the change in liabilities due to changes in the expected exit rates. Exits can happen from either a partial or full surrender of a policy. This also includes a catastrophic event with a mass lapse resulting;
- Expense risk, defined as the change in the value of liabilities resulting from changes in the expenses incurred in servicing insurance contracts; and
- Health risk, defined as the change in the value of liabilities resulting from changes in the Health claims. It also includes Health Catastrophe Risk defined as the change in the value of liabilities, resulting from extreme or irregular events for the Health insurance business.

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

- For the Mortality Risks, the uncertainty in insured population mortality and its impact on the Company is measured by applying permanent and catastrophe stresses to the policyholders' death rates.
- For Lapse Risk, the measurement is done via the application of a permanent and a catastrophic stress to the underlying lapse rates.
- Expense Risk is measured through the application of stresses to the amount of expenses and expense inflation that the Company expects to incur in the future.
- For the Health Risks, the uncertainty in insured population sickness or morbidity and its impact on the Company is measured by applying permanent or catastrophic stresses to the policyholders' morbidity, disability and recovery rates.

UPE's life underwriting risk capital requirement increased by circa €4,797k at year-end 2018 relative to year-end 2017 due primarily to changes in reinsurance arrangements on the Unit Linked and Domestic Corporate Solutions business lines as well as actuarial assumption changes to reflect UPE experience and future expectations in the year.

C.1.3. RISK MANAGEMENT AND MITIGATION

Reinsurance Strategy

UPE has a number of reinsurance objectives which include:

- To provide both statement of financial position and statement of comprehensive income protection against material losses and events in accordance with the UPE Risk Appetite Statement.
- To manage volatility in UPE's financial performance.
- To optimise the cost effectiveness of reinsurance.
- To provide support to emerging portfolios in new geographic territories or new product lines.
- To retain a portion of the underwriting risk in line with UPE's risk appetite which balances the benefits to the capital and liquidity positions afforded by reinsurance with the impact on profitability and embedded value on both a best estimate and stressed basis.
- To project a strong image in the Group Risk market by having the backing of a large, stable, global reinsurer.
- To provide protection against concentrations of risk, particular on the Group Risk portfolio.

UPE sets its reinsurance arrangements in accordance with the UPE Risk Appetite Statement, the Life Underwriting Risk Policy and Statement of Reinsurance Policy and Strategy and in conjunction with its business strategy. Following the acquisition by LCCG, UPE chose to increase the risk retention on all business lines.

UPE has developed a reinsurance risk monitoring program which identifies and monitors appropriate limits regarding UPE's risk exposure to reinsurers.

Product Approval Process

UPE has a detailed product design and approval process in place which sets out the framework for product prioritisation, development, approval and management and this process ensures that there are appropriate governance practices over product development.

The following stages are completed as part of the product development process:

- Product and Pricing ("PandP"): Commercial initiatives are assessed by the Head of Products and Pricing in the PandP department. This assessment is referred to as the Commercial Innovation Pipeline ("CIP") Screening Assessment and involves objectively reviewing the idea using a standardised independent scoring model. Those propositions which achieve a minimum score will be recommended to proceed from the 'Idea' stage to the 'Scope' stage of the product development process.
- Change Board: is a cross functional body made up of the members of ExCo plus the Head of Change Management. The Change Board meets monthly to discuss the change agenda, including the progress of any in-flight product developments. Sign-off is required from the Change Board on the Business Case at the 'Scope' stage. The Business Case will provide clarity on the level of effort involved in the Plan and Deliver phases of the process as well as confirming the associated budget and timelines for delivery.
- Board of Directors: The Board meets on a quarterly basis to discuss items of strategic importance to UPE. If there are any initiatives in the 'Deliver' phase of the product development process, they may be discussed as part of the Board meeting agenda. For new product developments, the Product Summary document must be reviewed and signed off by the Board before the product can be launched.

C.1.4. RISK SENSITIVITY FOR UNDERWRITING RISKS

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

C.1.5. NON-LIFE UNDERWRITING RISK

This section is not applicable to UPE.

C.2. MARKET RISK

C.2.1. RISK EXPOSURE AND ASSESSMENT

UPE is exposed to market risks from both protection and unit-linked business.

For the Protection business there is a general asset position held directly to cover the liabilities. These assets are mainly Government, Corporate and EU Supranational bonds, as well as cash or cash equivalents. The main risk that UPE is exposed to directly is interest rate risk.

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

The key Market Risks that UPE is exposed to include:

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

UPE's market risk capital requirement increased by circa €962k at year-end 2018 relative to year-end 2017. The main movements were driven by UPE's Investment in Utmost Ireland and Harcourt Life Ireland, which was offset by movements in the policyholder's asset information and EIOPA's symmetric adjustment.

C.2.2. RISK MANAGEMENT AND MITIGATION

The following Risk Management and mitigation activities are in place:

- In UPE the actuarial team undertakes a quarterly asset liability matching exercise and sends the figures to the investment team for observation and analysis. UPE uses cash flow duration matching to ensure that its liabilities are well matched by assets of a similar nature and term. The results of this exercise are presented to the Board and Management Investment Committees on a quarterly basis for review.
- The assets held by UPE's shareholder fund follow a strict investment mandate with asset type and counterparty limits in place.
- Quarterly monitoring and reporting against the investment limits outlined in the RAS.

C.2.3. RISK SENSITIVITY FOR MARKET RISKS

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

C.3. CREDIT RISK

C.3.1. RISK EXPOSURE AND ASSESSMENT

The credit risks that UPE is exposed to include:

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

UPE's main exposures to default risk include:

- The exposure that UPE has to the Italian Revenue with relating to the Italian Tax Asset. This is a prepayment of policyholder capital gains tax that UPE makes to the Italian Revenue. The Italian Revenue hold it for 5 years when UPE can then reclaim either from:
    - Deductions from future payments to the Italian Revenue; or
    - Directly from the Italian Revenue.
- The exposure to reinsurance companies defaulting in their obligations.
- UPE's counterparty default exposure from cash deposits, bond holdings or derivative positions with banks.

UPE's counterparty risk capital requirement increased by circa €933k at year-end 2018 relative to year-end 2017 primarily due growth in the SCR backing the Italian Tax Asset.

C.3.2. RISK MANAGEMENT AND MITIGATION

The UPE Board monitors UPE's solvency position with the Italian Tax Asset both included and excluded from UPE's own funds. The Board has imposed internal hard and soft solvency ratio limits with the Italian Tax Asset excluded from UPE's own funds. An escalation process is required to be followed in the event of a breach of the hard or soft limits.

C.3.3. RISK SENSITIVITY FOR CREDIT RISKS

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material credit risks. As part of UPE's capital policy, the Solvency Capital Ratio is monitored net of the Italian Tax Asset (i.e. impact of a full default of the Italian Revenue).

C.4. OPERATIONAL RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

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

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

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

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

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

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

The operational risk SCR has increased year-on-year due to the increase in Unit-Linked expense assumptions for 2018. It is noted that the element of the operational risk SCR driven by Corporate Solutions premiums is in line with YE17 figures.

C.4.2. RISK MANAGEMENT AND MITIGATION

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

Risk Category	Risk Summary	UPE Mitigating Activities
Outsourcing Risk	The risk that entities providing services to the Company do not perform to the required standards. The risk includes a failure by the Company itself to adequately manage, monitor and oversee those outsourcing arrangements.	UPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Outsourcing Management Framework, coo-ordinated by the Head of Outsourcing, which includes a process for both the selection of and the ongoing review and monitoring of outsourced service providers' performance. • Annual review and approval of the Outsourcing Policy and Outsourcing Management Process. • Risk assessments (including site visits were required) over all new Outsourced Service Providers. • Quarterly assessments and full annual review over all Outsourced Service Providers. • Management of Outsourced Agreement Repository. • Quarterly reporting to both ExCo and the Risk and Compliance Committee. • Business Continuity Capabilities: Evidence of / Contractual requirement to perform Business Continuity testing.
Regulatory Risk	Risk of non-compliance with existing or future regulations.	UPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Regulatory monitoring framework to identify new or changing regulations. • Formal processes and procedures in place for existing regulations. • Legal and Compliance and Product and Technical Services Teams. • Use of external legal providers, as required.
Cyber Risk	Cyber Risk is defined as the threat, vulnerabilities and consequences that could arise if logical data is not protected. It can be caused by external attacks to the IT systems in order to steal and manipulate data or make business services unavailable.	UPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Business continuity and disaster recovery planning and testing.

Risk Category	Risk Summary	UPE Mitigating Activities
	Information technology is fundamental to the operations of the financial services sector and this dependency increases the risks associated with cyber-attacks.	• Bi-annual independent third party testing of the external defences e.g. firewalls. • Annual independent third party review of the internal systems and access controls benchmarked against industry best practice. • Ongoing internal review and monitoring of technologies which keep technical controls up to date. • Ongoing monitoring of regulatory changes and implementation of the required procedures and controls including those related to General Data Protection Regulation ("GDPR").
Conduct Risk	Conduct Risk is defined (by the CBoI) as 'the risk the firm poses to its customers from its direct interaction with them'. Firms need to ensure that they are putting the customer and the integrity of markets at the heart of their business models and strategies. This includes making strategic cultural changes which promote good conduct, establishing oversight around the design and innovation of products and services; and ensuring they are transparent in their dealings with customers. Failure to meet these requirements could result in regulatory scrutiny and fines, reputational loss and potential loss of revenues. Over recent years there has been increasing onus on firms to define and manage Conduct Risk explicitly as part of their Risk Management Framework and it is considered to be a central part of a firm's Enterprise Risk Management and Strategy.	UPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • A Conduct Risk Framework based on EIOPA's guidelines on Product Oversight and Governance arrangements by insurance undertakings and insurance distributors. • An Intermediary Monitoring Programme to oversee the performance and conduct of UPE's agents and brokers. • An Operational Control department to oversee the performance and conduct of UPE's investment partners.
Policy Administration Risk	Risk of errors or delays in administration of policyholder assets including investment and claims management	UPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Formal processes and procedures in place. • Internal Control Framework. • Risk assessments and themed reviews. • Partner and outsourcing framework. • Operational risk incident reporting and escalation process.

Risk Category	Risk Summary	UPE Mitigating Activities
Tax Laws and Regulations	Tax Risk refers to the risk of failure to comply with existing tax regulation or the risk of a change to the International taxation treatment of life assurance products in respect of policyholders. Changes in the tax regimes and related government policies and regulations in the countries in which the Company operates could adversely affect the future profitability of the Company.	UPE has the following controls/processes in place to reduce the inherent risk to within tolerance: • Monitoring potential changes in International tax legislation and policy in all jurisdictions of operation. • Head of Taxation responsible for ongoing tax compliance. • Formal processes and procedures in place. • Tax Strategy approved by the Board of Directors.

C.5. LIQUIDITY RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

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

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

It defines in particular:

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

The CFO is responsible for managing the on-going liquidity requirements of UPE.

The shareholder assets of UPE are predominantly comprised of an Italian Tax Asset, a portfolio of Euro denominated investment grade bonds, fund investments and a number of money market funds. These bonds are easily realisable and convertible to cash at short notice. UPE has committed to maintain a minimum liquidity 10% of SCR in liquid assets.

When considering Liquidity Risks, the key elements are Wealth Protection Italian Tax payments and Investment Planning new business commission strain. The Wealth Protection business does not suffer from new business cash strain. However, the majority of UPE's income is sourced from the Wealth Protection business line, and is generated by issuing quarterly fee invoices to the custodians. As a result, prompt fee collection is a key liquidity metric for UPE.

The Investment Planning products pay commission which results in New Business Commission strain. As a result, new business sales are a key liquidity metric that is monitored by UPE management.

C.5.2. RISK MANAGEMENT AND MITIGATION

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

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

UPE carries out annual rolling 5-year cash flow projections based on the Strategic Plan targets. These cashflow projections include a number of liquidity stress scenarios.

C.6. OTHER RISKS

C.6.1. RISK CONCENTRATION

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

UPE’s material risk concentrations are as follows:

- Italian Tax Asset – a material proportion of UPE’s own funds are comprised of the Italian Tax Asset.
- Reinsurance Counterparties – UPE reinsurance counterparties are concentrated in a small number of reinsurers.

UPE mitigates the risk of the concentration risk of the Italian Tax Asset by monitoring UPE’s solvency position including and excluding the Italian Tax Asset. The UPE Board has imposed internal hard and soft solvency ratio limits with the Italian Tax Asset excluded from UPE’s own funds. An escalation process is required to be followed in the event of a breach of the hard or soft limits.

UPE mitigates the concentration risk from reinsurers by implementing and monitoring exposures against Board approved concentration limits. UPE’s exposure against these limits is reported to the Risk and Compliance Committee quarterly.

C.6.2. REPUTATIONAL RISK

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

C.6.3. EMERGING RISKS

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

C.6.4. STRATEGIC RISK

UPE is authorised by the CBoI to transact cross-border life assurance business within the EU on a Freedom of Services basis. UPE addresses the needs of markets not traditionally served by country specific operations. The core business lines within UPE are Wealth Protection, Investment Planning and Corporate Solutions.

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

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

C.6.5. CONTAGION RISK

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

C.7. ANY OTHER INFORMATION

C.7.1. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

The total expected profits included in future premiums is €12,105k at 31 December 2018, compared with €15,434k at 31 December 2017.

D. Valuation for Solvency Purposes

D.1. ASSETS

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

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

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

Solvency II Assets Valuation

	31 December 2017 Restated* €'000	31 December 2018 €'000
Solvency II Valuation	11,367,698	10,884,814
Statutory Accounts Valuation	11,415,013	10,951,017
Difference	(47,315)	(66,203)

* Restated due to adoption of IFRS 15 "Revenue from Contracts with Customers".

Valuation of Assets

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and applicable to companies reporting under IFRS at 31 December 2018. For all periods up to and including 31 December 2017, the Company prepared its financial statements in accordance with local generally accepted accounting practice (Local GAAP). These financial statements for the year ended 31 December 2018 are the first the Company has prepared in accordance with IFRS.

In 2018 the Company has also adopted IFRS 15 'Revenue from Contracts with Customers', this is a new accounting standard for revenue recognition. The effect of this change in accounting policy was to decrease the profit before tax by €551k (2017: decrease profit by €7,606k).

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

Asset Exceptions under Solvency II

Valuation of Assets 31 December 2018	Solvency II €'000	Statutory Accounts €'000	Difference €'000
Deferred Tax Assets	15,633	6,026	9,607
Deferred Acquisition Costs	0	59,676	(59,676)
Fixed Assets	322	322	0
Investments (Other than assets held for Index Linked and Unit-Linked funds)	143,899	156,345	(12,446)
Assets held for Index Linked and Unit-Linked funds	10,437,082	10,437,082	0
Ceded Reinsurance Reserves	64,317	66,925	(2,608)
Receivables	46,580	46,580	0
Cash and Cash Equivalents	22,804	22,804	0
Italian Tax Asset	154,179	155,258	(1,080)
Total Assets	**10,884,814**	**10,951,017**	**(66,203)**

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

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

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

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

Deferred Tax Asset

Deferred taxation is provided in the financial statements on timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are temporary differences between profits as computed for taxation purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for taxation purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the statement of financial position date. Deferred tax is not discounted.

In the Solvency II balance sheet, deferred tax assets and liabilities arise because there are differences between the value ascribed to an asset or a liability for tax purposes, and its value in accordance to the Solvency II principles.

A deferred tax asset ("DTA") should be recognised in the following cases:

- The Solvency II balance sheet value of an asset is lower than the related carrying value for tax purposes; or
- The Solvency II balance sheet value of a liability is higher than the related carrying value for tax purposes.

A DTA is a tax credit which should be recovered in the future because of an expected loss (decrease of the net asset value). The adjustments that gave rise to a deferred tax asset are set out in the table below. As a result, the DTA for Solvency II increased by €9,607k.

Solvency II Balance Sheet Adjustments and Deferred Tax Asset Impact

Solvency II Balance Sheet Adjustments	Adj to Balance Sheet	Deferred Tax Asset Impact
31 December 2018	€'000	€'000
Elimination for Deferred Acquisition Costs	(59,676)	7,459
Reinsurance Share of Technical Provisions	(2,608)	326
Discount Italian Tax Asset	(1,080)	135
Investment in Subsidiaries	(13,495)	1,687
Total	**(76,859)**	**9,607**

Deferred Acquisition Costs (DAC)

Commission costs incurred in the acquisition of new business are deferred as an explicit DAC asset. This asset is amortised against future revenue margins on the related policies. The DAC asset is reviewed for recoverability at the end of each accounting period against future revenue margins expected to arise from the related policies. They are the part of acquisition costs allocated to future reporting periods. DAC is recognised under IFRS but is disallowed for Solvency II asset valuation purposes. As a result, the DAC asset for Solvency II decreased by €59,676k.

Investment in Subsidiaries

Subsidiaries are entities controlled by UPE. UPE controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiary undertakings are accounted for at fair value. These investments are initially measured at cost. Thereafter, valuation of regulated insurance company subsidiaries is based on the subsidiaries Own Funds under Solvency II, adjusted for the adding back of foreseeable dividends, 50% of Risk Margin and VIF outside of contract boundaries.

In the Solvency II balance sheet valuation of subsidiaries is calculated in accordance with the Solvency II framework. As a result the valuation for Solvency II decreased by €13,495.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the original cost of these assets over their estimated useful lives in equal instalments at the following rates:

Depreciation

Asset Category	Rate of Depreciation	Basis of Depreciation
Fixtures and Fittings	20%	Straight Line
Computer Equipment	50%	Straight Line

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

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

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

- Assets held at fair value through profit or loss

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

- Amortised cost investments

UPE holds a solvency portfolio which consists of relatively long dated bonds (or fixed income securities) which are held for asset-liability matching purposes. UPE has classified these as amortised cost investments and has the positive intention and ability to hold them to maturity. After initial measurement, these investments are measured at amortised cost using the effective interest rate method, less impairment. The amortisation, and any impairment, is included as investment income. In the Solvency II balance sheet these assets are revalued on a fair value basis. As a result, on a fair value basis the valuation for Solvency II increased by €1,050k.

- Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the statement of comprehensive income account. Fair values are obtained from the quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Listed investments are valued at current mid-price on the statement of financial position date. Unlisted investments for which a market exists are also stated at the current mid-price on the statement of financial position date or the last trading day before that date. The value of other unlisted investments, for which no active market exists, are established at directors' best estimate of fair value, based on third party information or valuations provided by counterparties, or valued at cost and reviewed for impairment at the statement of financial position date. There is no valuation difference under Solvency II and the statutory financial statements.

Ceded reinsurance reserves

This amount represents the reinsurers' share of technical reserves. The ceded reinsurance reserves for Solvency II decreased by €2,608k. Please refer to section D.2 for detailed narrative on the valuation of technical liabilities.

Receivables

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

Cash and cash equivalents

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

Italian Tax Asset

UPE, as an Italian Tax Agent is required to make an annual tax prepayment to the Italian Tax Authorities of 0.45% of the Italian assets under administration at 31 December. Contributions to the Italian Revenue are recognised as a tax prepayment asset. This asset has not been discounted in the statutory financial statements. The asset has been discounted in the Solvency II balance sheet as the recoverability of this asset is greater than one year. As a result, the Italian Tax Asset for Solvency II decreased by €1,080k.

Fair Value Hierarchy

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

Level 1 inputs

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

Level 2 inputs

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

Level 3 inputs

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

Guidance on Fair Value Measurement Approach

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

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

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

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

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

Valuation Techniques

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

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

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

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

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

D.2. TECHNICAL PROVISIONS

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

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

Main Technical Provisions Results

Entity	31 December 2017 €'000	31 December 2018 €'000
Best Estimate of Liabilities	10,820,501	10,336,473
Risk Margin	55,445	58,806
Gross Technical Provisions	**10,875,946**	**10,395,279**
Reinsurance Recoverable	(61,369)	(64,317)
Net Technical Provisions	**10,814,576**	**10,330,962**

UPE's assets, liabilities and technical provisions decreased proportionately during 2018. The key reason for the decrease was the impact of adverse market performance on policyholder asset values in the latter half of 2018.

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

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

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

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

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

Best Estimate of Liabilities

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

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

The projected future cash flows typically include:

- Regular premium receipts (subject to contract boundaries);
- Claims payments with an allowance for any early discontinuance charges;
- Expenses;
- Commissions;
- External fund charges;
- Costs associated with the Italian Tax Asset; and
- Profit share payments.

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

Reinsurance Recoverables

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

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

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

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

- Future premiums paid by the Company to reinsurers.

Risk Margin

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

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

Description of the Level of Uncertainty of Life Technical Provisions Valuation

The key sources of uncertainty for the Company are expenses, policyholder behaviour assumptions and potential costs arising out of litigation.

It is noted that no significant simplified methods were used to calculate technical provisions, including those used for calculating the risk margin.

UPE does not apply a volatility adjustment, as referred to in Article 77d of Directive 2009/138/EC.

No basic own fund items have been subject to transitional arrangements.

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

D.3. OTHER LIABILITIES

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

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

Valuation of Liabilities

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

- Technical liabilities;
- Deferred taxes;
- Financial liabilities;
- Deferred income liability;
- Other liabilities; and
- Contingent liabilities (not applicable for UPE).

Solvency II Liabilities Valuation

	31 December 2017 Restated * €'000	31 December 2018 €'000
Solvency II Valuation	11,084,961	10,546,218
Statutory Accounts Valuation	11,280,818	10,749,583
Difference	**(195,857)**	**(203,365)**

* Restated due to adoption of IFRS 15 "Revenue from Contracts with Customers".

Value of Liabilities

Values of Liabilities 31 December 2018	Solvency II Value	Statutory Accounts Value	Difference
	€'000	€'000	€'000
Technical Liabilities – Life (Inc. Index Linked and United Linked)	10,395,279	10,528,390	(133,111)
Deferred Tax Liabilities	29,202	0	29,202
Financial Liability – Bank Overdraft	47	47	0
Deferred Income Liability	0	99,457	(99,457)
Other Liabilities	99,428	99,428	0
Subordinated Liability	22,261	22,261	0
Total Liabilities	**10,546,218**	**10,749,583**	**(203,365)**

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

Technical Liabilities

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

Under Solvency II, Technical Provisions comprise the BEL and risk margin. The BEL recognises the cashflow required to meet policyholder liabilities, while the risk margin represents a prudent margin for unavoidable uncertainty. The Technical Provisions liability for Solvency II decreased by €133,111k.

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

Deferred Tax Liability

In the Solvency II balance sheet, deferred tax assets and liabilities arise because there are differences between the value ascribed to an asset or a liability for tax purposes, and its value in accordance to the Solvency II principles.

Therefore, a deferred tax liability ("DTL") should be recognised in the following cases:

- The Solvency II Balance Sheet value of an asset is higher than the related carrying value for tax purposes; or
- The Solvency II Balance Sheet value of a liability is lower than the related carrying value for tax purposes.

A DTL is the recognition of a tax debt to be paid at a later date because of a future profit which is already anticipated in the economic balance sheet. This profit (i.e. the difference between the market value and the book value) leads to an increase of the net asset value. A DTL will be recognised for unrealised taxable gains such as an increase of a financial asset value, or a decrease of the value of Technical Provisions when shifting from book value to market value. The adjustments that gave rise to a DTL are set below. The DTL for Solvency II increased by €29,202k at year-end 2018.

Solvency II Balance Sheet Adjustments and Deferred Tax Liability Impact

Solvency II Balance Sheet Adjustments 31 December 2018	Adjustment to Balance Sheet	Deferred Tax Liability Impact
	€'000	€'000
FV of Amortised Cost Investments	1,049	(131)
Technical Provisions	133,111	(16,639)
Elimination of Deferred Income Liability	99,457	(12,432)
Total	**233,617**	**(29,202)**

Financial Liabilities

All financial liabilities outstanding at 31 December 2017 were repaid in full during 2018. In 2018 however, the Company issued a GBP 20,000k loan to another group company Utmost Limited. The balance outstanding at 31 December amounted to €22,261k. There is no valuation difference between the Solvency II and the statutory financial statements. Note that the GBP 20,000k Loan Note issued by UPE to Utmost Limited was established as a Tier 2 Capital instrument. There is a UPE liability for this on the Solvency II Balance sheet of €22,261k declared as a Subordinated Liability in Basic Own Funds.

Deferred Income Liability

A portion of the unit-linked front-end fees received at the inception of a contract and anticipated future margins such as actuarial funding are deferred and presented as a deferred income liability ("DIL"), gross of tax, in the financial statements. The liability is amortised over the expected term of the contract. DIL is recognised under IFRS but is disallowed under Solvency II.

Other Liabilities

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

Contingent Liabilities

UPE does not have any contingent liabilities.

Fair Value Measurement Approach

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

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

D.4. ALTERNATIVE METHODS FOR VALUATION

The Company does not use any alternative methods for valuation.

D.5. ANY OTHER INFORMATION

No other information noted.

E. Capital Management

E.1. OWN FUNDS

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

E.1.1. CAPITAL MANAGEMENT POLICIES

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

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

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

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

Basic Own Funds

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

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

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

UPE's basic own funds includes ordinary share capital, capital contributions and reconciliation reserve. UPE holds mainly Tier 1 Capital, with a small element of Tier 2 Capital.

Basic Own Funds

	Total	Tier 1 Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3
	€'000	€'000	€'000	€'000	€'000
Total eligible Own Funds to meet the SCR at 31 Dec 2018	360,858	338,597	0	22,261	0
Total eligible Own Funds to meet the SCR at 31 Dec 2017	282,737	282,737	0	0	0

Tier 1 Basic Own Funds

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

Ordinary Share Capital:

The paid-in ordinary share capital is identified by the following methods:

- The shares are issued directly by the undertaking with the prior approval of its shareholders or, where permitted under national law, it's administrative, supervisory or management body.
- UPE has issued 500,000 ordinary shares valued at €1.269738 each and 60,500,000 non-voting B ordinary shares valued at €1 each.

Capital Contribution:

During 2018, the Company received a €81,423k capital contribution from its parent company, UHIL, by way of an in specie transfer of two subsidiaries, Utmost Ireland dac and Harcourt Life Ireland dac.

Reconciliation Reserve:

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

Tier 2 Basic Own Funds

During 2018, UPE issued a loan note for GBP 20,000k to Utmost Limited. This loan was established as a Tier 2 capital instrument and is included on the Solvency II balance sheet at €22,261k. In addition, this is declared as a Subordinated Liability in Basic Own Funds in Section D.3.1.

Tier 3 Basic Own Funds

This does not apply to the Company.

Reconciliation between Equity in the Financial Statements and Basic Own Funds

Basic Own Funds is valued at €338,597k, while the shareholders' equity per the statutory accounts is €201,434. The table below reconciles the movement from shareholders' equity to basic own funds.

Reconciliation to Shareholders' Equity

Reconciliation of Shareholders Equity to Basic Own Funds	31 December 2017 €'000	31 December 2018 €'000
Shareholder Equity	175,490	201,434
Elimination for Deferred Acquisition Costs and Deferred Income Liability	(10,960)	39,781
Elimination of Intangible Assets	(11,928)	0
SII Valuation of Technical Provisions	146,319	130,502
SII Valuation of Financial Liabilities	(1,082)	0
SII Valuation of Investments	1,127	(12,446)
SII Valuation of Italian Tax Asset	(908)	(1,080)
Deferred Taxes	(15,321)	(19,595)
Basic Own Funds	**282,737**	**338,597**

Own Funds increased by €78,121k in 2018 over 2017. This is mainly driven by capital contributions received in the period of €81,423k and the issue of a Loan Note to a group company which qualifies as Tier 2 capital. Other movements are IFRS losses in the period.

Basic own funds increased by €55,860k from 31 December 2017 to 31 December 2018. Retained earnings are a key driver for the increase.

Deduction from Own Funds

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

Ancillary Own Funds

Ancillary own funds does not apply to the Company.

E.1.2. ELIGIBLE OWN FUNDS

Own Funds Assets

	Total €'000	Tier 1 Unrestricted €'000	Tier 1 Restricted €'000	Tier 2 €'000	Tier 3 €'000
Total Eligible Own Funds to Meet the SCR at 31 Dec 2018	360,858	338,597	0	22,261	0
Total Eligible Own Funds to Meet the SCR at 31 Dec 2017	282,737	282,737	0	0	0
Total Eligible Own Funds to Meet the MCR at 31 Dec 2018	351,009	338,597	0	12,413	0
Total Eligible Own Funds to Meet the MCR at 31 Dec 2017	282,737	282,737	0	0	0

The Company maintains an efficient capital structure to meet its regulatory requirements. The Company is required to hold sufficient capital to cover the SCR. The SCR at 31 December 2018 was €137,917k. The Company's Own Funds at that date were €360,858k. This represents a solvency ratio of 261.65%.

Most of the Company's Own Funds are classified as Tier 1, with €22,261k classified as Tier 2. All of the Own Funds are eligible to cover the SCR, but there is a restriction on eligible own funds to cover the MCR.

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

All of the Company's Own Funds are classified as Tier 1 or Tier 2 and are eligible to meet the SCR.

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

All of the Company's Own Funds Tier 1 capital is eligible to meet the MCR, but the Tier 2 Capital is restricted as a result of EIOPA guidelines.

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

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

The SCR at year-end 2018 was €137,917k. The MCR at year-end 2018 was €62,063k. The calculations of the capital follow EIOPA's Standard Formula regime. The Directive 2009/138/EC and the Delegated Regulation (EU) 2015/35 describe the process to be followed by companies applying the Standard Formula approach, defined by EIOPA.

The MCR is taken as a percentage of the SCR in UPE's case, where the percentage used is 45%.

The primary reason for changes in capital requirements from 2017 to 2018 is the capital requirements from the Investment in UI and HLI.

SCR and MCR Values

	31 December 2017 €'000	31 December 2018 €'000
Solvency Capital Requirement	129,246	137,917
Minimum Capital Requirement	58,161	62,063
Own Funds to Cover SCR	282,737	360,858
Solvency Capital Ratio	218.76%	261.65%
Own Funds to Cover MCR	282,737	351,009
Minimum Capital Ratio	486.13%	565.57%

In addition to monitoring the SCR and MCR, the Company aims to hold a solvency ratio net of the Italian Tax Asset of greater than 110%, meaning that the Italian Tax Asset will be used to back that part of Own Funds in excess of SCR. UPE management has set internal restrictions on the Italian Tax Asset and monitor these on a quarterly basis. The below table shows the solvency capital ratio gross and net of the Italian Tax Asset.

SCR Coverage Excluding Italian Tax Asset ("ITA")

SCR Coverage *Excluding ITA*		31 December 2017 €'000	31 December 2018 €'000
Total Eligible Own Funds (net of ITA)	(1)	138,246	206,680
Solvency Capital Requirement (net of ITA)	(2)	123,487	130,298
Solvency Capital Ratio (Net of ITA)	(3) = (1) / (2)	111.95%	158.62%

The solvency capital ratio (net of ITA) excludes the Italian Tax Asset from the own funds and the SCR.

E.2.2. SCR BREAKDOWN

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

SCR Breakdown

	31 December 2017 €'000	31 December 2018 €'000
Life Underwriting Risk	83,598	88,395
Health Underwriting	557	2,444
Non-Life Underwriting	0	0
Market Risk	78,382	79,344
Counterparty Risk	26,004	26,937
Operational Risk	4,964	7,109
Diversification	(49,820)	(52,743)
Adjustment for the loss-absorbing capacity of deferred taxes	(14,440)	(13,569)
Solvency Capital Requirement	**129,246**	**137,917**

Further information on UPE's SCR is included in S.25.01.21 in Section F.

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

This section is not applicable to UPE.

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

This section is not applicable to UPE.

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

UPE has complied with the MCR and the SCR at all times.

E.6. ANY OTHER INFORMATION

No additional information required.

F. Quantitative Reporting Templates

F.1.S.02.01.02 BALANCE SHEET

		Solvency II Value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	0.00
Deferred tax assets	**R0040**	15,632,946.99
Pension benefit surplus	**R0050**	0.00
Property, plant and equipment held for own use	**R0060**	321,843.97
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	143,898,876.58
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	111,094,957.14
Equities	**R0100**	0.00
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	21,650,296.45
Government Bonds	**R0140**	19,831,630.28
Corporate Bonds	**R0150**	1,818,666.17
Structured notes	**R0160**	0.00
Collateralised securities	**R0170**	0.00
Collective Investments Undertakings	**R0180**	11,153,622.99
Derivatives	**R0190**	0.00
Deposits other than cash equivalents	**R0200**	0.00
Other investments	**R0210**	0.00
Assets held for index-linked and unit-linked contracts	**R0220**	10,437,081,710.85
Loans and mortgages	**R0230**	0.00
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	64,316,950.34
Non-life and health similar to non-life	**R0280**	0.00
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	62,786,431.43
Health similar to life	**R0320**	27,569,997.55
Life excluding health and index-linked and unit-linked	**R0330**	35,216,433.87
Life index-linked and unit-linked	**R0340**	1,530,518.91
Deposits to cedants	**R0350**	0.00
Insurance and intermediaries receivables	**R0360**	11,962,269.52

		Solvency II Value
Reinsurance receivables	**R0370**	18,971,044.35
Receivables (trade, not insurance)	**R0380**	154,178,613.84
Own shares (held directly)	**R0390**	0.00
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0.00
Cash and cash equivalents	**R0410**	22,803,574.37
Any other assets, not elsewhere shown	**R0420**	15,646,612.91
Total Assets	**R0500**	10,884,814,443.72
Liabilities		
Technical provisions – non-life	**R0510**	0.00
Technical provisions – non-life (excluding health)	**R0520**	0.00
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	0.00
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	84,568,318.02
Technical provisions - health (similar to life)	**R0610**	42,354,927.05
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	42,217,340.25
Risk margin	**R0640**	137,586.80
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	42,213,390.97
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	41,749,040.67
Risk margin	**R0680**	464,350.29
Technical provisions – index-linked and unit-linked	**R0690**	10,310,710,780.53
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	10,252,506,845.08
Risk margin	**R0720**	58,203,935.45
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	0.00
Provisions other than technical provisions	**R0750**	0.00
Pension benefit obligations	**R0760**	0.00
Deposits from reinsurers	**R0770**	0.00
Deferred tax liabilities	**R0780**	29,202,093.27
Derivatives	**R0790**	0.00
Debts owed to credit institutions	**R0800**	47,298.21
Debts owed to credit institutions resident domestically	**ER0801**	
Debts owed to credit institutions resident in the euro area other than domestic	**ER0802**	47,298.21
Debts owed to credit institutions resident in rest of the world	**ER0803**	

		Solvency II Value
Financial liabilities other than debts owed to credit institutions	**R0810**	0.00
Debts owed to non-credit institutions	**ER0811**	0.00
Debts owed to non-credit institutions resident domestically	**ER0812**	
Debts owed to non-credit institutions resident in the euro area other than domestic	**ER0813**	
Debts owed to non-credit institutions resident in rest of the world	**ER0814**	
Other financial liabilities (debt securities issued)	**ER0815**	
Insurance and intermediaries payables	**R0820**	9,573,647.93
Reinsurance payables	**R0830**	41,789,078.36
Payables (trade, not insurance)	**R0840**	48,065,014.19
Subordinated liabilities	**R0850**	22,261,427.07
Subordinated liabilities not in Basic Own Funds	**R0860**	0.00
Subordinated liabilities in Basic Own Funds	**R0870**	22,261,427.07
Any other liabilities, not elsewhere shown	**R0880**	0.00
Total liabilities	**R0900**	10,546,217,657.58
Excess of assets over liabilities	**R1000**	338,596,786.14

F.2.S.05.01.02 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		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	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	**R1410**	37,812,707.87		956,191,895.91	34,255,778.96					1,028,260,382.74
Reinsurers' share	**R1420**	34,582,056.55		500,381.38	33,659,573.69					68,742,011.61
Net	**R1500**	3,230,651.33	0.00	955,691,514.53	596,205.27	0.00	0.00	0.00	0.00	959,518,371.13
Premiums earned										
Gross	**R1510**	37,147,635.10		956,191,895.91	34,326,134.43					1,027,665,665.44
Reinsurers' share	**R1520**	31,207,903.82		500,381.38	31,753,127.71					63,461,412.90
Net	**R1600**	5,939,731.29	0.00	955,691,514.53	2,573,006.73	0.00	0.00	0.00	0.00	964,204,252.54
Claims incurred										
Gross	**R1610**	21,474,901.21		894,517,726.37	27,731,992.02					943,724,619.60
Reinsurers' share	**R1620**	17,896,871.39		405,489.50	23,890,675.89					42,193,036.78
Net	**R1700**	3,578,029.82	0.00	894,112,236.87	3,841,316.13	0.00	0.00	0.00	0.00	901,531,582.82

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		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	Total
Changes in other technical provisions										
Gross	**R1710**	-72,484.53		5,127,278.85	-72,484.53					4,982,309.79
Reinsurers' share	**R1720**	0.00		-2,049,588.33	0.00					-2,049,588.33
Net	**R1800**	-72,484.53	0.00	7,176,867.18	-72,484.53	0.00	0.00	0.00	0.00	7,031,898.12
Expenses incurred	**R1900**	7,220,069.02	0.00	42,786,626.74	6,303,223.59	0.00	0.00	0.00	0.00	56,309,919.34
Administrative expenses										
Gross	**R1910**	1,376,783.33		4,404,156.81	763,458.83					6,544,398.97
Reinsurers' share	**R1920**									0.00
Net	**R2000**	1,376,783.33	0.00	4,404,156.81	763,458.83	0.00	0.00	0.00	0.00	6,544,398.97
Investment management expenses										
Gross	**R2010**	5,610.32		22,613.73	5,610.32					33,834.36
Reinsurers' share	**R2020**									0.00
Net	**R2100**	5,610.32	0.00	22,613.73	5,610.32	0.00	0.00	0.00	0.00	33,834.36
Claims management expenses										
Gross	**R2110**									0.00

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Reinsurers' share	**R2120**									0.00
Net	**R2200**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Acquisition expenses										
Gross	**R2210**	2,545,054.07		9,288,872.93	1,311,240.01					13,145,167.01
Reinsurers' share	**R2220**	1,846,073.45		0.00	915,780.32					2,761,853.77
Net	**R2300**	698,980.62	0.00	9,288,872.93	395,459.69	0.00	0.00	0.00	0.00	10,383,313.24
Overhead expenses										
Gross	**R2310**	5,138,694.75		29,070,983.27	5,138,694.75					39,348,372.77
Reinsurers' share	**R2320**									0.00
Net	**R2400**	5,138,694.75	0.00	29,070,983.27	5,138,694.75	0.00	0.00	0.00	0.00	39,348,372.77
Other expenses	**R2500**									8,570,261.80
Total expenses	**R2600**									64,880,181.14
Total amount of surrenders	**R2700**									0.00

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

		Home country	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)		Total for top 5 countries and home country (by amount of gross premiums written)
			ES	FI	GB	IT	PT		
		C0220	C0230	C0230	C0230	C0230	C0230		C0280
Premiums written									
Gross	**R1410**	61,969,536.76	64,372,894.72	72,241,853.06	112,016,113.02	648,937,857.07	49,673,465.35		1,009,211,719.98
Reinsurers' share	**R1420**	53,945,805.20	0.00	0.00	8,295,596.96	974,509.58	0.00		63,215,911.74
Net	**R1500**	8,023,731.56	64,372,894.72	72,241,853.06	103,720,516.06	647,963,347.49	49,673,465.35		945,995,808.24
Premiums earned									
Gross	**R1510**	61,153,041.70	64,372,894.72	72,241,853.06	112,303,944.78	648,937,301.62	49,673,465.35		1,008,682,501.23
Reinsurers' share	**R1520**	48,443,428.73	0.00	0.00	8,583,428.72	973,954.13	0.00		58,000,811.58
Net	**R1600**	12,709,612.97	64,372,894.72	72,241,853.06	103,720,516.06	647,963,347.49	49,673,465.35		950,681,689.65
Claims incurred									
Gross	**R1610**	51,734,381.79	12,523,902.42	5,662,309.69	43,872,712.12	763,551,685.67	9,618,394.82		886,963,386.51
Reinsurers' share	**R1620**	36,683,495.03	0.00	0.00	3,831,217.64	387,143.38	0.00		40,901,856.05
Net	**R1700**	15,050,886.76	12,523,902.42	5,662,309.69	40,041,494.48	763,164,542.29	9,618,394.82		846,061,530.46
Changes in other technical provisions									
Gross	**R1710**	-144,969.06	0.00	0.00	0.00	3,955,698.30	0.00		3,810,729.24
Reinsurers' share	**R1720**	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Net	**R1800**	-144,969.06	0.00	0.00	0.00	3,955,698.30	0.00		3,810,729.24
Expenses incurred	**R1900**	43,805,593.38	281,125.37	6,513,860.37	995,857.80	2,993,952.39	803,379.90		55,393,769.21
Other expenses	**R2500**								1,538,261.80
Total expenses	**R2600**								56,932,031.01

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

		Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantees	
		C0030	C0040	C0050	C0060	C0070	C0080	C0150	C0160	C0170	C0210
Technical provisions calculated as a whole	**R0010**							0.00			0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**							0.00			0.00
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**		10,250,367,256.75	2,139,588.33		41,749,040.67		10,294,255,885.75		42,217,340.25	42,217,340.25
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	**R0040**		-516,579.91	2,049,588.33		35,259,235.54	0.00	36,792,243.97		27,616,794.79	27,616,794.79
Recoverables from reinsurance (except SPV and Finite Re)	**R0050**		-516,579.91	2,049,588.33		35,259,235.54		36,792,243.97		27,616,794.79	27,616,794.79

		Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantees	
before adjustment for expected losses											
Recoverables from SPV before adjustment for expected losses	**R0060**							0.00			0.00
Recoverables from Finite Re before adjustment for expected losses	**R0070**							0.00			0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		-516,579.91	2,047,098.82		35,216,433.87		36,746,952.78		27,569,997.55	27,569,997.55
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**		10,250,883,836.65	92,489.52		6,532,606.80	0.00	10,257,508,932.97		14,647,342.69	14,647,342.69
Risk Margin	**R0100**	58,203,935.45			464,350.29			58,668,285.74	137,586.80		137,586.80
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**							0.00			0.00
Best estimate	**R0120**							0.00			0.00
Risk margin	**R0130**							0.00			0.00

		Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantees	
Technical provisions - total	**R0200**	10,310,710,780.53			42,213,390.97			10,352,924,171.49	42,354,927.05		42,354,927.05
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0210**	10,309,180,261.62			6,996,957.09			10,316,177,218.71	14,784,929.50		14,784,929.50
Best Estimate of products with a surrender option	**R0220**	10,252,506,845.08			41,749,040.67			10,294,255,885.75	42,217,340.25		42,217,340.25
Gross BE for Cash flow											
Cash out-flows											
Future guaranteed and discretionary benefits	**R0230**	9,821,335,066.00			40,910,110.13			9,862,245,176.13	41,391,445.61		41,391,445.61
Future guaranteed benefits	**R0240**							0.00			
Future discretionary benefits	**R0250**							0.00			
Future expenses and other cash out-flows	**R0260**	735,736,684.00			838,943.14			736,575,627.14	825,907.03		825,907.03
Cash in-flows											
Future premiums	**R0270**	-290,781,965.10			0.00			-290,781,965.10			0.00
Other cash in-flows	**R0280**	-13,782,939.89			0.00			-13,782,939.89			0.00
Percentage of gross Best Estimate calculated using approximations	**R0290**	0.0000			0.0000				0.0000		

		Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantees	
Surrender value	**R0300**	10,413,422,972.38						10,413,422,972.38	0.00		0.00
Best estimate subject to transitional of the interest rate	**R0310**							0.00			0.00
Technical provisions without transitional on interest rate	**R0320**							0.00			0.00
Best estimate subject to volatility adjustment	**R0330**							0.00			0.00
Technical provisions without volatility adjustment and without others transitional measures	**R0340**							0.00			0.00
Best estimate subject to matching adjustment	**R0350**							0.00			0.00
Technical provisions without matching adjustment and without all the others	**R0360**							0.00			0.00
Gross TP Amount calculated using simplified methods	**RTT01**										

F.5.S.23.01.01 OWN FUNDS

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	61,134,869.00	61,134,869.00		0.00	
Share premium account related to ordinary share capital	**R0030**	0.00	0.00		0.00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0.00	0.00		0.00	
Subordinated mutual member accounts	**R0050**	0.00		0.00	0.00	0.00
Surplus funds	**R0070**	0.00	0.00			
Preference shares	**R0090**	0.00		0.00	0.00	0.00
Share premium account related to preference shares	**R0110**	0.00		0.00	0.00	0.00
Reconciliation reserve	**R0130**	183,491,167.08	183,491,167.08			
Subordinated liabilities	**R0140**	22,261,427.07		0.00	22,261,427.07	0.00
An amount equal to the value of net deferred tax assets	**R0160**	0.00				0.00
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	93,970,743.97	93,970,743.97	0.00	0.00	0.00
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0.00				
Total basic own funds after deductions	**R0290**	360,858,207.12	338,596,780.05	0.00	22,261,427.07	0.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0.00				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0.00				
Unpaid and uncalled preference shares callable on demand	**R0320**	0.00				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0.00				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0.00				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0.00				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0.00				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0.00				
Other ancillary own funds	**R0390**	0.00				
Total ancillary own funds	**R0400**	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	360,858,207.12	338,596,780.05	0.00	22,261,427.07	0.00

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total available own funds to meet the MCR	**R0510**	360,858,207.12	338,596,780.05	0.00	22,261,427.07	
Total eligible own funds to meet the SCR	**R0540**	360,858,207.12	338,596,780.05	0.00	22,261,427.07	0.00
Total eligible own funds to meet the MCR	**R0550**	351,009,329.32	338,596,780.05	0.00	12,412,549.28	
SCR	**R0580**	137,917,214.21				
MCR	**R0600**	62,062,746.40				
Ratio of Eligible own funds to SCR	**R0620**	2.616484165				
Ratio of Eligible own funds to MCR	**R0640**	5.655716991				
Reconciliation reserve						
		C0060				
Reconciliation reserve		C0060				
Excess of assets over liabilities	**R0700**	338,596,780.05				
Own shares (held directly and indirectly)	**R0710**					
Foreseeable dividends, distributions and charges	**R0720**					
Other basic own fund items	**R0730**	155,105,612.97				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**					
Reconciliation reserve	**R0760**	183,491,167.08				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	12,104,738.46				
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**					
Total Expected profits included in future premiums (EPIFP)	**R0790**	12,104,738.46				

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

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	**C0040**	**C0050**
Market risk	**R0010**	79,344,107.23	79,344,107.23	
Counterparty default risk	**R0020**	26,936,977.27	26,936,977.27	
Life underwriting risk	**R0030**	88,395,433.52	88,395,433.52	
Health underwriting risk	**R0040**	2,443,789.93	2,443,789.93	
Non-life underwriting risk	**R0050**			
Diversification	**R0060**	-52,743,323.62	-52,743,323.62	
Intangible asset risk	**R0070**	0.00	0.00	
Basic Solvency Capital Requirement	**R0100**	144,376,984.34	144,376,984.34	
Calculation of Solvency Capital Requirement				
		Value		
		C0100		
Adjustment due to RFF/MAP nSCR aggregation	**R0120**			
Operational risk	**R0130**	7,109,375.28		
Loss-absorbing capacity of technical provisions	**R0140**			
Loss-absorbing capacity of deferred taxes	**R0150**	-13,569,145.41		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**			
Solvency Capital Requirement excluding capital add-on	**R0200**	137,917,214.21		
Capital add-on already set	**R0210**			
Solvency capital requirement	**R0220**	137,917,214.21		
Other information on SCR				

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
Capital requirement for duration-based equity risk sub-module	**R0400**			
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	137,917,214.21		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**			
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**			
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation (*)	**R0450**		* 1 - Full recalculation 2 - Simplification at risk sub-module level 3 - Simplification at risk module level 4 - No adjustment	
Net future discretionary benefits	**R0460**			

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

Linear formula component for non-life insurance and reinsurance obligations		MCR components	
		C0010	
MCRNL Result	R0010		
Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		
Linear formula component for life insurance and reinsurance obligations		C0040	
MCRL Result	R0200	73,925,536.19	

Total capital at risk for all life (re)insurance obligations		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**		
Obligations with profit participation - future discretionary benefits	**R0220**		
Index-linked and unit-linked insurance obligations	**R0230**	10,250,976,326.17	
Other life (re)insurance and health (re)insurance obligations	**R0240**	21,179,949.49	
Total capital at risk for all life (re)insurance obligations	**R0250**		2,462,747,101.45
Overall MCR calculation		**C0070**	
Linear MCR	**R0300**	73,925,536.19	
SCR	**R0310**	137,917,214.21	
MCR cap	**R0320**	62,062,746.40	
MCR floor	**R0330**	34,479,303.55	
Combined MCR	**R0340**	62,062,746.40	
Absolute floor of the MCR	**R0350**	3,700,000.00	
Minimum Capital Requirement	**R0400**	62,062,746.40	