

mediolanum INTERNATIONAL LIFE

Solvency and Financial Condition Report
31 December 2017

May 2018



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Executive Summary

Mediolanum International Life dac (hereinafter, also “MIL”, or “the Company”) presents the Company’s Solvency and Financial Condition Report (“SFCR”) under the Solvency II Directive as at 31 December 2017.

PURPOSE OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

The Solvency II Directive was transposed into Irish Law as the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015) and the legislation entered into force on 1 January 2016. This report is intended to assist clients in understanding the capital position of MIL since the implementation of the legislation by covering the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

OUR STRUCTURE

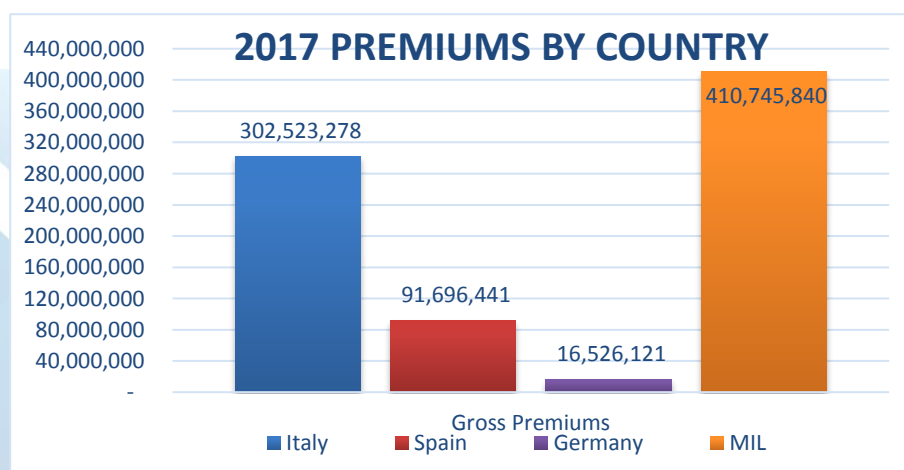
MIL is the Irish life company of the Mediolanum Group, authorised by the Central Bank of Ireland (“CBoI”) to conduct life Insurance business under the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015). MIL has its registered head office in Dublin, Ireland. It also operates through its branches in certain other countries of the European Union under the right of establishment governed by the relative provisions of law. MIL is authorised to sell classes I, III and IV Insurance products (as per Annex I of S.I. No. 485 of 2015) and is currently selling unit-linked products in Italy, Spain and Germany and has in force index-linked policies previously sold in Germany and Spain (new index-linked products are no longer sold).

GOVERNANCE STRUCTURE

The Company has in place a robust governance framework that enables us to deliver on our strategy. Strong governance is essential to the sustainable growth of our business, it is at the heart of what we do. The ultimate Administrative Management Supervisory Body that has the responsibility for all of these matters is the Company’s Board of Directors, with the help of various governance and control functions that it has put in place to monitor and manage the business. There are more details in section B.1.

SUMMARY HIGHLIGHTS

The financial year 2017 was a profitable one for MIL with profit after tax of €8.4m (2016: €4.3m), even though the markets continued to be volatile and credit spreads were tight. There were a number of Mediolanum Piu products launched in the 2nd half of 2017, which led to strong premium income in Italy and increased assets under management (“AUM”) and the PIAS product in Spain continues to sell successfully. The older book of Index Linked and Synergy products continue to mature in line with the last few years. At the end of 2017 all synergy and Italian index linked products have matured. The positive global market performance during the year resulted in increased AUM and increased management fees. Costs were also tightly monitored during the year in line with MIL’s commitment to developing its business for the future. We continued to invest in our IT spend and particularly in Cyber security measures.



BUSINESS STRATEGY

Looking ahead, our primary objective remains unchanged, to ensure that our policyholders achieve the long term outcomes they expect and we remain fully focused on this goal. We enter the new financial year with a healthy balance sheet and a broad range of capabilities which can adapt to changing policyholder appetites to enable us to remain competitive in rapidly adapting markets. We remain focussed on growing top line sales while improving bottom-line profitability, however, we recognise the challenges that an environment of low interest rates and tight credit spread has on product creation. In response to this MIL has structured the newer Med Piu's with global non euro denominated securities hedged back into Euro. This widening of the investment universe allows for more diversification and results in less concentrated portfolios. Our investment manager, Mediolanum Asset Management Limited ("MAML"), has also taken the step of delegating to global asset managers with niche expertise in this area. We remain well positioned to identify and grasp the opportunities that may arise to deliver further profitable growth.

The Company has continuously complied with all aspects of the Solvency II regulations from the date of first implementation on 1 January 2016. Throughout the year the Company has maintained a solvency ratio above the Solvency II limits and as at 31 December 2017 the Solvency Capital Ratio ("SCR") of the Company was 191% (2016: 201%). The Minimum Capital Requirement ("MCR") solvency ratio at 31 December 2017 was 765% (2016: 802%).

The below table outlines the eligible amount of own funds to cover the SCR & MCR and are all classified as Tier 1.

Own Fund Item (All Tier 1 Items)	2017	2016	Movement	%
Share Capital	1,395	1,395	-	0.0%
Capital Contribution	58,729	58,729	-	0.0%
Retained Profits brought forward	15,564	20,522	(4,958)	-24%
Dividends paid during the year	(4,300)	(9,270)	4,970	-54%
Reconciliation Reserve	100,351	84,437	15,914	18.8%
Result for the period ended *	8,485	4,312	4,173	96.8%
Forseeable Dividend	(8,400)	(4,300)	(4,100)	95.3%
Available and eligible own funds	171,824	155,825	15,999	10.3%
SCR	89,860	77,677	12,183	15.7%
% SCR	191%	201%	(0.09)	-4.7%
MCR	22,465	19,419	3,046	15.7%
% MCR	765%	802%	(0.38)	-4.7%

All numbers in €'000

* Out of the Result for the period ended 31 December 2017 there are dividends proposed of €8,400k (2016: €4,300k) which were paid after the year end.

RISK PROFILE

Section C outlines our risk profile. It also explains how we operate within a Board-approved risk appetite.

The SCR is split by risk category in the following table.

SOLVENCY CAPITAL REQUIREMENT (SCR)	2017	2016
Underwriting Risk	49,851	44,799
Counterparty Risk	9,817	7,238
Market Risk	68,134	57,517
<i>Diversification Effects</i>	(30,328)	(25,732)
Operational Risk	5,223	4,951
Deferred Tax	(12,837)	(11,097)
SCR	89,860	77,677
<i>All numbers in €'000</i>		

The Company's financial year runs to 31 December each year and it reports its results in Euros. All amounts disclosed in this document are in thousands as required by Commission Implementing Regulation (EU) 2015/2452.

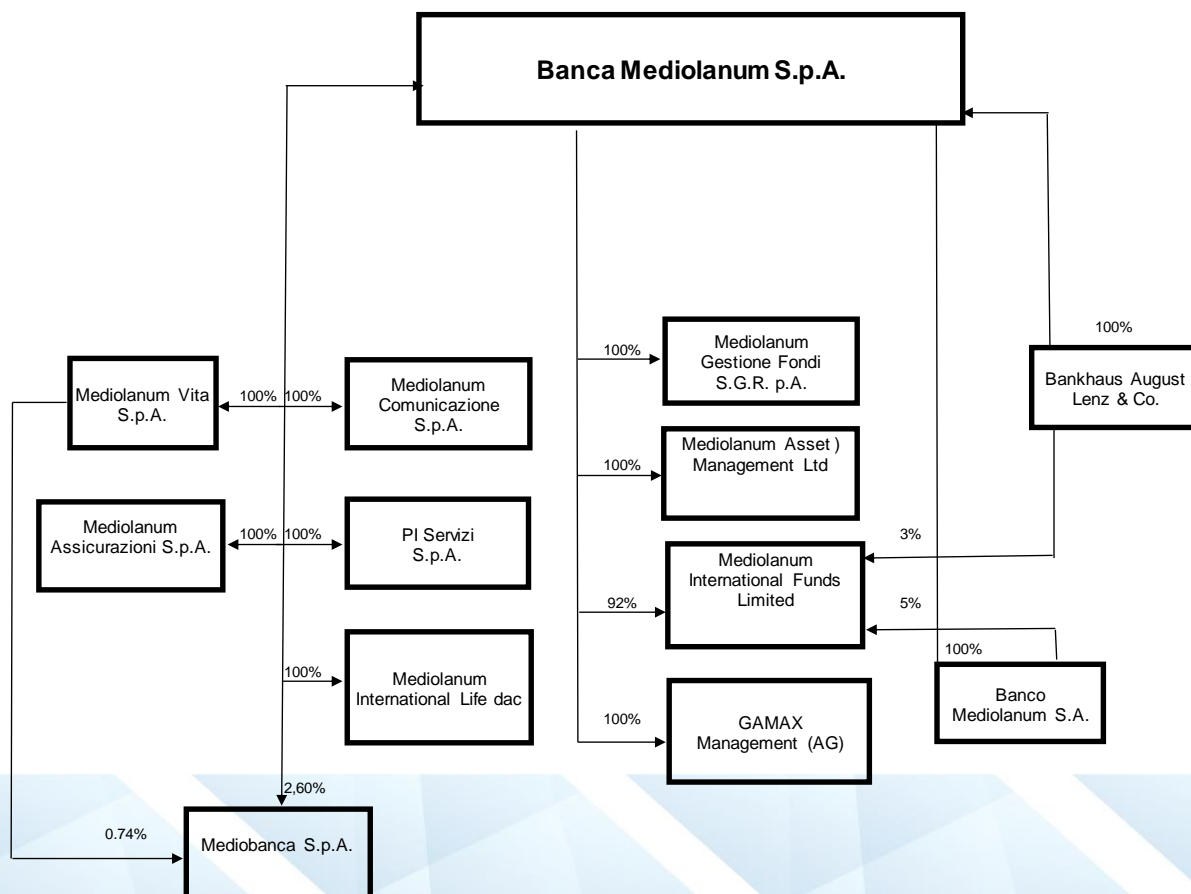
A. Business and Performance

A.1 Business and External Environment

Company Registered Address is:	MIL is regulated by:	MIL's External Auditor is:
Mediolanum International Life dac, 2 Shelbourne Buildings, Shelbourne Road, Dublin 4, Ireland	Central Bank of Ireland, North Wall Quay, Spencer Dock, Dublin 1, Ireland	Deloitte, Chartered Accountants & Statutory Audit Firm, Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland

SHAREHOLDERS:

The sole shareholder in the Company is Banca Mediolanum S.p.A. which holds 100% of the share capital of the Company. Banca Mediolanum S.p.A. is listed on the Milan stock exchange, it is a constituent of the FTSE MIB 40, and it is the holding company of the Mediolanum Group (the "Group"). The structure chart of the group is below.



A.2 Performance from Underwriting Activities

The Company is currently writing life assurance business in Spain, Germany and Italy on a freedom of establishment basis. The profit for the year ended 31 December 2017 after taxation as per the Company's Financial Statements was €8,486k (2016: €4,312k). The profit for 2017 results from a mixture of new business and the existing unit linked and index linked portfolio. The total assets as at 31 December 2017 were €1,838,942k (2016: €1,734,826k).

The financial statements were prepared in accordance with the accounting standards FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and FRS 103: Insurance Contracts ("FRS 103"), which the company adopted from 1 January 2015 and Irish statute comprising the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015. Although a challenging year in which to structure new products during the last six months of 2017 saw sales of the Mediolanum Piu ("Med Piu") product in Italy reach gross premiums of €260,000k. This, added to the continued sales of products in Spain and Germany, contributed to MIL's overall profit after tax of €8,486k. There was an increase in profit when compared with the prior year as new sales have been driven by the launch of the new Med Piu product which led to the increased assets under management. This compensated for the maturity of the final Synergy products and the final Italian Index Linked product's. The continued global market performance also resulted in increased Assets under Management (AUM) and therefore increased management fees.

The older book of Index Linked continue to mature in line with the last few years with the Synergy and Italian Index Linked fully matured during 2017. The majority of claims paid relate to product maturities.

The figures below are presented on a Solvency II line of business basis, i.e. Index Linked and Unit Linked insurance.

The figures below have been taken from the Company's most recent financial statements which were approved and signed on the 19th February 2018.

The company took the decision in 2015 to cease selling Index Linked products. The Premium written by class and by territory for the year ended 2017 (with comparatives for 2016) were as follows:

Product Type	Year	Italy	Spain	Germany	Total
Unit Linked	2017	42,981	91,696	16,526	151,203
	2016	40,685	77,519	19,291	137,495
Med Piu	2017	259,543	-	-	259,543
	2016	240,787	-	-	240,787
Total	2017	302,523	91,696	16,526	410,746
	2016	281,472	77,519	19,291	378,282

All numbers in €'000

The above table reflects the continued sales of Mediolanum Piu in Italy in 2017 and the increase in Spanish premiums is due to increased sales in the PIAS product.

Premiums written can be Single or Regular Premium Business. Gross premiums written during 2017 and 2016 are represented below:

Gross Premium Written	2017	2016
Single Premium	277,943	255,666
Regular Premium	132,803	122,616
Total	410,746	378,282
<i>All numbers in €'000</i>		

Gross claims during 2017 and 2016 were:

	2017	2016
Claims paid	386,081	367,551
<i>All numbers in €'000</i>		

Of the claims paid in 2017, €265,808k (2016: €263,399k) related to maturities. As previously noted, all Italian Index Linked and Synergy products have now matured.

A.3 Performance from Investment Activities

The Company has appointed as its investment manager Mediolanum Asset Management Limited (MAML), a fellow group company. MAML provides fund management services to the Company and manages the Shareholder and Policyholder assets.

The Company is required to maintain assets to match its policyholder liabilities at all times. The following investments, cash and cash equivalents, other assets and liabilities are held to cover technical provisions for linked liabilities. The Company has no investments in securitisations.

Policyholder Assets	2017	2016
Investments in UCITS	964,042	856,536
Management Fees from Unit Linked Funds	(2,677)	(1,829)
Cash/Assets held to cover linked assets	11,773	2,630
- Bonds	525,495	492,945
- Options	2,629	5,008
- SICAV	87,739	95,003
- Swaps	578	5,451
- Certificates	85,071	143,433
- Forwards	2,962	-
- Certificates	2,829	-
Total	1,680,441	1,599,177
<i>All numbers in €'000</i>		

We also note the Shareholder Assets.

Shareholder Assets	2017	2016
Debt Securities	30,648	44,281
Deposits with credit institutions	79,618	55,719
Linked assets held by Shareholder:		
- Bonds	63	92
- Options	115	92
- Swaps	57	98
- Certificates	713	1,044
Total	111,213	101,326
<i>All numbers in €'000</i>		

In accordance with FRS 102, the investments have been classified as financial assets at fair value through profit and loss.

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

Investment income by asset class for 2017 and the comparison for 2016:

Investment Income by Asset Class 2017	Income	Unrealised Gain/Loss	Net Gain/Loss
Government bonds	3,289	1,873	364
Corporate Bonds	16,896	1,092	481
Collective Investment Undertakings	9,441	47,399	2,859
Structured Notes	6,540	7,753	6,530
Cash and Deposits	8	-	-
Call options	773	432	466
Collateralised Securities	5	-	2
Forwards	-	(1,504)	478
Swaps	-	479	(1,504)
Total	36,952	57,524	9,675
<i>All numbers in €'000</i>			

Investment Income by Asset Class 2016	Income	Unrealised Gain/Loss	Net Gain/Loss
Government bonds	1,474	419	(19)
Corporate Bonds	8,472	6,764	1,121
Collective Investment Undertakings	11,719	24,012	(2,408)
Structured Notes	9,816	4,748	786
Cash and Deposits	32	-	-
Call options	4,086	(2,350)	87
Swaps	-	1,166	300
Total	35,599	34,759	(133)
<i>All numbers in €'000</i>			

The investment performance in 2017 in comparison to 2016 saw the following:

- Income has increased, however the source has changed between the years. This is mainly due to maturity of older products with the new products being mainly invested in Corporate Bonds.
- Increased unrealised gains due to higher market performance at the end of 2017.
- Higher realised gains due to positive market value during 2017 when products matured compared to 2016.

A.4 Performance from Other Activities

Income for the Company includes a fund management fee which is charged to investment linked contracts for contract administration services and investment management services and other services related to the administration of investment linked contracts. Fees are recognised as revenue for the services provided. A unit trust management fee rebate was also received by the Company. Both Unit Trust Fees and Fund Management Fees have increased in comparison to 2016 and which is due to higher AUM during 2017 and management fees which have been received for the 2017 Med Piu products and also a full year of management fees on the 2016 Med Piu products which would have been launched throughout the year. These fees are shown as follows:

Other Technical Income	2017	2016
Fund Management Fee	8,143	6,373
Unit Trust Management Fee Rebate	10,794	9,249
Other income	2,612	2,287
Total	21,550	17,909
<i>All numbers in €'000</i>		

A.5 Any Other Disclosures

There are no other material matters in respect of the business or performance of the Company during 2017.

B. System of Governance

MIL has been authorised for classes I, III and IV of insurance (as per Annex I of S.I. No. 485 of 2015). MIL became a Designated Activity Company in February 2016 and changed its name to Mediolanum International Life dac as required by the Irish Company Act 2014. Prior to this the company was known as Mediolanum International Life Limited.

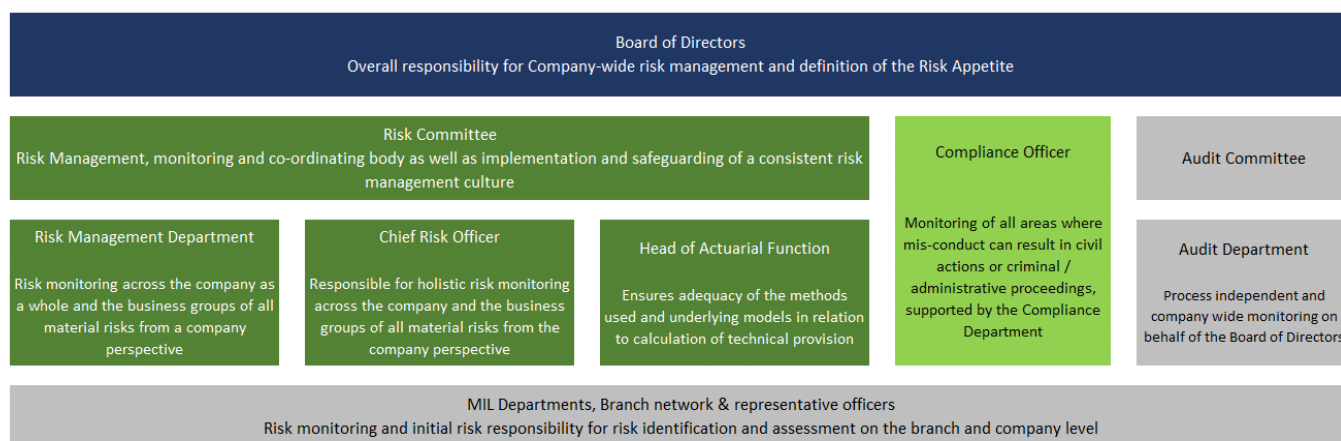
B.1 General Governance Arrangements

This document has been prepared in accordance with the Solvency II Directive, Delegated Regulation, EIOPA guidelines and the CBI’s Domestic Actuarial regime and Related Governance Requirements. In addition to the above regulatory requirements, MIL is also required to comply with a number of Codes, examples of which are:

- The Data Protection Code of Practice for the Insurance Sector (2013);
- The Personal Data Security Breach Code of Practice (2010);
- The Corporate Governance Requirements for Insurance Undertakings (2015);
- The Fitness and Probity Standards (Code issued under Section 50 of the Central Bank Reform Act 2010).

B.1.1 ORGANISATIONAL STRUCTURE

The following chart provides an overview of the central functions and bodies within the overall governance system as well as their major tasks and obligations.



B.1.2 BOARD OF DIRECTORS

The Company is managed and supervised by its Board of Directors (also, the “Board”). The composition and operation of the Board adheres to the requirements of the Corporate Governance Requirements for Insurance Undertakings, 2015. There are five Directors, three of whom are Irish residents. The Board comprises one executive director, two non-executive directors and two Independent Non-Executive Directors (one of whom is the Chairman). The Board of Directors ensures the implementation of a strong control system and the definition and formalisation of suitable policies and procedures. The Board provides the strategic guidelines to be implemented in the running of the life insurance business and it is collectively responsible for their ensuing implementation. The Board as a whole is also responsible for the activities of the business, with individual MIL business owners separately managing the below:

Strategic Decision Making	Compliance Monitoring	Internal Audit Activity Overview	Financial Control
Investment Policy	Solvency & Capital Monitoring	Risk Management	Supervision of Service Providers

The Board retain responsibility for strategic business decisions, and delegate day-to-day responsibility for the other managerial functions to the Company's management (in particular to the General Manager), who monitors the operations of the Company.

The responsibilities of the Non-Executive Directors include offering impartial advice on the following:

- Scrutinising the performance management and consolidating agreed goals and objectives of management
- Ensuring that financial information is accurate and the implemented controls and systems of risk management are robust and defensible
- Playing a central role in appointing and where necessary, removing senior management, along with succession planning
- Representing shareholder interests and to manage and mitigate conflicts of interests and any possible agency-principal problems
- Oversight of remuneration process in place

B.1.3 CHANGES IN THE SYSTEM OF GOVERNANCE

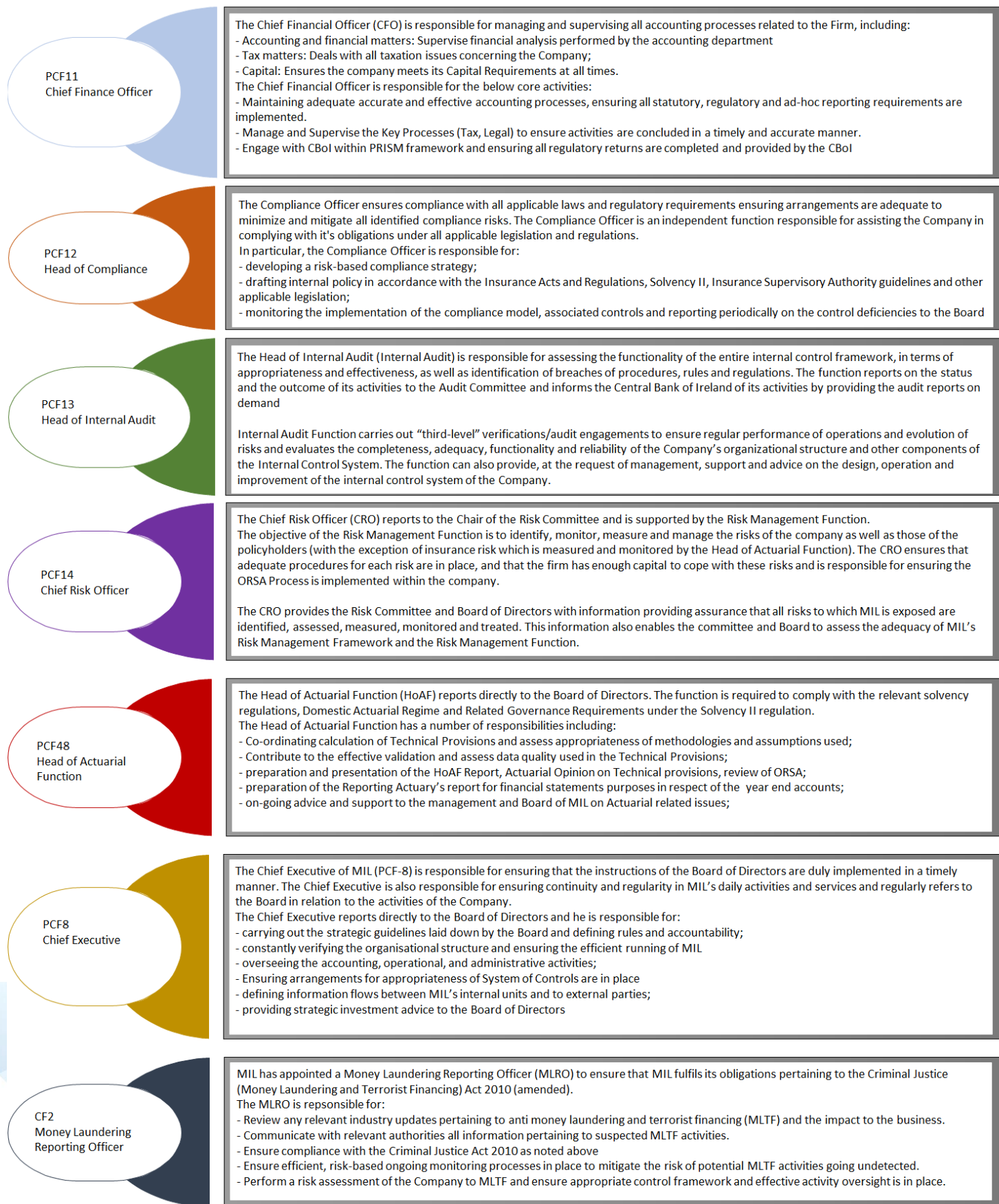
During 2017 there was a change made to the system of governance of MIL.

In February 2017 the MIL Managing Director, Michael Brady, retired and was replaced by Senan O'Connor. Mr O'Connor was appointed as a member of the MIL Board of Directors with effect from 28th March 2017 and takes on PCF 1 and PCF 8 roles, as approved by the Central Bank of Ireland ("CBol").

There were no other changes made during the period to the system of governance.

B.1.4 KEY FUNCTIONS: ROLES & RESPONSIBILITIES

Below we identify the key functions within the company and briefly outline their primary roles and responsibilities.



B.1.5 MIL COMMITTEE'S

The current committee in operation in the Company are as follows:



The Risk Committee and Audit Committee are Board Sub Committees and report directly to the Board. The Product, Operations and Projects Committee are internal Management committees.

B.1.6 REMUNERATION POLICY & ARRANGEMENTS IN PLACE

The MIL Remuneration Policy reflects the Company's objective for good corporate governance and is in line with the Company's business strategy and values. It ensures that the Company is able to attract, develop and retain high-performing and motivated Employees in a competitive and international market. It endeavours to ensure that employees are offered a competitive remuneration package in order to ensure the company meets its long terms business objectives. The policy is consistent with and promotes sound and effective risk management by having a business model which by its nature does not promote excessive risk taking and defines performance goals and objectives for all employees that are aligned with the business.

There are two remuneration components (i) Fixed remuneration is determined on the basis of the position and role of the particular Employee, including responsibility and job complexity, performance and local market conditions, (ii) Variable remuneration is performance based which motivates and rewards employees who strengthen long term

client relations and generates income and shareholder value. It promotes sound risk management and does not encourage excessive risk taking. Other additional benefits include company pension plan, life assurance and permanent health insurance. MIL has a maximum ratio of Variable Remuneration to Fixed Remuneration and this is set out within the Policy.

The Independent Non-Executive Directors approve the Remuneration Policy each year and review versus previous years to ensure it is consistent with and promotes a sound and effective risk management framework and does not encourage excessive risk taking.

B.1.7 GROUP INTERACTION

MIL is part of the Mediolanum Insurance Group and has aligned itself with Mediolanum Group methodologies and processes pertaining to the Solvency II process. Nevertheless, the Solvency II processes at a local legal entity level has full regard to MIL as a stand-alone legal entity and covers all matters relevant to MIL. The company is cognisant to ensure its business model aligns with the Insurance Group and with the expectation of the Group shareholders.

B.1.8 MATERIAL TRANSACTIONS

The Directors approved the declaration of a dividend of €8,400k on the 19th of February 2018 to be paid to its shareholder, Banca Mediolanum S.p.A.

During the year the amount paid to the Directors for services as directors and other emoluments was €290k (2016: €389k).

B.2 Fit and Proper Requirements

MIL incorporates the provisions of the Central Bank Reform Act 2010 Part III in its recruitment process. MIL is also cognisant of the wider EIOPA Fit and Proper requirements (Article 42 of Solvency II Directive) and ensures that these are incorporated into its internal regime.

All proposed appointments which are prescribed PCFs by the Central Bank's Fitness and Probity Standards (the "Standards") require prior approval from the Central Bank of Ireland. There is no requirement for prior approval to be received in relation to those proposed appointments which fall within the definition of Controlled Functions ("CF") prescribed by the Standards however MIL must be satisfied that all such appointments are meeting fitness and probity standards set out by the Central Bank. The Standards require that persons performing CF and PCF roles:

- are competent and capable of performing the role;
- act honestly, ethically and with integrity;
- are financially sound.

MIL has a Fit and Proper Policy which is approved by the Board annually. It incorporates the prescribed appointments process required by the Central Bank of Ireland and identifies who is in scope, how fitness and propriety will be assessed for both new employees and on an ongoing basis and the governance arrangements in relation to individuals being approved as being fit and proper (including MIL's requirements concerning skills, knowledge and expertise applicable to persons who effectively run the business).

In addition to the Directors, the following officers have also been approved by the Central Bank of Ireland and are all subject to the MIL Fit and Proper Policy as at 31 December 2017.

Approved Function
PCF11 - Chief Finance Officer
PCF12 - Head of Compliance
PCF13 - Head of Internal Audit
PCF14 - Chief Risk Officer
PCF48 - Head of Actuarial Function
PCF8 - Chief Executive
CF2 - Money Laundering Reporting Officer

The company has in place a policy which identifies roles that are “Control Function” and ensures that these designated individuals are fully aware of their responsibilities.

B.3 Risk Management System including Own Risk and Solvency Assessment

The EC Directive in Article 45 requires insurers, as part of their risk management system, to perform an own risk and solvency assessment (ORSA). This assessment requires MIL to properly determine its overall solvency needs to cover both short and long-term risks. The risk based approach requires, amongst other things, that MIL holds an amount of funds commensurate with the risks to which it may be exposed and thus the ORSA represents MIL’s opinion and understanding of its risks, overall solvency needs and own funds held.

The intention of MIL’s ORSA is to enhance awareness of the interrelationships between the risks MIL is currently exposed to, or may face in the long term, and the associated capital requirements. As a management tool it is designed to enhance risk awareness in MIL’s culture and decision making processes, forming an integral part of the overall business strategy and to assist MIL to obtain a real and practical understanding of the risks it is assuming. MIL’s ORSA assessment helps to ensure that the company can continuously meet its regulatory capital requirements, as well as the internal capital targets in the face of changes to our risk profile and business plans, as well as the impact of developments in the external environment. The ORSA is prepared giving consideration to the local MIL business requirements however the results also feed into the Group ORSA.

The MIL ORSA process provides a review of the Solvency assessment for the company and the key risks impacting its business model over the short to medium term.

A risk identification exercise is performed to highlight those risks that should be captured within our Risk Appetite Framework.

Our framework uses the Standard Formula Approach. The capital requirement is determined as the 99.5% confidence level adverse change. This analysis is supplemented by a suite of portfolio stress tests which target key risks present within the asset portfolio at any one time. As such, the stress tests performed will vary over time as the composition of the asset portfolio, and hence risk profile of the company, changes. The results of the stress testing analysis form a key input to risk management and investment decisions.

A further important component of the ORSA process is the forward looking risk assessment. Here an analysis is performed which considers risks and extreme scenarios that could render the business model as non-viable. The analysis captures both quantitative and qualitative factors and provides a framework by which the impact of all identified events can be mapped to our business plan and capital requirements.

The ORSA includes consideration of the suitability of the Pillar 1 standard formula capital calculation. At this time Management believe that the standard formula calculation appropriately reflects the capital calculations for MIL.

While an annual ORSA report is produced, the ORSA process is continuous and helps inform our business strategy and capital requirements over time. The Board is involved throughout the ORSA process, and partakes in setting the risk appetite, approving both long term and short term capital planning, and approving the suite of stresses that should be applied to our business model. The Risk appetite statement and Risk Register are subject to annual Board review to assess the on-going appropriateness of the business’ risk profile and whether it is reflected accurately in the ORSA. The ORSA is formally approved by the Board on an annual basis or more frequently if required. On a quarterly basis the Board assesses and reviews the components of the ORSA via the information received from each department involved in the process. The ORSA is used by the Board to inform the decision making process. The Group entity and MIL organisational units are also involved in the ORSA process.

B.3.1 ORSA PROCESS AND RISK MANAGEMENT SYSTEM

The Board of Directors has implemented a risk governance framework that ensures an integrated and aligned approach between the following:

- the areas where it considers the institution to be especially vulnerable;
- the risk appetite of the institution; and
- the risk management system of the institution.

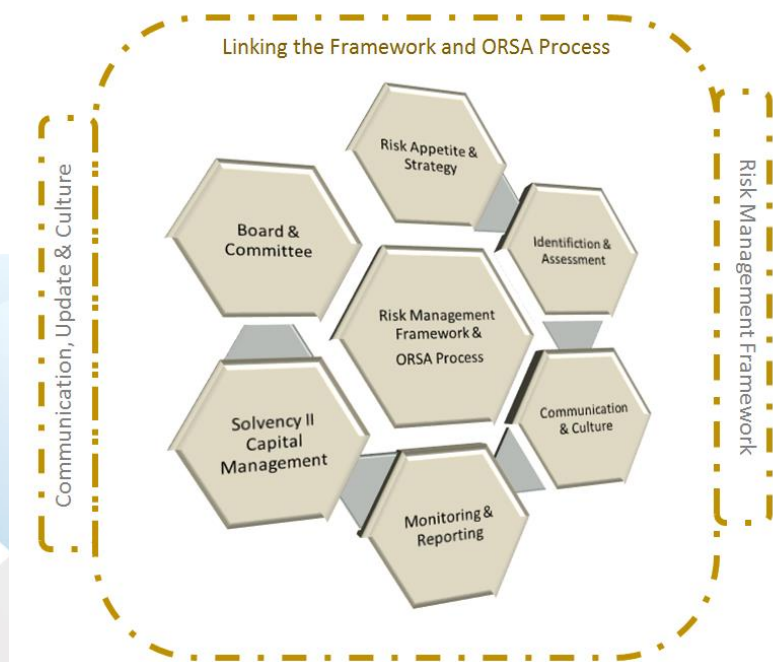
Our Risk Framework, policies and procedures governing the system of limits and thresholds for material risks governing MIL, describe the central elements of our risk management system. The ORSA Process and risk management system are subject to a continual cycle of planning, action, control and improvement. Systematic risk identification, analysis, measurements, steering and monitoring as well as risk reporting are especially crucial to the effectiveness of the system as a whole.

The Risk Management framework describes, amongst other things, the major tasks, roles and responsibilities and the risk control process. The rules implemented additionally take account of the regulatory minimum requirements for risk management as well as international standards and developments relating to appropriate risk management.

The Risk Management Framework is designed to identify, measure, manage, monitor and report significant risks to the achievement of our business objectives. It is inherently linked to the ORSA Process. The core elements of our framework are as follows:

The core elements of our framework are as follows:

- Risk Management Framework & ORSA Process
- Risk Appetite & Strategy
- Risk Identification and Assessment
- Communication and Culture
- Monitoring & Reporting
- Solvency II Capital Management
- Board & Committee Engagement



B.3.2 RISK STRATEGY & OBJECTIVES

The MIL risk appetite framework articulates the risk capital of the business available for deployment in pursuit of its strategic objectives. It defines the type of risk which MIL is willing to take on, and the level of risk that is considered appropriate for each of the main areas of risk that the Company faces.

The Company is only willing to take the minimum level of risk necessary to carry out its business and to be profitable. MIL will not take on risks in areas where the risks are considered to be excessive, or risks where the consequences of failure are deemed to be too severe.

The Risk Strategy which is embedded within the Risk Management Process, is derived from the Company Strategy and Business Plan. MIL seeks to constantly maintain and develop a holistic Risk management system to identify, control and promote awareness of all pre-existing and emerging risks. Analysing risks on a quantitative and qualitative basis enables MIL to ensure that risks are within our prescribed appetite, and these are monitored and controlled accordingly. It is also MIL's objective to preserve the Risk management system in proportion to the size, scale and complexity of the risks faced and to maintain an appropriate risk culture in the company.

B.3.3 RISK APPETITE AND TOLERANCE

The MIL Risk appetite is articulated in the Statement of Risk Appetite which is owned by the Board and reviewed on a regular basis as new risks emerge, or at least annually. MIL operates within the risk management system of the Group entity.

The statement of risk appetite is translated into risk tolerances, which are in turn translated into risk limits that are observed by the business. The risk limits are documented in key policy documentation which are approved by the Board on the recommendation of the Risk Committee. These are maintained on an ongoing basis and reviewed not less than annually.

The methodology for defining the Risk Appetite and Capacity, adopted by MIL, aligns with the Insurance Group methodology. MIL has reviewed this methodology and is satisfied that it is appropriate to the local legal entity and chooses to adopt a local risk-based approach where deemed appropriate. MIL has established a Strategic Solvency Target and incorporated two buffers ("level of confidence") around this to ensure deviations from appetite are effectively monitored and an acceptable tolerance level is in place.

The Risk Capacity is defined as the capital required in order to ensure sufficient coverage of the Solvency Capital Requirement, as defined by the Solvency II standard formula approach.

B.3.4 RISK IDENTIFICATION, ANALYSIS & ASSESSMENT

MIL assesses its underlying risk profile, its comfort with the risks taken and whether these are within the risk appetite on an on-going basis. A Risk Mapping assessment is conducted to determine the risks applicable to the Company and ensure there is sufficient understanding and appropriate mitigation of same across the business. These are then mapped to the MIL Risk Register.

Key risks and mitigating actions and controls in place to manage the identified risks are detailed in the risk register, which is maintained by the Risk Department and is subject to annual review at a minimum. Risk identification is important for ensuring that our risk management consistently remains up to date.

In principle, every risk that is identified and considered material is quantitatively assessed. Only risk types for which quantitative risk measurement is currently not possible or difficult are qualitatively assessed (for instance Business Model or Reputational Risk). Qualitative assessment takes the form of inter alia expert evaluations. Quantitative assessment of material risks and the overall risk position is performed by the Group Risk Management function on behalf of MIL as per the service level agreement in place. These risks are the escalation mechanism for the trigger of the ORSA – they are also used in the process to determine if additional capital is required as contingency for an event.

B.3.5 THE ORSA PROCESS

The Board is highly involved in steering the ORSA Process, challenging where appropriate and ensuring sufficient understanding, communication and action (where appropriate) of the risks under consideration. The ORSA Process is engrained within the company decision making process and this is evident within the Risk Management System.

The Board engages throughout the ORSA Process, the core activities including:

1. Performing an initial assessment which encompasses:
 - Review of Business Objectives and Business Plan
 - Identification of risks to meeting the Business Objectives and Plan
 - Review of Risk Profile against the Risk Appetite
 - Consideration of appropriate scenario/stress tests to be applied to each risk area and whether the tests applied by the Solvency II standard model agree with MIL's risk profile
 - Apply more appropriate scenario/stress tests where appropriate / required
2. Consider the results of the ORSA conducted (based on the initial assessment) to determine if the Board is satisfied with the outcome or if additional analysis is required
3. Determine if the required regulatory capital is sufficient to ensure MIL has capital to mitigate its risks as identified in the ORSA process, or if additional capital review should be applied to ensure risk mitigation.
4. Determine whether the Business Plan is sufficient based on the results of the ORSA or if it should be amended
5. Approve the ORSA and Business Plan

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

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

B.3.6 RISK COMMUNICATION AND CULTURE

MIL is very cognisant of the role played by culture in influencing behaviours within a business and the attitude of various business units to risk drivers and an appropriate management of these. The key starting point for MIL is having a high calibre Board in situ who are intimately au fait with the business model and operating environment of MIL and associated challenges. This is evidenced by the calibre of individuals sitting on the Board and both the experience and breadth of experience they bring to the process. Key factors considered by the Board in defining the business strategy for the company include:

- Ensuring alignment of the tone at the top with tone at the middle
- Ensuring ownership and accountability are adopted as priority behaviours for all staff
- Ensuring the forums exist to promote effective challenge and communication at all levels of the business

Risk communication within the business takes the form, for example, of internal and external risk reports, information on risk activities via the intranet and training opportunities for staff. The regular sharing of information between risk-steering and risk-monitoring units is also fundamental to the proper functioning of risk management.

B.3.7 RISK MONITORING & REPORTING

The monitoring of all identified material risks is a core task of the Risk Management function. This includes, inter alia, monitoring execution of the risk framework as well as adherence to the defined limits and thresholds and to risk-related methods and processes. A further major task of risk monitoring is the ascertainment of whether risk steering measures were conducted and whether the planned effect of the measures is sufficient.

The results of the risk management monitoring exercise are captured within reporting packs that are provided to the business, including senior management. This pack also forms a recurring agenda item at the Risk Committee. The board receives a Management Information pack on a monthly basis, which includes a risk section, extracts from the above monitoring exercises and comments on key trends over the period. Selected themes are also discussed at the Risk committee with the minutes forming part of the Board discussion.

Our risk reporting provides systematic and timely information about all material risks and their potential implications. The central risk reporting system consists primarily of regular risk reports, for example on the overall risk situation, adherence to the parameters defined in the risk appetite or on the capacity utilisation of natural catastrophe scenarios. Complementary to the regular risk reporting, immediate internal reporting on material risks that emerge on short notice takes place as necessary.

B.3.8 RISK MITIGATION

On a product-level, product design and underwriting processes help to identify and mitigate the behavioural risks and any possible anti-selection that may be exercised at the expense of MIL. Reinsurance transfers mortality and longevity risk to a reinsurance company which stabilises MIL's capital position.

MIL ensures that currently implemented risk mitigation activities and processes remain suitable by monitoring their continued effectiveness via a structured control framework.

The primary elements of the MIL risk mitigation techniques are identified further in the Risk Profile section.

B.3.9 SOLVENCY CAPITAL MANAGEMENT

The above Own Risk and Solvency Assessment helps to determine the Solvency requirements given the company risk profile and any consideration of risks identified during the process. The Risk Management Process activities also take account of the Capital management activities of MIL and are conscious also of dividend requirements. Consideration of capital and dividends are formally reviewed within the Capital Management and Dividend policy.

In the interests of our shareholders and clients we strive to ensure that our risks remain commensurate with our capital resources. Our quantitative and qualitative risk management provides a uniform framework for the evaluation and steering of all risks affecting the company. The central component in risk management is the economic capital which is calculated according to market-consistent measurement principles under Solvency II using the standard

formula. MIL's economic capital reflects all risks that influence the development of the economic capital. They are split into underwriting risk, market risks, counterparty default and operational risks.

The Capital Management and Dividend policy sets out the principles used to direct and control capital management within MIL. The policy aligns with the Risk Appetite Statement, Capital and Business Plan, ORSA Process and related risk policies. The Company's key capital management objectives are to:

- Ensure that all capital management actions are consistent with MIL's Risk Appetite.
- Ensure the timely identification of any non-adherence to the policy.
- Ensure at all times that MIL's own funds are correctly classified and remain within established guidelines and limits as laid down by the CBI/Solvency II.
- Ensure that the issuance of own funds is in accordance with the medium-term capital management plan
- Ensure that the terms and conditions of any own funds item are clear and unambiguous.
- Ensure that any statement in respect of dividends takes the Company's capital position into account.
- Identify instances when distributions of own funds are expected to be deferred or cancelled.
- Preserve capital and where prudent contribute to the growth of surplus for the benefit of the shareholder.

The Company seeks to maintain a capital buffer in excess of its SCR to cover contingencies. It is intended that this buffer will enable the Company to withstand significant equity shocks and reduction in sales volumes without the need to raise further capital in the medium term. The intended size of the capital buffer is specified by the Risk Committee and approved by the board, with details of the approved Capital Buffer outlined in the Risk Appetite Statement.

B.3.10 RISK COMMITTEE

As outlined above within the Organisational structure, the Risk Committee is responsible for the operational risk management, monitoring and co-ordinating risk management as well as implementation and safeguarding of a consistent risk management culture.



The Chief Risk Officer reports to the Board of Directors via the Risk Committee, and the Head of Actuarial function report directly to the Board of Directors. The Risk Management Department is responsible for supporting the Chief Risk Officer in the capacity to monitor risk across the company.

The Risk Committee is responsible for:

- Recommending MIL's overall risk appetite and tolerance to the Board for approval;
- Reviewing MIL's risk framework and approving risk policies, standards and limits within the overall appetite and tolerance approved by the Board;
- Reviewing the MIL processes for determining risk appetite tolerance, monitoring compliance with approved risk tolerance levels and policies and the resultant action in respect of policy breaches.
- Reviewing the material risk exposures, including insurance, market, credit, operational, liquidity, reputational and economic and regulatory capital risks against the risk methodologies and management's actions to monitor and control such exposures;
- Reviewing the stress testing and monitoring management's response to the results;

- Receiving notification of material breaches of risk limits and approving the proposed remedial actions;
- Reviewing and approving any new transaction to be executed which meets the criteria established by the Board and applicable policies;
- Advising the Board on the risk inherent in strategic transactions and business plans and the impact on the Group's risk appetite and tolerance

B.4 Internal Control System

The Board of Directors is responsible for ensuring a sufficient control system is in force by establishing, implementing and maintaining adequate internal control mechanisms designed to secure compliance with decisions, policies and procedures at all levels.

In order to be compliant with the provisions of all applicable laws, MIL maintains a permanent and effective control system to ensure the regularity of its services and activities, which provides for an effective internal reporting and communication of information at all relevant levels of the Company.

Responsibilities are based on a three-layered approach as detailed below:

- **1st Line of Responsibility:** The first level is the risk management level, which is the responsibility of the business unit managers. These are the people with the responsibility for making the primary decisions in relation to risk. They are the people deciding which products to sell, what controls to put in place and they have the initial responsibility for managing risk. They are responsible for reporting any instances of non-compliance with policies and processes to the Compliance Function. They should provide the risk management, internal audit, compliance and actuarial functions with all of the facts relevant for the performance of their duties.
- **2nd Line of Responsibility:** This is covered by internal MIL staff responsible for ensuring that the risk management processes/activities are carried out in compliance with the risk management framework. The risk management function is responsible for providing risk oversight and risk management assistance to the first line. The Compliance Function is responsible for monitoring breaches of the underlying policies and processes.
- **3rd Line of Responsibility:** This is covered by MIL Internal Audit function responsible for providing independent assurance that the risk management controls are being adhered to and that these controls are adequate, appropriate and fit for purpose. This line of responsibility will also provide assurance regarding compliance of this risk management system with all relevant regulatory frameworks. The Internal Audit Function will report its findings to the Audit Committee who will bring key findings to the attention of the Board.

The Compliance function, the Risk Management function, and the Internal Audit function, are collectively known as the control functions. There are formal channels for these to communicate with each other, and reports to be made to their corresponding functions within the company. Proper information flows are in place in order to keep the Board of Directors informed of the outcome of the activities of the control system.

B.4.1 COMPLIANCE FUNCTION

Primary responsibility for the overall Compliance Program resides with the Head of Compliance, supported by the Compliance Department. The Compliance Department is an independent function from the operational units, in charge of assisting all members of the Company in complying with the relevant obligations under all applicable legislation and regulations. The Compliance Department is responsible for ensuring that arrangements are adequate to minimize and mitigate all identified compliance risks.

The Compliance Department interacts with regulatory bodies and authorities, monitoring trends and changes in regulations and sharing information and collaborating with regulators to manage reputational and compliance risks. It also engages in a variety of activities and processes to identify, assess, control, measure, mitigate, monitor and report compliance risks across the Company as a part of its oversight and administration of the Compliance Plan. The approach used by the Compliance department in drafting the Compliance Plan is “risk-based”, i.e. based on the overall evaluation of compliance risks linked to the objectives of the business and changes in the law and regulations. The Compliance Plan is drawn up annually and submitted to the Board of Directors of MIL for their approval and to the Group’s Compliance Department for noting.

The MIL Compliance Manual sets out an extensive description of Compliance activities such as Regulatory Alerts, Advice, Planning, Identification and Measurement, Monitoring and Testing, Reporting, Complaints Handling etc. The Compliance Department is empowered with full responsibility and authority to develop and enforce the policies and procedures contained in the Compliance Manual and will be in a position of sufficient authority to compel others to adhere to such policies and procedures.

The following is a description of some of the key MIL Compliance Policies:

Document Name	Document Description
AML and CTF Policy	Anti-Money Laundering and Counter-Terrorist Financing Policy sets out how MIL complies with the Criminal Justice (Money Laundering and Terrorist Offences) Act 2010.
Compliance Manual	Compliance Manual sets out the compliance policies, principles, and procedures which have been implemented by MIL. This document is specific to MIL and is maintained by the Compliance Department.
Conflicts of Interest Policy	Conflicts of Interest Policy sets out the arrangements which MIL has put in place to ensure that the potential for conflicts of interest are suitability and appropriately managed. This document is specific to MIL and is maintained by the Compliance Department.
Due Diligence Policy	The policy outlines the due diligence that must be performed in the selection and ongoing management of all service providers including those defined as outsourcers.
Data Protection Policy	This policy outlines the principles, rules and obligations of the Company to comply with data protection requirements
Personal Account Dealing Policy	Personal Account Dealing Policy sets out the restrictions in relation to personal account trading which are imposed on staff.

There have been no significant changes to the policies during the period under review. These have been updated to reflect new business plans, regulatory updates etc however no significant structural changes have taken place.

The Compliance Officer also supervises activities so as to monitor and control the risks connected with the Company’s investment activities. The Compliance Officer refers to a Group model in carrying out its activities and cooperates with the Group’s department of Risk and Compliance.

B.5 Internal Audit Function

A permanent Internal Audit function has been established within the company, which operates in accordance with relevant frameworks and is independent from the operational functions. The Internal Audit function constitutes an integral element of the Company’s control framework but does not hold any executive responsibilities or any accountability for risk management or systems of internal control, other than to appraise their effectiveness.

As an independent, objective assurance and consulting activity the Internal Audit function provides analysis and evaluation of the adequacy, effectiveness, efficiency and quality of risk management, internal control and governance systems and processes within the organisation. The ultimate goal of the Internal Audit function is to provide independent assurance to the Audit Committee that:

- Risk management processes at all levels, which have been implemented by Management, are operating as intended;
- The risk management processes are of sound design;
- The responses, which management have made to risks, in particular risk treatments, are both adequate and effective in reducing those risks to an acceptable level, according to defined risk appetite;
- A sound framework of controls is in place to sufficiently mitigate those risks faced by the organisation.

Internal Audit findings and recommendations are communicated to the management body, who must respond to those findings and recommendations. The Audit Committee considers internal audit plans, reporting, resourcing and performance. Any matters of concern that cannot be resolved through normal channels are escalated to the Board. The purpose, scope, authority and responsibilities of the Internal Audit function are set out in full within the Internal Audit framework, which has been approved by the Audit Committee and which is reviewed and updated on an annual basis, or more frequently, if required.

In order to ensure adequate independence, the Internal Audit function reports directly to the Audit Committee on a quarterly basis, or more frequently if required. The effectiveness of the Internal Audit Department as an assurance service provider depends upon its independence from the day-to-day operations of the business, allowing the objective assessment of evidence to provide an independent opinion or conclusions regarding a process, system or other subject matter. As such, the Internal Audit staff are not involved in any activity which the function itself is expected to audit and the criteria for their remuneration are such as not to compromise their objectivity but to help create a system of incentives that is consistent with the purposes of their function.

B.6 Actuarial Function

The Actuarial Function is outsourced to Milliman via an engagement letter and the pre-approved Control function PCF48 position of “the Head of Actuarial Function (HOAF)” is held by a senior actuary within Milliman. The HOAF reports directly to the Board of Directors. The majority of the work carried out by the HoAF is required in order for the Company to comply with the relevant solvency regulations and the Domestic Actuarial Regime and Related Governance Requirements under the Solvency II regulation issued by the Central Bank of Ireland and to comply with the obligations set out in the guidance notes issued by the Society of Actuaries in Ireland.

The actuarial function is required to:

- Co-ordinate the calculation of technical provisions;
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- Compare best estimates against experience;

- Inform the Board of the reliability and adequacy of the calculation of technical provisions;
- Oversee the calculation of technical provisions in cases where there is insufficient data quality;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of reinsurance arrangements; and
- Contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements and to the Own Risk and Solvency Assessment.

The calculation of the Technical Provision is outsourced to Mediolanum Vita, a Group Company.

B.7 Outsourcing

Due to its current size, and the nature and complexity of its business activities, MIL may enter into service agreements with third parties, where appropriate, in order to assist the Company to achieve its business objectives by delivering a consistent and quality service to its policyholders. MIL Due Diligence Policy for Outsourcing describes the arrangements which MIL has in place to ensure that the potential risks arising from the delegation of activities or functions to third party service providers are suitably and appropriately managed in accordance with its legislative and regulatory requirements. In doing so, it describes MIL's process for the selection, monitoring and assessment of service providers - from inception to termination of the relationship - following a risk-based approach.

MIL incorporates the legislative and regulatory definition and indicia of "outsourcing" in Solvency II in its process for appropriately categorising the nature of its service providers, taking into account its business model. MIL identifies its service providers that perform activities or functions which are key or critical to ensure continuity in MIL's delivery of agreed services to policyholders.

The company maintains a matrix classifying all of its service level agreements, highlighting in particular those considered outsourcing arrangements, and service agreements in respect of key or critical functions or activities. Where outsourced arrangements are in place in respect of critical or important functions or activities, MIL ensures that the terms of a written outsourcing agreement are consistent with its obligations under Solvency II and implementing measures. Such a written agreement must also ensure that, irrespective of whether or not a service provider is located in the EU, MIL's supervisory authorities will be able to assess how it complies with its obligations. With regard to jurisdiction of services providers and/or outsourcers, all MIL outsourcing / service level provisions are EU based.

MIL performs a detailed pre-appointment examination of the potential service provider's ability and capacity (including any authorisation required by law where applicable) to perform the required activities in a satisfactory manner, taking into account MIL's objectives and needs. Such an approach helps to identify and manage any actual or potential conflicts of interest. In conjunction with ensuring "fitness and probity" of the relevant key persons. The outsourcing process is assessed further by additional qualitative, quantitative and reputational checks.

The primary core/critical services that MIL outsources or has signed letters of engagement with are:

- Distribution Agreements with Local Distributors
- Shared services agreement for foreign branch network
- Policy Administration Services
- Actuarial Services
- Investment Accounting and Corporate Accounting Agreement
- Support with Solvency II calculations for the Technical provision, ORSA and SCR calculations
- Investment Management / Cash Management Services
- Custodial Services

Outsourced Provider	Services Provided	Jurisdiction	Connected Group Entity
Banca Mediolanum	Distribution Agreements with Local Distributors	Italy (EU)	Yes
Banco Mediolanum		Spain (EU)	
Bankhaus August Lenz		Germany (EU)	
Banca Mediolanum	Shared services agreement for Foreign Branch network	Italy (EU)	Yes
Banco Mediolanum		Spain (EU)	
Bankhaus August Lenz		Germany (EU)	
Accenture PLC	Policy Administration Services	Ireland (EU)	No
Milliman	Actuarial Services	Ireland (EU)	
Accenture Insurance Services	Investment Accounting and Corporate Accounting Agreement	Ireland (EU)	
Mediolanum Vita	Support with Solvency II Calculations for the Technical provision, ORSA and SCR Calculations	Italy (EU)	Yes
Mediolanum Asset Management Ltd (MAML)	Investment Management / Cash Management Services	Ireland (EU)	
State Street Custodial Services Ltd	Custodial Services	Ireland (EU)	No
Banca Mediolanum	Anti-Money Laundering	Italy (EU)	Yes
		Spain (EU)	
		Germany (EU)	

B.8 Assessment of Governance

Reviews of the corporate governance and effectiveness of the boards and committees of MIL are carried out on a regular basis, taking into account the requirements of the Corporate Governance Code and Solvency II requirements.

Internal audits, external audits and PRISM engagement from the Central Bank of Ireland provide independent evaluation of the company’s system of governance. Recommendations from these are considered by the Board of Directors and implemented proportionate to the business risks. The company also considers relevant Group guidance and implements Group policies and processes locally where applicable on a risk-based approach and ensures continued compliance to the Insurance Group methodology.

The results of the ORSA conducted during 2017 show that the Company has sufficient capital to meet its Solvency II capital obligations in the event of a variety of reasonably foreseeable scenarios. The Board of Directors has reviewed and provided challenge and feedback on the ORSA Process. There are also various internal compliance reviews, audits of the ORSA process and reviews of the IT cycle (including data governance) to ensure its effectiveness.

All the above measures contribute to ensure that the company systems and processes remain updated, adequate and continue to comply with emerging practices. As such, the company is satisfied with the Assessment of the adequacy of the system of governance to the nature, scale and complexity of the risks inherent in the business.

C. Risk Profile

C.1 Risks Covered

The MIL risk appetite framework articulates the risk capital of the business available for deployment in pursuit of its strategic objectives. It defines the type of risk which MIL is willing to take on, and the level of risk that is considered appropriate for each of the main areas of risk that the Company faces.

The Company is only willing to take the minimum level of risk necessary to carry out its business and to be profitable. MIL will not take on risks in areas where the risks are considered to be excessive, or risks where the consequences of failure are deemed to be too severe. As such, the risk appetite statement (as well as being approved by the Board at a minimum of annually) is subject to update for each instance of a material change of the company risk profile. Any deviations from the risk profile will be communicated to the Risk Committee for consideration and subsequently notified to the Board of Directors.

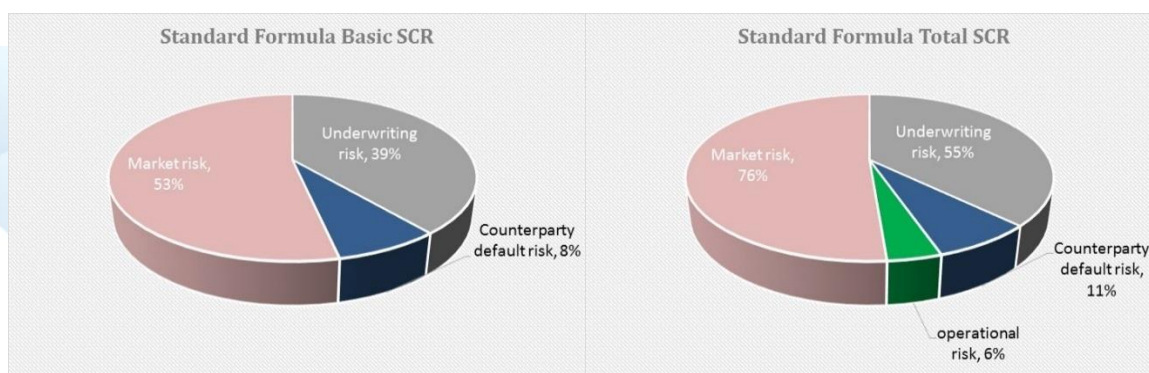
The MIL business model is supported by a robust risk management framework that ensures that risk are well managed and understood. This is facilitated through both a quantification and qualification of all risks and a culture that promotes the importance of the Risk Management Process. Determining the prevailing landscape within the company allows the Board and Risk Committee to assess MIL’s appetite for each emerging risk and to ensure that all are managed consistently within the Risk Appetite.

The parameters and decisions of the Board with respect to the risk appetite of MIL, which are based on the calculations of risk-bearing capacity, are fundamental to the acceptance of risks. Through our business operations we are able to effectively allocate our capital in light of opportunity and risk considerations. Crucial importance attaches to our risk management in order to ensure that, among other things, the primary risks remain calculable and even potential exceptional major losses do not have an unduly adverse impact on the result.

The Risk Framework and major guidelines and policies derived from it are reviewed at least once per year. In this way the company can ensure that we keep our risk management system up-to-date. The company does not utilise special purpose vehicles in conducting its business. Neither does MIL utilise over-the-counter derivative transactions to manage risk across the portfolio. Any exposure to derivatives are via investments within the policyholder portfolio.

The below provides an overview of the material risk exposures the company anticipated over the 5 year business plan as a result of the ORSA conducted during 2017 and a description of how these risks will be managed.

The resulting metrics for both the basic and Standard Solvency Capital Requirement risk profiles¹ for MIL as at 31st Dec 2017 are:



¹ The more complete “Standard SCR” includes both a separate operational risk capital requirement and deferred tax metric which are calculated outside of the Basic SCR

The standard formula SCR risk profile is dominated by both market and underwriting risk. More specifically the material risks within these - Lapse and Equity risk, have been identified as the dominant components of the SCR.

The below provides an overview of the material risk exposures the company anticipated over the 5 year business plan as a result of the ORSA conducted during 2017 and a description of how these risks will be managed.

C.2 Insurance Risk

The Company's business is focused on Class III products with the aim of providing investment solutions of different risk profiles and time horizons to clients. Insurance risk is defined as current or prospective risk to earnings and capital arising from adverse developments in policyholder movements and expenses.

The main insurance risks which the Company is willing to accept, although with the objective of maintaining the risk exposure to within in the Risk Appetite Statement, are mortality and lapse risks which have been identified as part of the Company's Risk Classification Process. These risks are monitored primarily by the Head of Actuarial Function, who is the owner of insurance risk. The insurance risks are taken into account when calculating the technical provisions of the Company which is outlined in the Company's Underwriting and Reserving Policy. This policy ensures amongst other things, that the company underwriting activities are consistent with the Risk Appetite, the risks arising from the insurance obligations are identified and that there is adequate premium income to cover expected claims and expenses.

The Underwriting Risk component of the Solvency Capital Requirement (SCR) accounted for 55% of the Total SCR as at 31st Dec 2017.

Insurance risks are mitigated through strict underwriting criteria, product design and the use of reinsurance in some instances. Assumptions utilised in the projections are determined using historical experience, or best practice where historical experience is not available.

The nature of the business written by MIL ensures that there is moderate mortality exposure given the relatively low death benefits provided. As most of the mortality risk is not reinsured the Company could be exposed to an increase in mortality rates for example due to a pandemic type event. The scale of the mortality risk at any point in time is linked to the timing of sales and market performance, as the death benefit typically increases when the fund value is less than the premiums invested.

Lapse Risk has been identified as the key risk for the company. An increase in lapses would reduce the Company's future income and this loss would be recognised immediately on the Solvency II balance sheet. There is also the risk that increases in lapses result in expenses being spread over fewer policies which could lead to the remaining policies not being able to bear the level of expense being levied on them. On the other hand low lapse rates, for products that don't produce ongoing margins, could mean that the Company incurs expenses and mortality risks for a longer time period than was assumed in pricing with lower levels of surrender penalties being received.

Monitoring and controlling of underwriting risks is conducted via various methods including:

- Maintenance of a company Risk Register which is assessed on a regular basis and monitored via the risk framework process
- Lapse monitoring is conducted on a regular basis. Surrender penalties on some products are a key control of Lapse risk

- Product design and pricing aims to minimise adverse selection and use appropriate factors to differentiate between different levels of risk
- Lapse Risk is mitigated via the product design, including surrender penalties and policyholder bonuses
- Regular reporting highlights performance of key underwriting metrics
- ORSA process includes stress and scenario testing which is used to assess the risks under stressed conditions
- Experience investigations conducted and included in the ORSA process
- Mortality risk is mitigated through design and reinsurance
- Using reinsurance to reduce exposure to mortality for certain products
- Dashboards produced and provided to Senior Management / Board of Directors containing relevant metrics utilised in forming controls and mitigations for insurance risks
- Paid Up monitoring is conducted and included in the ORSA process

Assumptions and appropriateness of key factors which impact the Technical Provisions are monitored, including:

- Surrender rates and their change
- Expenses and expense inflation
- Paid up rate: the proportion of premium paying policies that convert to "paid up" status
- Contract boundaries and their appropriate setting
- Mortality rates and assumptions based on these
- Interest rates used and any other adjustments (for example volatility adjustment or matching adjustment)

In addition to the above, the underwriting policy considers

- The sufficiency of the premiums to be earned to cover future claims and expenses,
- Consideration of the underlying risks (including underwriting risks)
- Impact of options and guarantees included in insurance and reinsurance contracts on the sufficiency of premiums
- Effect of inflation, legal risk, change in the composition of the undertaking's portfolio, and of systems which adjust the premiums policy-holders pay upwards or downwards depending on their claims history (bonus-malus systems) or similar systems, implemented in specific homogeneous risk groups
- progressive tendency of a portfolio of insurance contracts to attract or retain insured persons with a higher risk profile

C.3 Market Risk

Faced with a challenging capital market climate, particularly high importance attaches to preserving the value of assets under management and the stability of the return. MIL's portfolio is therefore guided by the principles of a balanced risk/return profile and diversification. Market risks include equity risk, interest rate risk and currency risk. Equity risk has been identified as a primary risk for the company.

The Market Risk component of the Solvency Capital Requirement (SCR) accounted for 76% of the Total SCR as at 31st Dec 2017 with the Equity Risk (excluding diversification effects) module accounting for 51%.

MIL is exposed to Equity Risk via the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities. The exposure comes primarily from index linked and the unit-linked invested in funds' assets held within the policyholder portfolio. The company has no direct equity exposure in the shareholder portfolio. The inherent risk is that the revenue stream is sensitive to the performance of the Assets under Management, and there is also exposure to the Unit Linked via traditional equity securities. The present value of future funds component of the Total Own Funds is highly sensitive to Equity Risk. A decline in equity markets would increase the cost of death benefit and reduce the fees that are Asset under Management based.

For unit-linked products, a decrease in equity prices will result in a fall in the fund management charges received by the Company. A 10% fall in equities (including hedge funds under this heading) would result in an 8% fall in the value of the unit-linked funds and would have resulted in a reduction to income of approximately €1.2m during 2017.

The Company's exposure to changes in interest rates is primarily related to changes in the value of the shareholder's investments. Fixed Income securities are the asset class most affected by this risk factor. The majority of the portfolio includes government bonds denominated in Euro with very short maturity (less than six months residual maturity). There are also some secondary effects – a movement in interest rates will result in a movement in the fund value of the insurance policies and this has an impact upon both the cash reserves and the fund management charges received by the Company.

The company is exposed to currency risk via the sensitivity of the value of assets, liabilities and financial instruments to changes in the level in, or volatility of currency exchange rates. The vast majority of unit linked investments are invested in funds whose underlying assets denominated in Euro. For a portion of the policyholder portfolio, non-Euro denominated currency exposure exists. This is primarily to GBP and USD. As such a depreciation of foreign currencies relative to the Euro will lead to a reduction in the value of these assets held. There is also minor exposure in the Shareholder portfolio where a residual amount of assets may be held for short periods of time for the purpose of structuring new products or dealing with redemptions from the Policyholder portfolio.

Monitoring and controlling of market risks is conducted via various methods including:

- Regular monitoring of market risk, which, together with the results of regular profitability analyses, could trigger consideration of changes to product design or pricing.
- Maintenance of a company Risk Register which is assessed on a regular basis and monitored via the risk framework process
- The ORSA includes stress and scenario testing which is used to assess market risks under stressed conditions.
- Monitoring of the FX exposure of the underlying funds is conducted by the Asset Manager
- For interest rate, treasury assets are restricted to a mix of high quality short duration fixed income securities, and structured products generally have a maximum duration of less than 5 years and are designed to be held to maturity
- Currency, interest rate and credit risk in treasury assets are controlled via the Credit Risk policy which dictates the investible universe of permitted instruments

C.4 Credit, Counterparty Default & Concentration Risk

Exposure to credit risk whereby there is a risk that a borrower will default on any type of debt by failing to make required payments is inherent in the MIL portfolio. In addition, risk concentrations ("Concentration Risk") arise whereby there is additional risk exposure stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issues. The counterparty default risk consists primarily of the risk of complete or partial failure of the counterparty and the associated default on payment through deteriorating credit worthiness. The policyholder is primarily exposed to these risks.

MIL is primarily exposed to concentration risk via particular geographical and counterparty concentration within the policyholder portfolio. This can also give rise to network credit risk amongst groups where high concentration exists

The Counterparty Default Risk component of the Solvency Capital Requirement (SCR) accounted for 11% of the Total SCR as at 31st Dec 2017, whilst spread risk (as contained within the Market Risk module) was c4% of the Total SCR.

The company monitors the credit concentration, has limits in place to ensure sufficient coverage of concentration and credit risk, and has monitoring processes in place to ensure any concerns are highlighted. These are all contained within the Policies and Procedures underlying the monitoring of Credit and Concentration risk.

The following breakdown tables show the credit exposure from holdings of debt securities and derivative financial instruments by credit rating of the relevant counterparty.

Credit Rating	Policyholder	Shareholder
Moody's **	Total Assets € *	
Aa2	179	0
Aa3	394	0
A1	3,081	0
A2	1,435	0
A3	6,846	68
Baa1	29,214	198
Baa2	60,454	30,704
Baa3	58,925	68
Ba1	107,453	294

Credit Rating	Policyholder	Shareholder
Moody's **	Total Assets € *	
Ba2	83,018	167
Ba3	39,376	0
B1	51,287	0
B2	60,794	0
B3	57,282	0
Caal	5,792	0
Caa2	5,141	0
NR	48,893	97
Total	619,565	31,595

* Information does not include assets held within investment funds and are denominated in '000s.

** Long term credit rating is the official one provided by Moody's as at the end of the year. Where a Moody's rating was unavailable, the relevant rating of Standard and Poor's was used and converted to the Moody's scale.

Cases of default within the policyholder investments would lead to increases in the Sum at Risk for products constructed with fixed income or derivative securities.

Collateral Management:

The default risk mentioned above is mitigated for the derivative portfolio through the implementation of a credit support annex which results in the company receiving collateral when there is an exposure in favour of the policyholder. Index linked products contain exposure to derivative securities that gain exposure to underlying broad equity indices. Within these derivative structures the maximum loss is limited to the purchase price of the instrument. To ensure credit risk mitigation techniques per the usage of derivative instruments, the company collateralises these instruments and conclude contracts only with counterparties of reliable stature. These contracts are valued on a daily basis with weekly collateralisation. At 31st Dec 2017 the value of collateral held by MIL was circa €3,200k which was composed primarily of Euro-denominated cash (€2,850k) and an EU Government Bond (€400k). This collateral is not sold or re-pledged by MIL and is governed by the Collateral Support Annexes (CSA) in place with the relevant counterparties. These CSA's contain further information on the terms and conditions associated with the collateral arrangements in place.

Monitoring and controlling of credit risks are conducted via various methods including:

- Credit ratings are an instrument used in the assessment of credit risks. The company utilises external rating agencies to provide relative information and where a rating does not exist for shareholder funds, then an internal credit assessment is conducted on the entity which is reviewed circa every 2 years and provided to the Board of Directors
- To mitigate the risk of reinsurer counterparty default, credit ratings of reinsurance counterparties are reviewed on a regular basis. No derivatives are employed to manage company credit risk.
- An analysis of Credit Concentration analysis is conducted on certain products and this information is provided to the Distributors to ensure they are informed on the credit risk associated with the relevant portfolios
- Company credit risk is monitored on a regular basis via risk dashboards which are provided to the Board of Directors and internal Committees for review
- A Credit Risk Policy is in place to ensure the company credit risk is maintained within its risk appetite

C.5 Conduct Risk

MIL views any activities or processes that the firm might engage in which would jeopardise consumer protection, market integrity or competition as elements of conduct risk. Owing to the nature of MIL's business model and the fact that MIL presently has in excess of 80,000 policyholders, conduct risk is an issue which is ever present. MIL's core markets are Italy, Spain and Germany where it operates under Freedom of Establishment rules. Distribution agreements are in place in each of the key markets to facilitate the sale and intermediation of MIL's product suite. Compliance with these is managed via the company's process for monitoring critical outsourced providers.

MIL does not have an appetite for conduct risk however is cognisant that because this is not a risk which can be mitigated entirely, the approach taken regarding effective management of this risk is via the establishment of sound and adequate systems of governance and internal control.

Nearly all of the assets on MIL's Balance Sheet are held in respect of unit-linked contracts under which the Investment decisions are undertaken by the policyholders. MIL has implemented a Product Oversight and Governance Process to ensure effective management and mitigation of conduct risk. Naturally, this is an aspect of the business which requires a programme of continuous enhancement to ensure that the business continues to remain aware of emerging developments and best practice.

C.6 Liquidity Risk

The company is impacted by liquidity risk whereby MIL is unable to redeem investments and other assets in order to settle financial obligations when they fall due. For Policyholder Assets, this risk is relevant in relation to the company's ability to sell assets at no significant discount. For MIL, there is no mismatch between the assets and liabilities as the Policyholder assets match the financial obligation to the clients (excluding any related death benefit). The company monitors the liquidity of the underlying funds that the Policyholder assets are invested in. There is liquidity risk embedded within the Shareholder Portfolio and the types of assets held determine the liquidity profile of the company – the inability to liquidate assets at no significant discount increases the liquidity risk profile of the company.

Liquidity risk is mitigated by the Liquidity monitoring program in place, and for Investment funds underlying the Unit-Linked products, assurance of adherence to and compliance with UCITS / AIFMD liquidity requirements.

The Company has some liquidity risk in relation to the Italian substitute tax regime. Under this regime the Company pays 0.45% of the value of the Italian policies in force at each year-end to the Italian revenue as a prepayment of policyholder tax. The Italian tax asset is not substantial for the company. In 2016 this asset was circa €6.6m and this has increased during 2017 to circa €7.9m. This item is noted within the ORSA process and its growth kept under review.

Monitoring and controlling of liquidity risk is conducted via various methods including:

- The Credit risk policy dictates the instruments permitted for investment of shareholder assets – the company ensures they are highly liquid instruments with short duration and carry a low concentration risk.
- The liquidity profile of underlying assets assessed within the MIL portfolio is conducted on a regular basis to ensure the Fund Manager is satisfied with such
- Stress testing is conducted on underlying assets within the MIL portfolio on a regular basis
- Dashboards analysing and noting the shareholder liquidity are presented on a regular basis to the Board of Directors
- Given liquidity risk is not material for the company (as per the Risk Appetite Statement), no separate stress test is conducted within the ORSA process for this risk however stress testing is conducted on the underlying securities within the portfolios and this risk is monitored on a regular basis.

“Present Value Future Profit” Item:

MIL notes the “Present Value Future Profit” (“PVFP”) item of the Total Own Funds and the potential for illiquidity of this component which is driven by the profitability of the unit-linked investment business. The key drivers underpinning this include the quantum of assets under management which is dependent on market conditions, and the continued contribution of regular premium policies to the business. The MIL ORSA 2017 noted this PVFP figure at c€148m (Expected Profits Included in Future Premiums figure c€58.93m) of Total Own Funds and highlighted the significant capital charge held to cover the variability of this asset. The company is not considering any future risk mitigation for this asset at present.

C.7 Operational Risk

The company defines Operational risk as the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events. The operational risk management objective is to measure and monitor operational risks which could cause a disruption to business activities, damage to physical assets or may incur possible loss of capital, so that said risks can be managed appropriately and efficiently (accepted, reduced, transferred or eliminated).

The company has a regulatory requirement pertaining to having an Operational Risk Process in place and calculates an Operational Risk Capital charge via the Solvency II Standard Formula calculation.

The Operational Risk component of the Solvency Capital Requirement (SCR) accounted for 6% of the Total SCR as at 31st Dec 2017.

The assessment of Operational Risk is facilitated through both the Risk Self-Assessment Process and Loss Event Collection Process, the output of which is to determine if the company requires holding of additional capital to complement that already prescribed by the Standard Formula.

In contrast to underwriting risk, whereby MIL enters in a deliberate and controlled manner in the context of our business activities, operational risks are an invisible part of our business activities. The focus is therefore on risk avoidance and risk minimisation. With the aid of a Risk Self-Assessment for Operational risk, we conduct a series of reviews and from these determine any remedial actions. Within the overall framework of operational risks we consider, in particular, business process, compliance risks, outsourcing risk, information technology and business interruption risks.

Data quality is also an important factor with regard to operational risk and the company has acknowledged the importance of this key aspect. As a consequence, the company has established both a Data Governance Framework and a “Data Champion” role with the overriding goal of our data quality management being the sustainable improvement and safeguarding of data quality within MIL.

The primary operational risks identified as part of the ORSA process for the business include:

- Key person risk, systems failure, adherence to control framework, outsourcing, unit linked fund governance, identification of operational risk exposures, and adequacy of resourcing/ understanding of roles & responsibilities.

Monitoring and controlling of operational risk is conducted via various methods including:

- Risk and control assessments – the “Risk Self-Assessment” framework within the company requires all teams to carry out a risk assessment which would highlight any operational risk issues that require remediation action when assessing the risk profile of the business
- Collation and review of all operational events and action plan implementation ensures mitigation and control of operational events
- Emerging risk process and related workshops are important to ensure the company is aware of any potential emerging risks that may impact the operations
- The Solvency Capital Requirement includes an assessment and quantification of the operational risk exposure
- Communication and engagement with the business on operational risk aspects in various forms including presentations, committee dashboards, one-to-one training / engagement on the process are all tools used to ensure the risk culture within MIL associated with operational risk is harmonised
- The Operational Risk Policy ensures operates best practice with the identification, assessment and mitigation techniques utilised when mitigating operational risks across the business.

C.8 Strategic / Business Model Risk

MIL's strategy is to be an efficient, profitable, responsive and responsible life insurance product manufacturer, by leveraging on external global knowledge combined with internal technical skills to develop new products that are innovative and competitive in the markets that it serves.

Strategic risks derive from a possible imbalance between the MIL corporate strategy and the constantly changing business environment. Such an imbalance may be caused for example, by unclear strategic policy decisions, a failure to consistently implement the defined strategies and business plans, an incorrect allocation of resources or lack of foresight for business plan projections.

The company regularly reviews its business plan relative to its business strategy and adjusts the processes and resulting guidelines as and when required. With the approval of the MIL 5 Year Business plan the company has at its disposal a tool that assists them with the planning, elaboration and management of strategic objectives and measures and safeguards their overall perspective on the company and its strategic risk. In addition the management of strategic risks is assessed annually as part of the monitoring of business process risks. MIL also has in place a Product Oversight and Governance Arrangements Process which ensures that there is oversight and linkage of the Product Development process to the business model and strategy.

C.9 Other Material Risks

Regulatory Risk

A change in the regulatory, legal or political environment may have consequences on the company's business model, operations and financial position. MIL is subject to regulation by the Central Bank of Ireland. However as part of a Group Insurance Company, it also falls under the regulatory remit of Banca d'Italia is the lead supervisor for the group. MIL has branches in Spain, Germany and Italy and as such has a regulatory presence and obligations in each of those countries.

Although the Solvency II regime has now been implemented, it remains subject to future amendments to improve its operation and to better align approaches across Europe. MIL is cognisant of this factor and actively engages with third parties to ensure full understanding of any potential upstream regulatory changes.

Emerging Risks

Of importance to the company is also the risk associated with Emerging Risks. The hallmark of emerging risks is that they may not have a readily assessable value. Such risks may evolve gradually from weak signals to unmistakable tendencies. It is therefore vital to detect these risks at an early stage and then determine their relevance to the company.

For the purpose of early detection, the company has various aspects which encompass the Emerging Risk process – from engaging with the Investment Manager ("MAML") in this area on a regular basis to conducting emerging risk workshops. The company has an emerging risk process which is formally reviewed at both the Risk Committee and Board. The analysis conducted is reviewed in order to pinpoint any necessary mitigations or actions that may arise or require addressing.

C.10 Stress Testing & Scenario Analysis

Stress tests are conducted in order to be able to map both extreme scenarios and normal market scenarios for the purpose of calculating the capital required to mitigate against such events. In this context, the loss potentials for shareholder equity are simulated on the basis of already occurred or notional extreme events.

The parameters set for such stresses are determined by the Board of Directors and are directly linked to the company’s risk-bearing capacity. The impacts of the stress tests are mapped directly to the capital requirements to determine if existing capital allocated provides sufficient risk coverage or if additional capital alongside the Solvency II regulatory capital is required.

The suite of stress tests conducted target key risks present within the portfolio at any one time. As such the stress tests performed will vary over time as the composition of the portfolio and/or business model changes. The results of the stress testing analysis form a key input into Risk and Investment decisions.

A further important component of the ORSA process is the forward looking risk assessment. Here an analysis is performed which considers risks and extreme scenarios that could render the business model as non-viable. The analysis captures both quantitative and qualitative factors and provides a framework by which the impact of all identified events can be mapped to our business plan and capital requirements. The primary stress tests conducted in the recent ORSA review, assumptions/methodology and subsequent results/impact are outlined below:

Risk / Stress Test	Services Provided	Results
Underwriting Risk	Mass Lapse event on the unit-linked portfolio calibrated to reflect a 1 in 200 year event	The company maintains sufficient capital coverage over the current and projected capital bearing capacity of MIL over the business plan period However the impact of these have been accounted for in the MIL risk monitoring and ORSA process
Market Risk	Stress equity component of both unit and index linked portfolio with a probability of 1 in 20 year event	
Credit Risk	Credit shock impact on sales of new products launched during the period	
Conduct Risk	Examination of various controls in place to manage conduct risk to within the MIL appetite	
Liquidity Risk	Impact of illiquidity of PVFP asset on projected Total Own Funds	
Operational Risk	Operational risk stress test conducted via the parameters of MIL’s “internal model” for operational risk	
Strategic / Business Risk	Projection to assess capital levels with reduction in new business relative to the base case scenario	

C.11 Prudent Person Principle

Article 132 of Solvency II defines the prudent person principle. MIL considers this as being as much a behavioural standard as an assessment of judgements and investment decisions. In line with this principle, and embedded within the investment policy all MIL employees consider a number of risk indicators before entering into new investments to ensure that:

- Investments are of a suitable quality and security to meet policyholder liabilities;
- Assets are only invested in which can be suitably modelled and valued;
- Consideration is given to the duration, currency and linkage of liabilities when making investment decisions;

MIL has outsourced the Investment Management activity to MAML, as such MAML is responsible for ensuring that the MIL Investment Risk Policy is adhered to within its administration of the management of the MIL assets. As such, the Investment Manager provides MIL on a regular basis information pertaining to its investment management activity. However MIL still retains responsibility for the overall implementation of the prudent person approach.

The investment risk pertaining to Unit-linked policies is borne by the policyholders however the company has guidelines in place with the Investment Manager and monitoring controls to ensure investment of unit-linked policies is aligned with the terms and conditions provided to the Policyholder. These controls include but are not limited to:

- Detailed Investment Guidelines
- Key Information Documents (“KIID”)
- UCITS Compliant Funds
- AIFMD Compliant Funds
- Investment Manager Risk Budgeting Framework

For Treasury Credit Risk / Counterparty Default, Counterparties are selected by taking into account factors including the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and MIL ensures only counterparties with a high enough credit rating are used. In addition, MIL uses multiple counterparties to avoid concentration risk.

For managing the liquidity risk, the investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

C.12 Any other disclosure

Material Change over the reporting period

There have been no material / significant changes over the reporting period pertaining to the risks or measures used to assess risks.

The risk profile and risk appetite is updated periodically to reflect the business plan and risk environment. Monitoring and control enhancements are regular in nature to ensure the full breadth of the monitoring program in place to ensure these are in line with the business.

The company has no further material information to note regarding the risk profile.

D. Valuation For Solvency Purposes

D.1 Assets

The valuation principles applied to the Company's assets are consistent with FRS 102 and FRS 103: Insurance contracts. The Company classifies its investments into financial assets at fair value through profit and loss, held-to-maturity financial assets, loans and other receivables and available-for-sale financial assets.

For ease of reference the Balance Sheet is presented in the Solvency II format:

As at 31 December 2017, with comparison at 31 December 2016, the Company held the following assets:

Asset Class 2017	Financial Statements Value	Adjustment Required	Solvency II Value	Explanations
Deferred Acquisition costs	586	(586)	-	(1)
Intangible Assets	74	(74)	-	(2)
Tangible Assets	59	-	59	(3)
Investments (Ex assets held for index-linked and unit-linked funds)	111,213	-	111,213	(4)
Assets held for index-linked and unit-linked funds	1,680,441	-	1,680,441	(5)
Insurance & intermediaries' receivables	47	-	47	(6)
Reinsurance receivables	-	-	-	(6)
Receivables (trade, not insurance)	6,674	-	6,674	(6)
Cash and cash equivalents	28,216	-	28,216	(7)
Any other assets, not elsewhere shown	11,631	-	11,631	(6)
Total	1,838,942	(660)	1,838,282	
<i>All numbers in €'000</i>				

Asset Class 2016	Financial Statements Value	Adjustment Required	Solvency II Value	Explanations
Deferred Acquisition costs	670	(670)	-	(1)
Intangible Assets	86	(86)	-	(2)
Tangible Assets	64	-	64	(3)
Investments (Ex assets held for index-linked and unit-linked funds)	101,327	-	101,327	(4)
Assets held for index-linked and unit-linked funds	1,599,176	-	1,599,176	(5)
Insurance & intermediaries' receivables	15	-	15	(6)
Reinsurance receivables	79	-	79	(6)
Receivables (trade, not insurance)	4,097	-	4,097	(6)
Cash and cash equivalents	16,412	-	16,412	(7)
Any other assets, not elsewhere shown	12,899	-	12,899	(6)
Total	1,734,825	(756)	1,734,069	
<i>All numbers in €'000</i>				

- (1) **Deferred Acquisition Costs** – there is no concept of deferred acquisition costs in Solvency II as the premium provision only allows for future expense cash flows.
- (2) **Intangible Assets** - Intangible assets represent Software tailored to MIL’s needs and some “off the shelf” software licences. To be consistent with Article 75 of Directive 2009/138/EC for Solvency II purposes these are valued at zero.
- (3) **Tangible Assets** are stated at cost or valuation less accumulated depreciation.
- (4) **Investments (other than assets held for index-linked and unit-linked funds)** – these consist of:
 - Financial assets held for trading ; and
 - Term Deposits with credit institutions, valued at the amount held at the year end
- (5) **Assets held for index-linked and unit-linked funds** are financial assets designated at fair value through the profit and loss and acquire this designation at inception. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets, at the close of business on the balance sheet date.
- (6) **Insurance & intermediaries’ receivables/Reinsurance receivables/Receivables (trade, not insurance)/Any other assets not elsewhere shown** – Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and that the Company has no intention of trading. Receivables, subsequent to initial recognition, are held at cost less allowance for incurred impairment losses. These amounts include withholding tax on technical reserves paid to the Italian authorities, which is expected to be reclaimed in the future on maturity of the relevant policies. These prepayments are recovered from tax payable upon policyholder’s exit in the event of a gain on the underlying policy. The carrying amounts disclosed in the balance sheet for other receivables reasonably approximate fair values at balance sheet date.
- (7) **Cash and cash equivalents** - Deposits with credit institutions, valued at the amount held at the year end.

There have been no changes made to the recognition and valuation bases used of assets unless disclosed above. No changes have been made to estimations used in the year-end 2017 financial statements nor have there been any changes made to assumptions and judgements used in the financial statements process.

D.2 Technical Provisions

VALUE OF TECHNICAL PROVISIONS

The following table shows the value of the technical provisions as at 31 December 2017 and as at 31 December 2016 for comparison. All business is classified as “index-linked and unit-linked” (Line of Business 31) under Solvency II.

Technical Provisions	2017	2016
Unit Liability	1,680,155	1,598,928
Best Estimate Liability	(124,578)	(103,074)
Risk Margin	38,301	33,146
Total	1,593,877	1,529,000
<i>All numbers in €'000</i>		

METHODOLOGY AND ASSUMPTIONS

The Unit Liability is calculated as a whole and the value of the liability is set equal to the value of units deemed allocated to policyholders and is matched by corresponding unit assets held on behalf of policyholders.

The Best Estimate Liability (“BEL”) represents the projected cash-flows on the business. The projected cash-flows are calculated using cash-flow projection models developed in MoSes, an actuarial valuation model. Full policy-by-policy cash-flow projections are carried out, allowing in each case for the terms of the contractual policy conditions, the policy data as at the valuation date and assumptions regarding future experience. These cash-flows are then discounted using the relevant risk-free rates provided by EIOPA. A single deterministic projection is carried out.

The Company does not apply the matching adjustment, volatility adjustment or any transitional provisions in the calculation of the technical provisions. The Company does not have any material reinsurance arrangements and has not modelled reinsurance cash-flows.

The risk margin is calculated using the cost of capital approach set out in the Directive. The steps involved in this calculation are set out below.

- Firstly, the Solvency II capital requirement – the Solvency Capital Requirement relating to non-hedgeable risks – is projected for each future year (until the expiry of all contracts) using risk drivers.
- The SCR in each future year is then multiplied by the prescribed cost of capital rate to get the cost of holding the Solvency II capital requirement in each future year.
- These cost-of-capital figures are then discounted to a single present value using the risk-free yield curve to determine the overall risk margin.

The key assumptions used in relation to the calculation of the best estimate liabilities are as follows:

- Surrender rates;
- Paid-up rates;
- Maintenance expenses;
- Mortality rates;
- Discount rates and investment growth.

Surrender and paid-up rates are based on MIL specific experience at a product level. Mortality rates are determined at a country level based on MIL specific experience. Maintenance expense assumptions are determined at a company level based upon company specific experience. Discount rates and investment growth rates are determined by the euro risk-free structure specified by EIOPA. There was an increase in the yield curve over the course of 2017, which reduced the BEL by €1.3 million. The per policy expense assumptions increased over the course of the year, which increased the BEL by €3.3 million.

UNCERTAINTY OF TECHNICAL PROVISIONS

Uncertainty arises primarily in relation to the key assumptions specified above and the development of experience against these assumptions.

MATERIAL DIFFERENCES WITH THE FINANCIAL STATEMENTS

The table below outlines the technical provisions included in the Solvency II balance sheet relative to those included in the financial statements at end 2017 and at end 2016:

2017			
	Solvency II		Financial Statements
Unit Liability	1,680,155	Unit Liability	1,680,155
Best Estimate Liability	(124,578)	Technical Provisions	28,414
Risk Margin	38,301		
Total Technical Provisions	1,593,877	Total Technical Provisions	1,708,569
<i>All numbers in €'000</i>			

2016			
	Solvency II		Financial Statements
Unit Liability	1,598,928	Unit Liability	1,598,928
Best Estimate Liability	(103,074)	Technical Provisions	26,584
Risk Margin	33,146		
Total Technical Provisions	1,529,000	Total Technical Provisions	1,625,512
<i>All numbers in €'000</i>			

There are significant differences between the Solvency II technical provisions and those included in the financial statements. Solvency II BEL reflects all future profits, whereas the technical provisions included in the financial statements contain a reserve to smooth the recognition of future bonus payments. The technical provisions within the financial statements are also floored at zero on a policy by policy basis and there are some individual products where additional positive cash reserves are held. No risk margin is held within the financial statements.

The assumptions are generally consistent between financial statements and Solvency II, with the financial statement assumptions containing some additional margins for prudence that are not included in the Solvency II assumptions.

D.3 Other Liabilities

As at 31 December 2017 and 2016 the Company recorded the following classes of liabilities for Solvency II purposes:

Liability 2017	Financial Statements Value	Adjustment Required	Solvency II Value	Explanations
Provisions other than technical provisions	31,090	-	31,090	(1)
Deferred tax liabilities	-	14,337	14,337	(2)
Insurance & intermediaries payables	5,925	-	5,925	(3)
Payables (trade, not insurance)	11,978	-	11,978	(4)
Any other liabilities, not elsewhere shown	1,506	(656)	850	(5)
Total	50,499	13,681	64,180	
<i>All numbers in €'000</i>				

Liability 2016	Financial Statements Value	Adjustment Required	Solvency II Value	Explanations
Provisions other than technical provisions	16,589	-	16,589	(1)
Deferred tax liabilities	-	12,063	12,063	(2)
Insurance & intermediaries payables	1,806	-	1,806	(3)
Payables (trade, not insurance)	13,518	-	13,518	(4)
Any other liabilities, not elsewhere shown	1,723	(752)	971	(5)
Total	33,636	11,311	44,947	
<i>All numbers in €'000</i>				

Liabilities, other than Technical Provisions, are prepared under the historical cost convention modified by the valuation of investments.

- (1) Provisions other than technical provisions – this represents claims to be paid. Provision is made for the estimated cost of all claims notified but not settled at the balance sheet date (including death claims, surrenders, coupons and maturities). Reinsurance recoveries are accounted for in the same period as the related claim.
- (2) Deferred Tax liabilities – this is 12.5% of all differences recorded between those assets and liabilities valued on a Financial Statements basis versus a Solvency II basis.
- (3) Other creditors arising out of direct insurance operations. The carrying amounts disclosed in the balance sheet for other creditors reasonably approximate fair values at balance sheet date.
- (4) Other creditors and accruals including tax – Includes Irish and foreign taxes, Withholding tax on Italian technical reserve and a balance relating to Collateral Lending, which is linked to a corresponding offsetting amount in Deposits, these are recorded at reasonably approximate fair values at balance sheet date.
- (5) Any other liabilities, not elsewhere shown – accruals of €850k (2016: €971k) and Deferred Income Liabilities (DIL) of €656k (2016: €752k). There is no concept of DIL in Solvency II, therefore this is excluded.

D.4 Alternative Valuation Methods

The Technical Specification (EIOPA 14/209) outlines the Solvency II rules on how to value assets and liabilities, other than technical provisions. It says that, unless otherwise stated, the default reference framework should be the international accounting standards, as adopted by the European Commission in line with Regulation (EC) No 1606/2002.

In most cases those accounting standards and Solvency II give consistent valuations. Our annual statutory financial statements are in line with FRS 102 and FRS 103. For our regulatory reporting we follow Central Bank guidelines.

In line with the amendments of FRS 102 and FRS 103, the Company has disclosed its financial instruments held at fair value to be on the basis of a fair value hierarchy consistent with EU-adopted IFRS.

For investments carried at fair value, we have categorised the measurement basis into a “fair value hierarchy”. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For MIL, level 3 assets are when prices are valued based on assumptions or financial models and are received from relevant counterparties. The main assets which we consider level 3 relate to index linked products which are in run off (the Company stopped selling these products a number of years ago). These assets are valued by the individual counterparties using their own internal models. MIL uses an independent third party valuations provider who provides MIL with valuations, effectively benchmarking prices with those received from our external counterparties each month.

D.5 Any Other Information

The Directors do not consider that there is any further information which should be disclosed regarding the valuation of assets for solvency purposes.

E. Capital Management

E.1 Own Funds

The Company classifies its own funds as tier 1, tier 2 or tier 3 capital depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses.

The below provides a description of how the Company manages its capital and an analysis of the disposition and constraints over the availability of capital to meet risks and regulatory requirements.

The objectives of the Company in managing its capital includes the following;

- Ensuring that all capital management actions are consistent with MIL's Risk Appetite Statement.
- Ensuring at all times that MIL's own funds are correctly classified and remain within established guidelines and limits as laid down by the Central Bank of Ireland/Solvency II.
- Ensuring that the issuance of own funds is in accordance with the medium-term capital management plan.
- Ensuring that any statement in respect of dividends takes the Company's capital position into account.
- Identifying instances when distributions of own funds are expected to be deferred or cancelled.
- Preserving capital and where prudent contributing to the growth of surplus for the benefit of the shareholder.

MIL's own funds includes paid up share capital, reconciliation reserve and capital contributions and have also been designated as Tier 1 unrestricted capital. The capital position of the Company and the composition of the Company's own funds will be monitored on a regular basis with regular reports to the Risk Committee and Board.

The following are the minimums/limits apply to own funds in terms of meeting capital requirements:

	Condition 1	Condition 2
Solvency test	$T1 + T2 + T3 \geq SCR$	$Tier\ 1 + Tier\ 2\ Basic \geq MCR$
For SCR	$Tier\ 1 \geq 50\% \text{ of } SCR$	$Tier\ 3 < 15\% \times SCR$
For MCR	$Tier\ 1 \geq 80\% \text{ of } MCR$	N/A

The Company's capital management policy states that the Company will maintain a capital buffer in excess of its SCR to cover contingencies. It is intended that this buffer will enable the Company to withstand significant equity shocks and reduction in sales volumes without the need to raise further capital in the medium term. The Company undertakes an ORSA exercise at least annually, or when the risk profile of the Company changes. The ORSA exercise incorporates the business planning process which is typically considered over a three-year time horizon. This figure will be reviewed each year in light of the outcomes of the ORSA process and the preparation of any business/capital plans which could shed light on any potential capital shortfalls.

The Company was in compliance with capital requirements of the Central Bank of Ireland imposed by regulators and has met all of its capital management objectives throughout the financial year. Throughout 2016 MIL has maintained a ratio of eligible funds to SCR above the Solvency II limits and in excess of 145%, the Company's minimum limit in the Risk Appetite Statement.

The Company's Solvency Coverage percentage at 31 December 2017 was 191% (31 December 2016: 201%).

The Company's total eligible Own Funds to cover the SCR and MCR at 31 December 2017 and comparison for 2016 are as follows:

	2017	2017	2016	2016
Basic Own Funds (All Tier 1 Items)	Amount	%	Amount	%
Share Capital	1,395	0.8%	1,395	0.9%
Capital Contribution	58,729	34.2%	58,729	37.7%
Reconciliation Reserve	111,701	65.0%	95,701	61.4%
Total eligible Own Funds	171,824		155,825	
<i>All numbers in €'000</i>				

Capital Contribution represents "Other items approved by supervisory authority as basic own funds", this was approved by the CBoI on 26th November 2016.

The reconciliation reserve, €111,701k increased from €95,701k in 2016, the difference reflecting the higher profit in 2017 and hence the higher foreseeable dividend.

The reconciliation reserve represents retained earnings and reconciliations adjustments from the financial statements Balance Sheet to SII Balance Sheet.

<i>2017</i>				
Reconciliation Reserve	FS Value	Adjustment Required	Solvency II Value	Explanations
Retained Earnings	19,750	-	19,750	
Adjustments to Assets	-	(660)	(660)	(1)
Adjustments to Technical Provisions	-	114,692	114,692	(2)
Adjustments to Other Liabilities	-	(13,681)	(13,681)	(3)
Foreseeable Dividend	-	(8,400)	(8,400)	(4)
Total	19,750	91,951	111,701	
<i>All numbers in €'000</i>				

- (1) **Adjustments to Assets** – An amount of €586k for deferred acquisition costs and an amount of €74k for intangible assets is adjusted to financial statement equity balance to show on a Solvency II basis.
- (2) **Adjustments to Technical Provisions** – This adjustment to the reconciliation reserve shows the impact of the technical provisions being calculated under Solvency II principles (Best Estimate Liability and risk margin) and the Financial Statement accounting standards.
- (3) **Adjustments to Other Liabilities** – There is a €13,681 decrease on the Solvency reconciliation reserve in relation to liabilities other than the adjustments to technical provisions. A deferred tax liability has been included and the deferred income liability of €656k has been excluded in accordance with Solvency II principles.
- (4) **Foreseeable Dividend** – Dividends to be paid out of current year profits. This amount was approved by the Board of Directors and paid out in February 2018 and therefore in accordance with the accounting standards not included in year ended 31 December 2017 financial statements.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The SCR and MCR figures at year-end are as follows:

Capital Requirements	2017	2016
SCR	89,860	77,677
MCR	22,465	19,419
<i>All numbers in €'000</i>		

The SCR is calculated using the standard formula and the split of the SCR by risk module is as follows:

SOLVENCY CAPITAL REQUIREMENT (SCR)	2017	2016
Underwriting Risk	49,851	44,799
Counterparty Risk	9,817	7,238
Market Risk	68,134	57,517
<i>Diversification Effects</i>	(30,328)	(25,732)
Operational Risk	5,223	4,951
Deferred Tax	(12,837)	(11,097)
SCR	89,860	77,677
<i>All numbers in €'000</i>		

The Company does not use any simplified calculations or any company specific parameters in the calculation of the SCR.

The SCR is reduced to reflect the loss absorbing capacity of deferred taxes ("LACDT"). LACDT is set equal to the Irish corporation tax rate times the gross SCR, noting that the actual tax rate paid by the Company is slightly higher in practice because of taxation within the branches.

There are currently no capital add-ons applied by the Central Bank of Ireland.

MCR INPUTS

The inputs used in the calculation of the MCR are as follows:

- The technical provisions (excluding the risk margin) equal to €1,556 million.
- The total capital at risk equal to €81 million.
- SCR amount as calculated for the Company. Details of the SCR amounts are set out above. The MCR is capped and floored at 25% and 45% of the SCR.

The floor of 25% of the SCR applies for MIL at end 2017.

MATERIAL MOVEMENTS IN MCR AND SCR OVER THE YEAR

The SCR increased from €77.7 million at end 2016 to €89.9 million at end 2017. The SCR increased mainly because of an increase in the equity SCR, which increased from €42.1 million to €50.9 million. Equity SCR increased substantially because of increase in BEL and a change in the equity risk symmetric adjustment. The adjustment is now positive (1.9%) compared to a negative adjustment at year-end 2016 (-1.44%). The increase in BEL was primarily a result of new business written during the year. The increase in BEL also resulted in an increase in the lapse SCR, which grew from €39.4 million to €43.8 million.

The MCR increased from €19.4 million to €22.5 million driven by the increase in SCR. The MCR was calculated as 25% of the SCR at both year-ends.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The company is not using this approach in the calculation of the Solvency Capital Requirement.

E.4 Internal Model Information

The company is not using an internal model in the calculation of the Solvency II Requirement.

E.5 Non Compliance with the MCR and Non Compliance with the SCR

The Company maintained capital sufficient to meet its minimum capital requirement and solvency capital requirement throughout the period covered in this report.

E.6 Any Other Information

The Directors do not consider that there is any further information which should be disclosed regarding the capital management of the Company.

F. Appendix 1 - Quantative reporting templates (QRTs) 2017

S.02.01 – Balance Sheet (000's)

	Solvency II value	
	C0010	
Assets	R0030	
Intangible assets	R0040	
Deferred tax assets	R0050	
Pension benefit surplus	R0060	59
Property, plant & equipment held for own use	R0070	111,213
Investments (other than assets held for index-linked and unit-linked contracts)	R0080	
Property (other than for own use)	R0090	
Holdings in related undertakings, including participations	R0100	
Equities	R0110	
Equities - listed	R0120	
Equities - unlisted	R0130	31,423
Bonds	R0140	30,551
Government Bonds	R0150	160
Corporate Bonds	R0160	713
Structured notes	R0170	
Collateralised securities	R0180	
Collective Investments Undertakings	R0190	172
Derivatives	R0200	79,618
Deposits other than cash equivalents	R0210	
Other investments	R0220	1,680,441
Assets held for index-linked and unit-linked contracts	R0230	
Loans and mortgages	R0240	
Loans on policies	R0250	
Loans and mortgages to individuals	R0260	
Other loans and mortgages	R0270	
Reinsurance recoverables from:	R0280	
Non-life and health similar to non-life	R0290	
Non-life excluding health	R0300	
Health similar to non-life	R0310	
Life and health similar to life, excluding health and index-linked and unit-linked	R0320	
Health similar to life	R0330	
Life excluding health and index-linked and unit-linked	R0340	
Life index-linked and unit-linked	R0350	
Deposits to cedants	R0360	47
Insurance and intermediaries receivables	R0370	
Reinsurance receivables	R0380	6,674
Receivables (trade, not insurance)	R0390	
Own shares (held directly)	R0400	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0410	28,216
Cash and cash equivalents	R0420	11,631
Any other assets, not elsewhere shown	R0500	1,838,282
Total assets		

	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	R0510
Technical provisions – non-life (excluding health)	R0520
TP calculated as a whole	R0530
Best Estimate	R0540
Risk margin	R0550
Technical provisions - health (similar to non-life)	R0560
TP calculated as a whole	R0570
Best Estimate	R0580
Risk margin	R0590
Technical provisions - life (excluding index-linked and unit-linked)	R0600
Technical provisions - health (similar to life)	R0610
TP calculated as a whole	R0620
Best Estimate	R0630
Risk margin	R0640
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650
TP calculated as a whole	R0660
Best Estimate	R0670
Risk margin	R0680
Technical provisions – index-linked and unit-linked	R0690
TP calculated as a whole	1,593,877
Best Estimate	R0700
Risk margin	R0710
Contingent liabilities	1,555,577
	R0720
	38,301
	R0740
	31,090
Provisions other than technical provisions	R0750
Pension benefit obligations	R0760
Deposits from reinsurers	R0770
	14,337
Deferred tax liabilities	R0780
Derivatives	R0790
Debts owed to credit institutions	R0800
Financial liabilities other than debts owed to credit institutions	R0810
Insurance & intermediaries payables	R0820
Reinsurance payables	5,925
Payables (trade, not insurance)	R0830
Subordinated liabilities	R0840
Subordinated liabilities not in BOF	11,978
Subordinated liabilities in BOF	R0850
Any other liabilities, not elsewhere shown	R0860
	R0870
	R0880
	850
Total liabilities	R0900
	1,658,058
Excess of assets over liabilities	R1000
	180,224

S.05.01 – Premiums, claims and expenses by line of business (000's)

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
Premiums written									
Gross	R1410		410,746						410,746
Reinsurers' share	R1420		10						10
Net	R1500		410,736						410,736
Premiums earned									
Gross	R1510		410,746						410,746
Reinsurers' share	R1520		10						10
Net	R1600		410,736						410,736
Claims incurred									
Gross	R1610		400,641						400,641
Reinsurers' share	R1620		5						5
Net	R1700		400,635						400,635
Changes in other technical provisions									
Gross	R1710		(83,013)						(83,013)
Reinsurers' share	R1720								
Net	R1800		(83,013)						(83,013)
Expenses incurred	R1900		46,294						46,294
Other expenses	R2500								
Total expenses	R2600								46,294

S.05.02 – Premiums, claims and expenses by country (000's)

	R1400	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0210
		C0220	C0230	C0240	C0250	C0280
Premiums written						
Gross	R1410		16,516	302,523	91,696	410,736
Reinsurers' share	R1420		10	-	-	10
Net	R1500		16,516	302,523	91,696	410,736
Premiums earned						
Gross	R1510		16,526	302,523	91,696	410,746
Reinsurers' share	R1520		10	-	-	10
Net	R1600		16,516	302,523	91,696	410,736
Claims incurred						
Gross	R1610		17,424	260,786	122,431	400,641
Reinsurers' share	R1620		5	-	-	5
Net	R1700		17,419	260,786	122,431	400,635
Changes in other technical provisions						
Gross	R1710		(7,149)	(81,981)	6,117	(83,013)
Reinsurers' share	R1720		-	-	-	-
Net	R1800		(7,149)	(81,981)	6,117	(83,013)
Expenses incurred	R1900	6,270	13,387	10,555	16,081	46,294
Other expenses	R2500					
Total expenses	R2600					46,294

S.12.01 – Life and Health SLT Technical Provisions (000's)

Annex I
 S.12.01.02
 Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees					
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole										
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			1,555,577							1,555,577
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total			1,555,577							1,555,577
Risk Margin		38,301								38,301
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole										
Best estimate										
Risk margin										
Technical provisions - total		1,593,877								1,593,877

S.23.01 – Own Funds (000's)

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

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

Own funds from the financial statements that 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

Deductions

- Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

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

Total ancillary own funds

Available and eligible own funds

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

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

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

Reconciliation reserve

Expected profits

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

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	1,395	1,395			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	111,701	111,701			
R0140					
R0160					
R0180	58,729	58,729			
R0220					
R0230					
R0290	171,824	171,824			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	171,824	171,824			
R0510	171,824	171,824			
R0540	171,824	171,824			
R0550	171,824	171,824			
R0580	89,860				
R0600	22,465				
R0620	191%				
R0640	765%				

	C0060
R0700	180,224
R0710	
R0720	8,400
R0730	60,123
R0740	
R0760	111,701
R0770	58,933
R0780	
R0790	58,933

S.25.01 – Solvency Capital Requirement - for groups on Standard Formula (000's)

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Market risk
 Counterparty default risk
 Life underwriting risk
 Health underwriting risk
 Non-life underwriting risk
 Diversification
 Intangible asset risk
Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Operational risk
 Loss-absorbing capacity of technical provisions
 Loss-absorbing capacity of deferred taxes
 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
Solvency capital requirement excluding capital add-on
 Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module
 Total amount of Notional Solvency Capital Requirement for remaining part
 Total amount of Notional Solvency Capital Requirements for ring fenced funds
 Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
 Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	68,134		
R0020	9,817		
R0030	49,851		
R0040			
R0050			
R0060	(30,328)		
R0070			
R0100	97,474		
	C0100		
R0130	5,223		
R0140			
R0150	(12,837)		
R0160			
R0200	89,860		
R0210			
R0220	89,860		
R0400			
R0410			
R0420			
R0430			
R0440			

S.28.01 – Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (000's)

Linear formula component for life insurance and reinsurance obligations

	C0040	
MCR _L Result	R0200	10,946

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

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
R0210		
R0220		
R0230	1,555,577	
R0240		
R0250		81,267

Overall MCR calculation

	C0070	
Linear MCR	R0300	10,946
SCR	R0310	89,860
MCR cap	R0320	40,437
MCR floor	R0330	22,465
Combined MCR	R0340	22,465
Absolute floor of the MCR	R0350	3,700
	C0070	
Minimum Capital Requirement	R0400	22,465

G. Appendix 2 - Quantative reporting templates (QRTs) 2016

S.02.01 – Balance Sheet 2016 (000's)

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	64,19
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	101,327
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	45,417
Government Bonds	R0140	43,633
Corporate Bonds	R0150	736
Structured notes	R0160	1,048
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	190
Deposits other than cash equivalents	R0200	55,719
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	1,599,176
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	15
Reinsurance receivables	R0370	79
Receivables (trade, not insurance)	R0380	4,097
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	16,412
Any other assets, not elsewhere shown	R0420	12,899
Total assets	R0500	1,734,070

	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	
Technical provisions – non-life (excluding health)	
TP calculated as a whole	R0510
Best Estimate	R0520
Risk margin	R0530
Technical provisions - health (similar to non-life)	R0540
TP calculated as a whole	R0550
Best Estimate	R0560
Risk margin	R0570
Technical provisions - life (excluding index-linked and unit-linked)	R0580
Technical provisions - health (similar to life)	R0590
TP calculated as a whole	R0600
Best Estimate	R0610
Risk margin	R0620
Technical provisions – life (excluding health and index-linked and unit-linked)	R0630
TP calculated as a whole	R0640
Best Estimate	R0650
Risk margin	R0660
Technical provisions – index-linked and unit-linked	R0670
TP calculated as a whole	R0680
Best Estimate	R0690 1,529,000
Risk margin	R0700 -
Contingent liabilities	R0710 1,495,854
Provisions other than technical provisions	R0720 33,146
Pension benefit obligations	R0740 -
Deposits from reinsurers	R0750 16,589
Deferred tax liabilities	R0760 -
Derivatives	R0770 -
Debts owed to credit institutions	R0780 12,063
Financial liabilities other than debts owed to credit institutions	R0790 -
Insurance & intermediaries payables	R0800 -
Reinsurance payables	R0810 -
Payables (trade, not insurance)	R0820 1,806
Subordinated liabilities	R0830 -
Subordinated liabilities not in BOF	R0840 13,518
Subordinated liabilities in BOF	R0850 -
Any other liabilities, not elsewhere shown	R0860 -
Total liabilities	R0870 -
Excess of assets over liabilities	R0880 971
	R0900 1,573,946
	R1000 160,124

S.05.01 – Premiums, claims and expenses by line of business 2016 (000's)

		Line of Business for: life insurance obligations					Life reinsurance obligations		Total	
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance		Life reinsurance
		C0210	C0220	C0230	C0240	C0250	C0260	C0270		C0280
Premiums written										
Gross	R1410			378,282					378,282	
Reinsurers' share	R1420			7					7	
Net	R1500			378,275					378,275	
Premiums earned										
Gross	R1510			378,282					378,282	
Reinsurers' share	R1520			7					7	
Net	R1600			378,275					378,275	
Claims incurred										
Gross	R1610			344,614					344,614	
Reinsurers' share	R1620			79					79	
Net	R1700			344,534					344,534	
Changes in other technical provisions										
Gross	R1710			(77,974)					(77,974)	
Reinsurers' share	R1720								-	
Net	R1800			(77,974)					(77,974)	
Expenses incurred	R1900			41,395					41,395	
Other expenses	R2500									
Total expenses	R2600								41,395	

S.05.02 – Premiums, claims and expenses by country 2016 (000's)

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0210
		C0220	C0230	C0240	C0250	C0280
	R1400		Germany	Italy	Spain	
Premiums written						
Gross	R1410		19,291	281,471	77,519	378,282
Reinsurers' share	R1420		7	-	-	7
Net	R1500		19,284	281,471	77,519	378,275
Premiums earned						
Gross	R1510		19,291	281,471	77,519	378,282
Reinsurers' share	R1520		7	-	-	7
Net	R1600		19,284	281,471	77,519	378,274.98
Claims incurred						
Gross	R1610		13,741	241,159	89,714	344,614
Reinsurers' share	R1620		79	-	-	79
Net	R1700		13,662	241,159	89,714	344,534
Changes in other technical provisions						
Gross	R1710		(12,181)	(62,347)	(3,446)	(77,974)
Reinsurers' share	R1720		-	-	-	-
Net	R1800		(12,181)	(62,347)	(3,446)	(77,974)
Expenses incurred	R1900	6,390	12,504	9,105	13,397	41,395
Other expenses	R2500					
Total expenses	R2600					41,395

S.12.01 – Life and Health SLT Technical Provisions 2016 (000's)

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees					
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020									
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	R0030		1,495,854							1,495,854
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080									
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		1,495,854							1,495,854
Risk Margin	R0100	33,146								33,146
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0110									
Best estimate	R0120									
Risk margin	R0130									
Technical provisions - total	R0200	1,529,000								1,529,000

S.23.01 – Own Funds 2016 (000's)

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

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

Own funds from the financial statements that 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

Deductions

- Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

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

Total ancillary own funds

Available and eligible own funds

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

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

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

Reconciliation reserve

Expected profits

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

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	1,395	1,395			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	95,701	95,701			
R0140					
R0160					
R0180	58,729	58,729			
R0220					
R0230					
R0290	155,824	155,824			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	155,824	155,824			
R0510	155,824	155,824			
R0540	155,824	155,824			
R0550	155,824	155,824			
R0580	77,677				
R0600	19,419				
R0620	201%				
R0640	802%				
	C0060				
R0700	160,124				
R0710					
R0720	4,300				
R0730	60,123				
R0740					
R0760	95,701				
R0770	62,913				
R0780					
R0790	62,913				

S.25.01 – Solvency Capital Requirement - for groups on Standard Formula 2016 (000's)

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
Market risk	R0010 57,517		
Counterparty default risk	R0020 7,238		
Life underwriting risk	R0030 44,799		
Health underwriting risk	R0040		
Non-life underwriting risk	R0050		
Diversification	R0060 - 25,732		
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100 83,822		
Calculation of Solvency Capital Requirement			
Operational risk	R0130 C0100 4,951		
Loss-absorbing capacity of technical provisions	R0140		
Loss-absorbing capacity of deferred taxes	R0150 - 11,097		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160		
Solvency capital requirement excluding capital add-on	R0200 77,677		
Capital add-on already set	R0210		
Solvency capital requirement	R0220 77,677		
Other information on SCR			
Capital requirement for duration-based equity risk sub-module	R0400		
Total amount of Notional Solvency Capital Requirement for remaining part	R0410		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420		
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430		
Diversification effects due to RFF nSCR aggregation for article 304	R0440		

S.28.01 – Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity 2016 (000's)

Linear formula component for life insurance and reinsurance obligations

	C0040
MCR _L Result	R0200 10,538

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

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
R0210		
R0220		
R0230	1,495,854	
R0240		
R0250		95,718

Overall MCR calculation

	C0070
Linear MCR	R0300 10,538
SCR	R0310 77,677
MCR cap	R0320 34,955
MCR floor	R0330 19,419
Combined MCR	R0340 19,419
Absolute floor of the MCR	R0350 3,700
	C0070
Minimum Capital Requirement	R0400 19,419